Non-consolidated Financial Results
for the Nine Months Ended December 31, 2012 [Japanese GAAP]

January 31, 2013

Company name:	ITC NETWORKS CORPORATION	Stock exchange listing:			Tokyo Stock Exchange
Stock code:	9422	URL:	http://www.itcnetwork.co.jp		
Representative:	(Title) President	(Name)	Ichizo Teramoto		
Contact:	(Title) General Manager, Corporate Planning	(Name)	Noriaki Kanno	Phone:	+81-3-5739-3702

Scheduled date for filing of quarterly report: February 12, 2013
Scheduled date of commencement of dividend payment: —
Availability of supplementary briefing material on quarterly financial results: Available
Schedule of briefing session on quarterly financial results: Not scheduled

(Figures are rounded down to the nearest million yen.)

1. Financial Results for the Nine Months Ended December 31, 2012 (from April 1, 2012 to December 31, 2012)

(1) Non-consolidated Operating Results (Cumulative) (% indicates rate of change from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Net income	
Nine months ended	million yen	%	million yen	%	million yen	%	million yen	%
December 31, 2012	137,776	49.9	3,829	23.3	3,909	24.0	1,963	47.2
December 31, 2011	91,924	4.8	3,106	1.7	3,153	2.2	1,333	(3.4)

	Earnings per share (EPS)	Diluted EPS
Nine months ended	yen	yen
December 31, 2012	40.51	—
December 31, 2011	29.81	—

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio
As of	million yen	million yen	%
December 31, 2012	91,056	27,083	29.7
March 31, 2012	48,944	19,677	40.2

(Reference) Equity: December 31, 2012: 27,083million yen March 31, 2012: 19,677 million yen

2. Dividends

	Annual dividends				
	1Q end	2Q end	3Q end	Year end	Total
	yen	yen	yen	yen	yen
Year ended March 31,2012	—	13.25	—	13.25	26.50
Year ending March 31,2013	—	13.25	—		
Year ending March 31,2013(Forecast)				13.25	26.50

(Note) Revision of recently-announced dividend forecast: None

3. Financial Forecast for Fiscal Year Ending March 31, 2013 (from April 1, 2012 to March 31, 2013)

(% indicates rate of change from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Net income		EPS
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Year ending March 31, 2013	200,000	55.4	6,200	25.9	6,200	24.1	3,200	41.0	63.60

(Note) Revision of recently-announced financial forecast: None

Notes

(1) Application of special accounting method for preparing quarterly non-consolidated financial statements: None

(2) Changes in accounting policies, changes in accounting estimates and restatements

(i) Changes in accounting policies due to revision of accounting standards, etc.: None

(ii) Changes in accounting policies other than (i) above: Yes

(iii) Changes in accounting estimates: Yes

(iv) Restatements: None

(Note) For details, please refer to "Summary Information (Notes)" on page 3 of the Appendix.

(3) Number of shares issued (common stock)

(i) Number of shares issued as of the end of period (including treasury stock)	As of December 31,2012	55,923,000 shares	As of March 31,2012	44,738,400 shares
(ii) Number of shares of treasury stock as of the end of period	As of December 31,2012	254 shares	As of March 31,2012	254 shares
(iii) Average number of shares during the period (cumulative)	For the nine months ended December 31,2012	48,479,903 shares	For the nine months ended December 31,2011	44,738,146 shares

*** Indication of implementation status of quarterly review procedures**

- These quarterly non-consolidated financial results are outside the scope of quarterly review procedures under the Financial Instruments and Exchange Act. At the time of disclosing this report, quarterly review procedures are being conducted with respect to the quarterly non-consolidated financial statements.

*** Explanation of appropriate use of financial forecasts and other special notes**

- Financial forecasts and other forward-looking statements herein are based on information available to the Company and certain assumptions deemed reasonable as at the time of preparing this report. The Company does not guarantee that any forecasts would be met. Actual results may vary significantly from the forecasts due to a wide range of factors. For information on assumptions of the financial forecasts and matters to be heeded upon using the financial forecasts, please refer to "Qualitative Information on Financial Forecasts" on page 3 of the Appendix.

○Contents of Appendix

1. Qualitative Information on Quarterly Non-consolidated Financial Results

(1) Qualitative Information on Operating Results

For the nine months ended December 31, 2012, the Japanese economy showed signs of gradual recovery in personal consumption, but the economic climate still remained tough. While the new administration established in December has suggested various economic measures including bold monetary policies, the domestic economy is still exposed to downside risks, given that there are uncertainties such as the lingering European sovereign debt crisis and the economic slowdown of China, which had been the driving force of the global economy.
In the mobile phone market in which the Company conducts business activities, sales were brisk, due in part to the ongoing strong consumer appetite for smartphones and the growing demand to replace mobile phones with LTE handsets.
In such a business climate, the Company merged with Panasonic Telecom Co., Ltd. on October 1, 2012. The Company established a committee to facilitate the integration and commenced various studies to maximize synergies from the merger. Also, in order to further enhance the sales of smartphones, the Company relocated and renovated carrier-certified shops, and endeavored to improve efficiency and customer satisfaction by educating shop staff and sharing sales expertise. This led to an increase in the number of units sold by 31.6% year-on-year to 1,690,000 units.
As a result, the Company's financial results for the nine months ended December 31, 2012 were 137,776 million yen in net sales (up 49.9% year-on-year), 3,829 million yen in operating income (up 23.3%), 3,909 million yen in ordinary income (up 24.0%), and 1,963 million yen in net income (up 47.2%), due in part to the impact of the reduction in the corporate tax rate following the revision of the taxation system.

The financial results of each business segment were as follows.

(Consumer Business)
The Company increased the number of units sold as a result of relocating and renovating carrier-certified shops (which mainly involved installing more customer service counters and expanding space where customers could try out smartphones) to meet the strong demand for smartphones, in addition to enhancing its network of carrier-certified shops in association with the merger. Consequently, net sales increased 55.4% year-on-year to 126,018 million yen, and operating income increased 50.0% to 4,811 million yen.

(Corporate Business)
Although the customer base expanded in conjunction with the merger, the Company was not able to increase the sales of handsets enough to offset the decrease in commissions from telecom carriers. Consequently, net sales increased 8.4% year-on-year to 11,757 million yen, but operating income decreased 24.1% to 1,144 million yen.

(2) Qualitative Information on Financial Position

Status of Assets, Liabilities and Net Assets

(Assets)
Current assets increased by 24,564 million yen from the end of the previous fiscal year to 66,871 million yen. This was due to the increase in accounts receivable-trade by 18,141 million yen, the decrease in short-term investment securities by 8,100 million yen, the increase in merchandise and finished goods by 5,535 million yen, the increase in accounts receivable-other by 5,718 million yen, etc.
Noncurrent assets increased by 17,547 million yen from the end of the previous fiscal year to 24,185 million yen. This was attributable to the increase in property, plant and equipment by 2,195 million yen, the increase in goodwill by 1,578 million yen, the increase in the right of career shop management by 13,581 million yen, etc.
As a result, total assets increased by 42,112 million yen from the end of the previous fiscal year to 91,056 million yen.

(Liabilities)
Current liabilities increased by 31,536 million yen from the end of the previous fiscal year to 59,174 million yen. This was due to the increase in accounts payable-trade by 13,359 million yen, the increase in accrued agency commission by 2,900 million yen, the increase in short-term loans payable by 9,000 million yen, the increase in accounts payable-other by 5,647 million yen, the decrease in income taxes payable by 1,475 million yen, etc.
Noncurrent liabilities increased by 3,168 million yen from the end of the previous fiscal year to 4,799 million yen. This was attributable to the increase in provision for retirement benefits by 2,019 million yen, etc.
As a consequence, total liabilities increased by 34,705 million yen from the end of the previous fiscal year to 63,973 million yen.

(Net assets)
Net assets increased by 7,406 million yen from the end of the previous fiscal year to 27,083 million yen. This was due to the increase in capital surplus by 6,598 million yen, etc.
As a result, the Company's equity ratio was 29.7%.

(3) Qualitative Information on Financial Forecasts

During the nine months ended December 31, 2012, the full year forecasts were met to the following extent: 68.9% of net sales; 61.8% of operating income; 63.1% of ordinary income; and 61.4% of net income. No changes have been made to the financial forecasts, given that the Company's earnings are combined with those of Panasonic Telecom Co., Ltd. starting from the second half of the fiscal year following the merger between the two companies on October 1, 2012, and that the sales of smartphones are expected to heat up further in the sales race during the school graduation/entrance season in March.

2. Summary Information (Notes)

(1) Changes in Accounting Policies, Changes in Accounting Estimates and Restatements

(Change in depreciation method and review of useful life of noncurrent assets)

From the first quarter, the Company changed the depreciation method of noncurrent assets from the declining balance method to the straight line method. In conjunction with this, the useful life of store facilities was principally changed to seven years.
The declining balance method had conventionally been adopted as the depreciation method, as it was deemed reasonable in an environment where the number of units sold per store was on a downtrend. However, the decrease in the number of units sold is coming to a halt, thanks to the release of smartphones. Also, handsets are gaining a higher status as a social infrastructure in line with changes in the environment surrounding mobile phone sales business, and ongoing, stable services related to handsets provided by stores are becoming increasingly important in relative terms. For these reasons, the Company determined that it would be more reasonable to depreciate facilities based on the straight line method, whereby expenses are borne evenly over the duration which the facilities are used. After having clarified its in-house policy to promote the relocation/renovation of stores in pursuit of customer services, the Company decided to change the depreciation method from the first quarter.
Also, having clarified its store relocation/renovation policies and changed the depreciation method as described above, the Company considered reviewing the estimated usable period of store facilities; as a result, the useful lives of store facilities were reviewed and changed principally to seven years for the future.
This has resulted in the figures of operating income, ordinary income and income before income taxes being higher by 52 million yen each for the third quarter of the fiscal year under review than they would have been under the conventional method.

3. Quarterly Non-Consolidated Financial Statements

(1) Quarterly Non-Consolidated Balance Sheets

(Million yen)

	As of March 31,2012	As of December 31,2012
Assets		
Current assets		
Cash and deposits	1,242	1,114
Accounts receivable-trade	19,511	37,652
Short-term investment securities	8,100	—
Merchandise and finished goods	6,186	11,722
Accounts receivable-other	5,693	11,411
Deposits paid	118	405
Other	1,458	4,588
Allowance for doubtful accounts	(3)	(23)
Total current assets	42,306	66,871
Noncurrent assets		
Property, plant and equipment	1,229	3,425
Intangible assets		
Goodwill	944	2,523
The right of career shop management	—	13,581
Other	521	637
Total intangible assets	1,466	16,741
Investments and other assets	3,942	4,018
Total noncurrent assets	6,637	24,185
Total assets	48,944	91,056
Liabilities		
Current liabilities		
Accounts payable-trade	11,836	25,196
Accrued agency commission	3,055	5,956
Short-term loans payable	—	9,000
Accounts payable-other	6,205	11,853
Income taxes payable	1,475	—
Provision for bonuses	2,010	1,646
Provision for directors' bonuses	27	14
Other	3,026	5,506
Total current liabilities	27,637	59,174
Noncurrent liabilities		
Provision for retirement benefits	1,475	3,495
Provision for directors' retirement benefits	19	8
Asset retirement obligations	8	349
Other	126	945
Total noncurrent liabilities	1,630	4,799
Total liabilities	29,267	63,973

(Million yen)

	As of March 31,2012	As of December 31,2012
Net assets		
Shareholders' equity		
Capital stock	2,778	2,778
Capital surplus	3,180	9,779
Retained earnings	13,560	14,339
Treasury stock	(0)	(0)
Total shareholders' equity	19,520	26,897
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	157	186
Total valuation and translation adjustments	157	186
Total net assets	19,677	27,083
Total liabilities and net assets	48,944	91,056

(2) Quarterly Non-Consolidated Statements of Income

(Million yen)

	Nine months ended December 31, 2011	Nine months ended December 31, 2012
Net sales	91,924	137,776
Cost of sales	71,621	112,637
Gross profit	20,302	25,138
Selling, general and administrative expenses	17,196	21,309
Operating income	3,106	3,829
Non-operating income		
Interest income	5	4
Dividends income	11	11
Income related to sales contest	23	16
Support money of store move etc income	11	41
Other	28	19
Total non-operating income	81	92
Non-operating expenses		
Interest expenses	—	3
Loss on sales and retirement of noncurrent assets	28	7
Compensation expenses	4	—
Other	1	0
Total non-operating expenses	33	12
Ordinary income	3,153	3,909
Extraordinary income		
Gain on sales of noncurrent assets	1	—
Total extraordinary income	1	—
Extraordinary loss		
Loss on closing of stores	6	49
Loss on sales and retirement of noncurrent assets	6	25
Loss on valuation of golf club membership	5	20
Loss on valuation of stocks of subsidiaries and affiliates	—	25
Impairment loss	19	42
Other	1	1
Total extraordinary losses	39	164
Income before income taxes	3,115	3,744
Income taxes-current	1,254	680
Income taxes-deferred	527	1,100
Total income taxes	1,781	1,781
Net income	1,333	1,963

(3) Notes on Going Concern Assumption

Not applicable.

(4) Business Combination, etc.

1. Outline of Business Combination

(i) Name of acquired company and description of its business
(Name of acquired company)
Panasonic Telecom Co., Ltd.
(Description of business)
Sale of mobile phone handsets (operation of 241 carrier-certified shops (154 owned-and-operated shops and 87 outsourced shops)) and corporate solutions business, etc.

(ii) Main reasons for executing business combination
The Company's main market is the Kanto region, and it had a well-balanced mix of carrier-certified shops, mass retailers and corporate sales as its sales channels. Panasonic Telecom Co., Ltd. has a high market share in each area nationwide, especially in the Kansai region, and has an edge in carrier-certified shops. Accordingly, the Company considered that an optimal complementary relationship could be established, leveraging each other's strengths. The Company also considered that the merger would give rise to an enterprise with more than 3 million units sold per year, 421 carrier-certified shops and a customer base exceeding 7,850,000 individual members at shops, as well as the corporate customer base of the Itochu Group and the Panasonic Group, in addition to the existing corporate customers totaling 10,000 companies and 500,000 lines, and would enable the cross-selling of their respective merchandise and services, realize the diversification of sources of income, and thus make it possible to seek further growth.

(iii) Business combination date
October 1, 2012

(iv) Legal form of business combination
Absorption-type merger in which the Company becomes the surviving company and Panasonic Telecom Co., Ltd. becomes the merged company

(v) Name of company after the merger
ITC NETWORKS CORPORATION

(vi) Percentage of voting rights acquired
100%

(vii) Main reason that led to determination of acquirer
It is an absorption-type merger in which the consideration is cash and the Company's shares; therefore, the Company is the acquirer.

2. Period of financial results of the acquired company included in the quarterly financial statements

From October 1, 2012 to December 31, 2012

3. Acquisition cost of the acquired company and its breakdown

Consideration for acquisition	The Company's common stock	6,598 million yen
	Cash and deposits	9,900 million yen
Expenses directly needed for acquisition	Advisory expenses, etc.	74 million yen
Acquisition cost		16,573 million yen

4. Exchange ratio by type of stock and calculation method of exchange ratio, and number of shares issued

(i) Exchange ratio by type of stock
55.923 shares in the form of common stock of the Company and cash in the amount of 49,500 yen were allocated and issued per common stock of Panasonic Telecom Co., Ltd.

(ii) Calculation method of stock exchange ratio
Multiple financial advisors were requested to calculate the stock exchange ratio. Based on the reports they submitted, the ratio was calculated subject to consultation between the parties.

(iii) Number of shares issued
Number of shares issued: 11,184,600 shares

5. Amount, origin, amortization method and amortization period of goodwill arising from business combination

(i) Amount of goodwill arising from business combination
2,169 million yen
The amount of goodwill was calculated on a provisional basis, as the allocation of the acquisition cost is yet to be completed.

(ii) Origin
Excess earning power expected from future business expansion

(iii) Amortization method and amortization period
Straight-line method over a period of 20 years

(5) Segment Information

1. Overview of reporting segments

Reporting segments of the Company are constituent units of the Company for which separate financial statements are available and subject to periodic examination by the Board of Directors for the purpose of determining the allocation of management resources and evaluating business performance.
The Company's core business is to serve as a sales agency for mobile phones, which involves acting as an intermediary for concluding contracts of mobile phone and other communication services, providing after-sale services to subscribers, and selling handsets, etc.
Therefore, the reporting segments of the Company are "Consumer Business" and "Corporate Business", based on the attributes of customers to whom merchandise is sold and services are provided.
In "Consumer Business", the Company acts as an intermediary for concluding contracts of mobile phones and other communication services, provides after-sales services and sells handsets, etc. targeted at consumer-customers.
In "Corporate Business", the Company mainly acts as an intermediary for concluding contracts of mobile phones and other communication services, provides after-sales services and sells handsets, etc. targeted at corporate customers, while also offering marketing solutions using mobile phones and providing prepaid services to convenience stores.

2. Information on amount of net sales, income or loss of each reporting segment

Nine months ended December 31, 2012 (from April 1, 2012 to December 31, 2012)

(Unit: million yen)

	Reporting segment			Adjustments (Note 1)	Amount recorded in quarterly non-consolidated statement of income (Note 2)
	Consumer Business	Corporate Business	Total		
Net sales	126,018	11,757	137,776	—	137,776
Segment income	4,811	1,144	5,955	(2,126)	3,829

(Notes)
1. Adjustments to segment income in the amount of -2,126 million yen correspond to Company-wide expenses that have not been allocated to each reporting segment. Company-wide expenses are primarily general and administrative expenses that are not attributable to the reporting segments.
2. Segment income had been adjusted with respect to operating income in the quarterly non-consolidated statement of income.

3. Information on impairment loss of non-current assets or goodwill, etc. by reporting segment

(Significant fluctuations in amount of goodwill)
In the nine months ended December 31, 2012, goodwill increased by 2,169 million yen due to the merger with Panasonic Telecom Co., Ltd. The increase in the amount of goodwill due to this event amounted to 1,942 million and 226 million yen in the Consumer Business segment and the Corporate Business segment, respectively.

(6) Notes on Cases of Significant Changes in Shareholders' Equity

Capital surplus increased by 6,598 million yen due to the allocation of 11,184,600 shares in the form of common stock of the Company in conjunction with the merger with Panasonic Telecom Co., Ltd. on October 1, 2012.

(7) Significant Subsequent Events

Not applicable.

(8) Additional Information

Not applicable.

4. Supplementary Information

Status of Sales

(Unit: million yen, %)

		Nine months ended December 31, 2011	Nine months ended December 31, 2012	Rate of change
Consumer Business	Net sales	81,072	126,018	55.4
	Operating income	3,208	4,811	50.0
Corporate Business	Net sales	10,851	11,757	8.4
	Operating income	1,507	1,144	(24.1)
Adjustments	Company-wide expenses	1,608	2,126	32.1
Amount recorded in quarterly non-consolidated statement of income	Net sales	91,924	137,776	49.9
	Operating income	3,106	3,829	23.3