



# Non-Consolidated 1Q Financial Results for FY ending March 2011

August 2010

株式会社 ティーガイア



CHALLENGE TOMORROW

T S E : 3 7 3 8

\*This material contains statements about the future performance of T-Gaia, which are based on management's assumptions and beliefs taking information currently available into consideration. Therefore, please be advised that T-Gaia's actual results could differ materially from those described in these forward-looking statements as a result of numerous factors, including general economic conditions in T-Gaia's principal markets as well as other factors detailed from time to time.

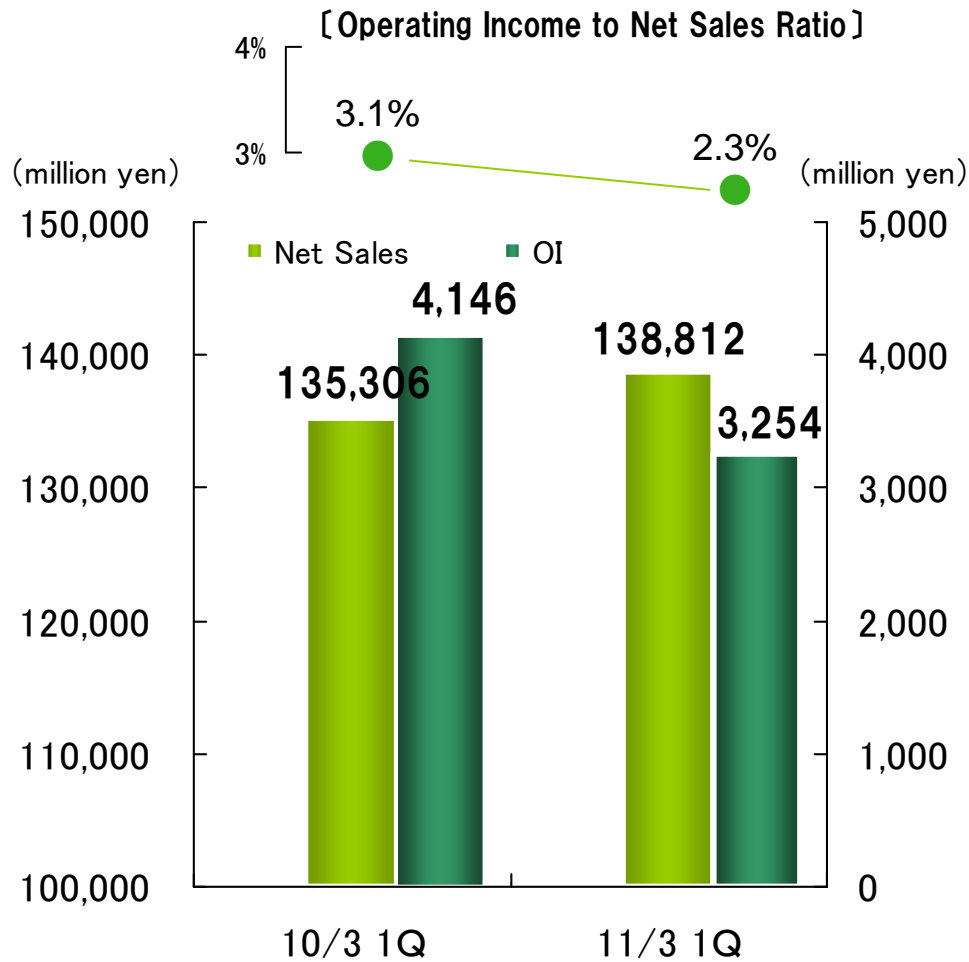
**Outline of 1Q Financial Results  
for FY ending March 2011**

## Outline of 1Q Financial Results for FY ending March 2011

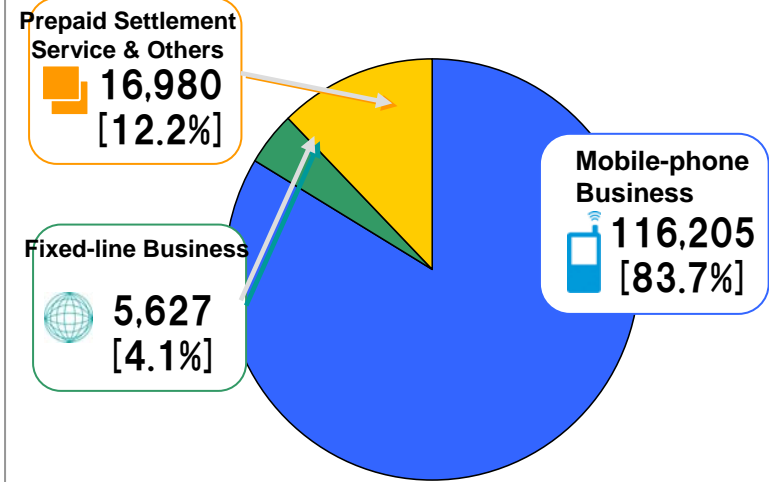
(Unit : million yen)	10/3 1Q Results	11/3 1Q Results	YoY inc./dec. (%)	11/3 1H Forecasts	Achievement Ratio (%)	11/3 Full-year Forecasts	Achievement Ratio (%)
<b>Net Sales</b>	<b>135,306</b>	<b>138,812</b>	<b>102.6%</b>	<b>276,000</b>	<b>50.3%</b>	<b>571,000</b>	<b>24.3%</b>
<b>Gross Margin</b> (to Net Sales)	<b>15,093</b> (11.2%)	<b>14,574</b> (10.5%)	<b>96.6%</b>	<b>28,700</b> (10.4%)	<b>50.8%</b>	<b>58,750</b> (10.3%)	<b>24.8%</b>
<b>SGA Expenses</b>	<b>10,946</b>	<b>11,319</b>	<b>103.4%</b>	<b>22,600</b>	<b>50.1%</b>	<b>45,150</b>	<b>25.1%</b>
<b>Operating Income</b> (to Net Sales)	<b>4,146</b> (3.1%)	<b>3,254</b> (2.3%)	<b>78.5%</b>	<b>6,150</b> (2.2%)	<b>52.9%</b>	<b>13,600</b> (2.4%)	<b>23.9%</b>
<b>Ordinary Income</b> (to Net Sales)	<b>4,081</b> (3.0%)	<b>3,229</b> (2.3%)	<b>79.1%</b>	<b>6,050</b> (2.2%)	<b>53.4%</b>	<b>13,400</b> (2.3%)	<b>24.1%</b>
<b>Net Income</b> (to Net Sales)	<b>2,270</b> (1.7%)	<b>1,534</b> (1.1%)	<b>67.6%</b>	<b>3,000</b> (1.1%)	<b>51.2%</b>	<b>7,000</b> (1.2%)	<b>21.9%</b>
<b>FCF</b>	<b>8,927</b>	<b>5,041</b>	<b>56.5%</b>	-	-	<b>9,850</b>	-
<b>Net Income/share</b> (yen)	<b>4,432.24</b>	<b>2,995.32</b>	<b>67.6%</b>	<b>5,854.86</b>	<b>51.2%</b>	<b>13,661.34</b>	<b>21.9%</b>
<b>Dividend/share</b> (yen)	-	-	-	<b>2,750.00</b>	-	<b>5,500.00</b>	-

# Change of 1Q Financial Results & Composition Ratio by Business Segment

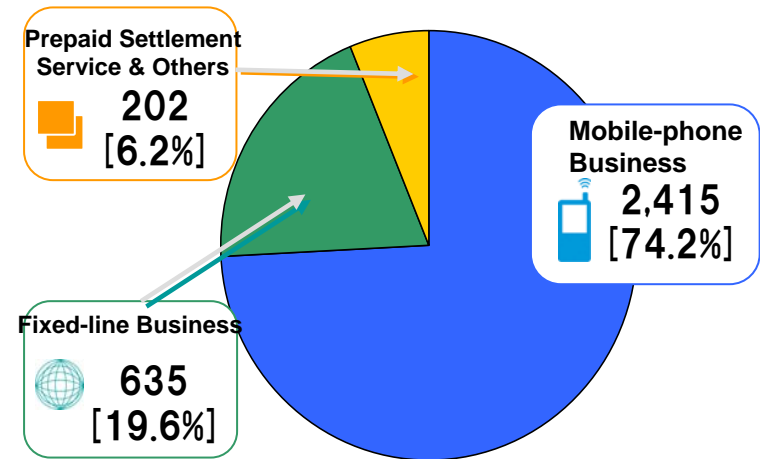
## Change of 1Q Financial Results



## 1Q Net Sales by Segment (Unit : million yen)



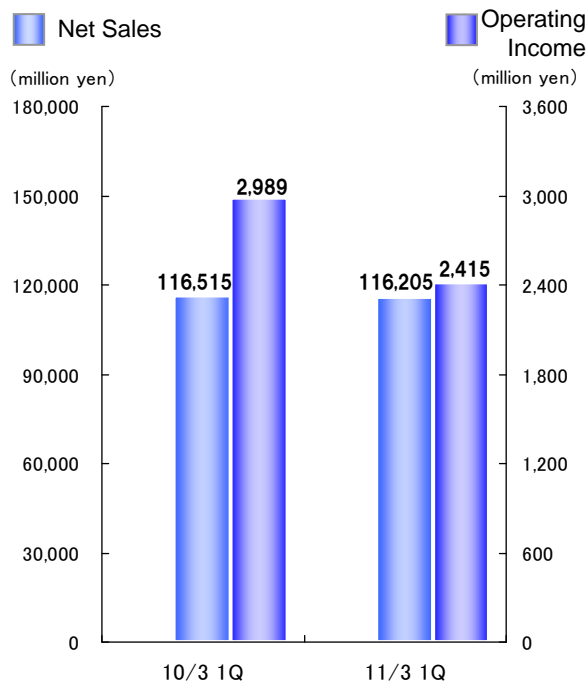
## 1Q Operating Income by Segment (Unit: million yen)



# 2011/3 1Q Financial Results by Segment



## Mobile-phone Business



- Smart phones & data communication terminals sold well
- Strengthened marketing both consumer & corporate clients

### 1Q Segment Results (million yen)

Net Sales : 116,205

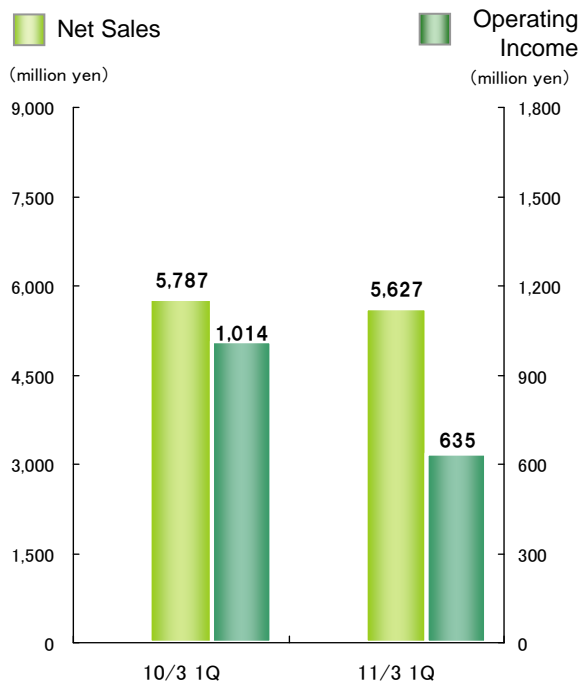
Operating Income : 2,415

Mobile-handsets sold: 1.29 million units

(Post-paid only)



## Fixed-line Business



- Developed/cultivated sales agents
- Strengthened business alliance

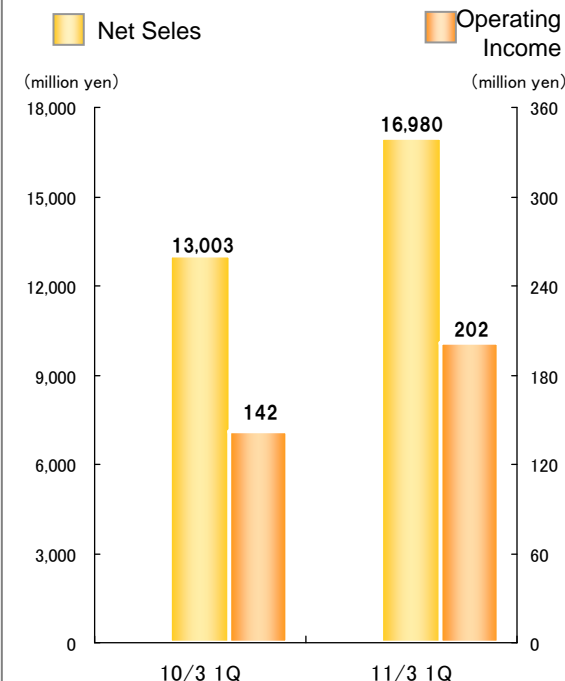
### 1Q Segment Results (million yen)

Net Sales : 5,627

Operating Income : 635



## Prepaid Settlement Service & Others



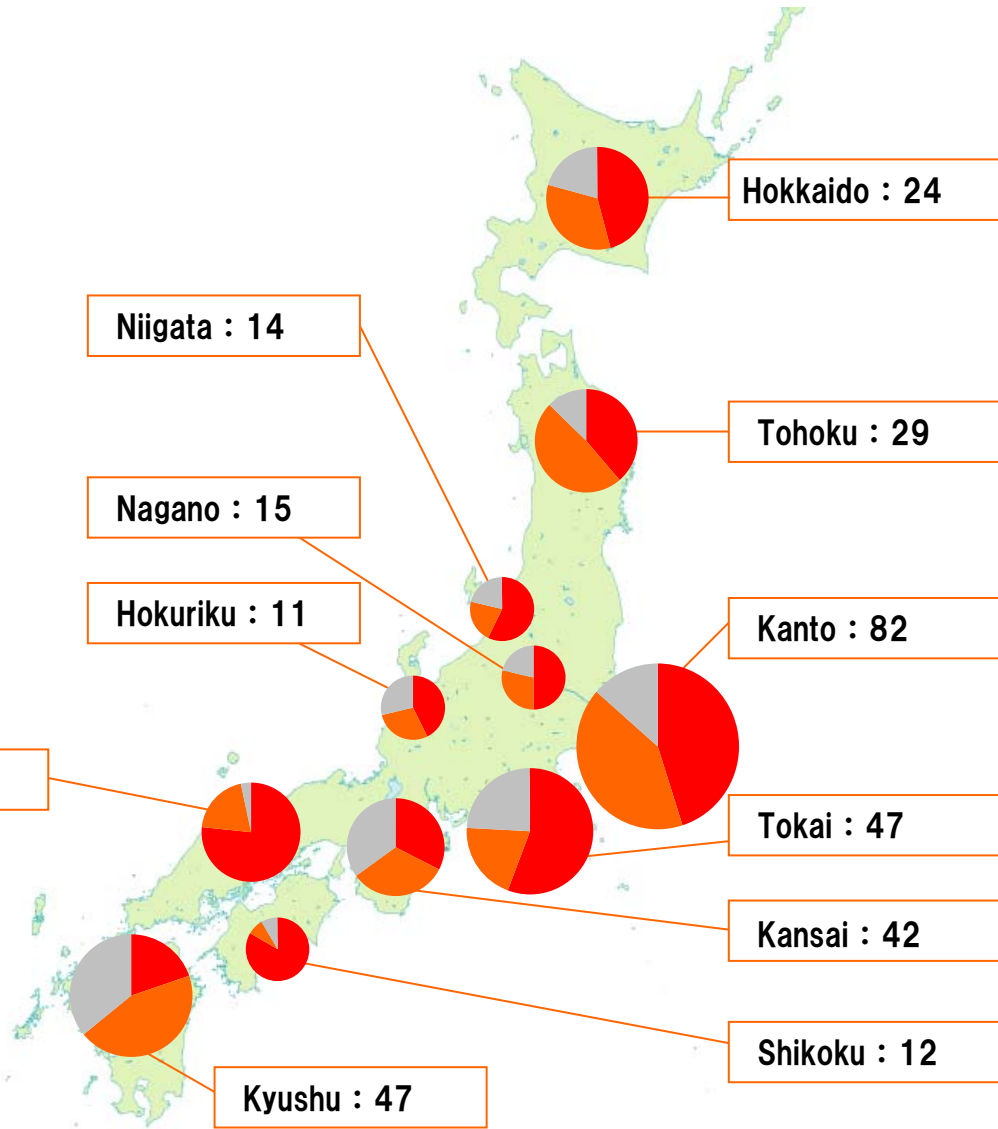
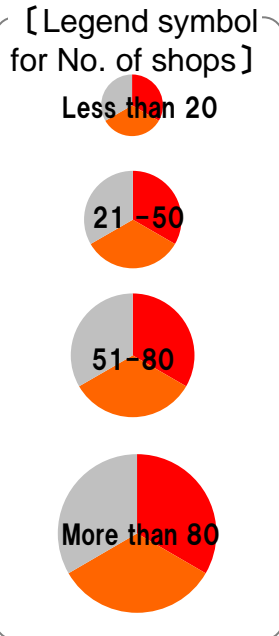
- Gained higher recognition among major convenience chains

### 1Q Segment Results (million yen)

Net Sales : 16,980

Operating Income : 202

# Directly Managed Carrier Shops All Over Japan



[ Example of Carrier Shops ]

**Docomo Shop**

173

**au Shop**

116

**Softbank Shop**

66

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**Total: 355**

(As of June 30, 2010)

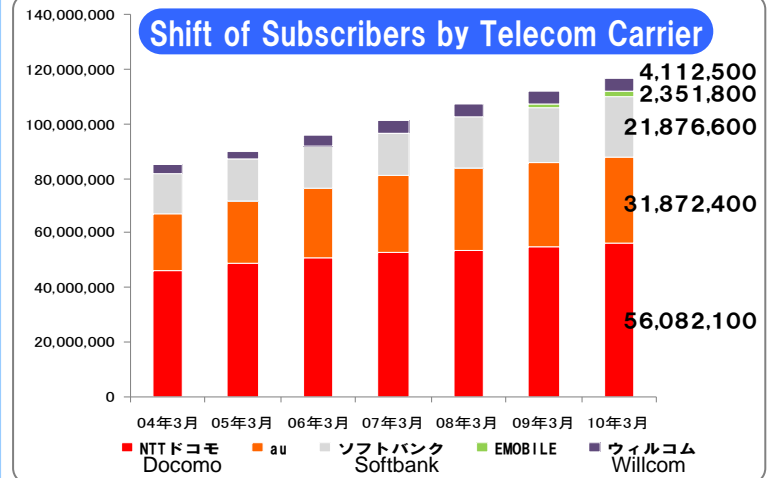
※Shops in large retail stores such as “DS Service Counters”, “au Squares”, “SB Sites” and “SB Stages” have been counted as directly managed carrier shops.

# Mobile-phone Market Environment & Business Strategy

## Market Environment

※After Saturation of Installment Payment System

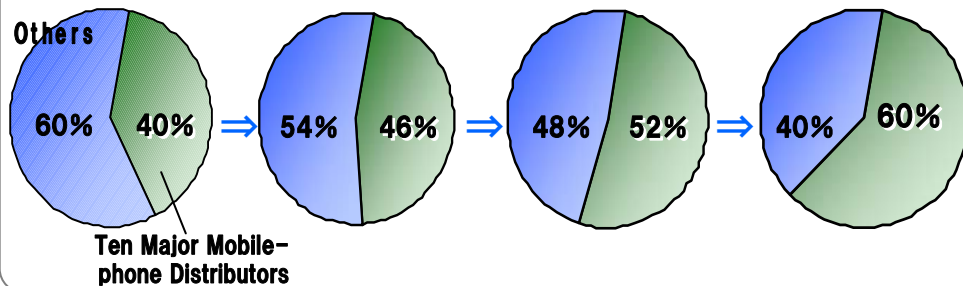
- Impact of Saturation of Installment Payment System
  - Stabilization of Selling Price/Increase of After-sales Service
  - Prolonged Turnover Period/Decrease of No. of Handsets Sold
- Provision of New Services by Telecom Carrier
- Revitalization of “Smart-phone” Market
- Expansion of Demand of Corporate Clients
- Market Reorganization through M&A and Grouping



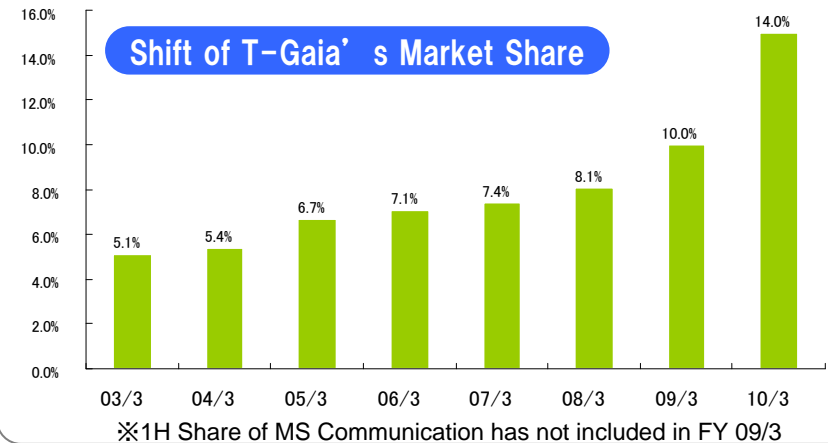
### Accelerating Market Reorganization

Transition of Mobile Market Share in the Total Market Share

【4-5 years ago】 【End of March, 08】 【End of March, 09】 【2-3 years later】



### Shift of T-Gaia's Market Share



## Business Strategy

Increase of Market Share through M&A and Grouping / Improvement of Operational Efficiency

- 1 Expansion of Demand for Second Handsets
- 2 Strengthening of Sales for Corporate Clients
- 3 Optimization of Sales Channels

# Business Strategy 1 & 2

## 1 Expansion of Demand for Second Handsets

- Various new model of mobile handsets to satisfy users' needs including "Smart Phones", data communication cards, and digital photo frames, etc.
- Attractive telecommunication rate plans to attract users

## 2 Strengthening of Sales for Corporate Clients

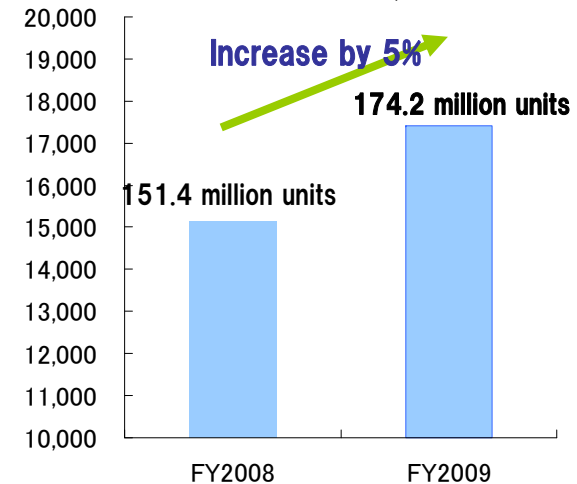
**Growing Market for Corporate Clients  
Reaching 20 million handsets in few years**

- In order to provide better service for corporate clients comprehensively, consolidated Corporate Sales Dept. and Network Communications Dept. into **Solution Marketing Dept.** as of July 2010.
- "Consulting Marketing" to propose optimal solutions including carries & price plans depending on each company's needs for various brands
- Expanding client base starting with Mitsui, Sumitomo & Mitsubishi Groups
- Responding to the needs for Smart Phones
- Integrated "Mo-Vino" and "MobileStar" into "movino star" in October 2009 to provide more attractive mobile solutions to our corporate clients



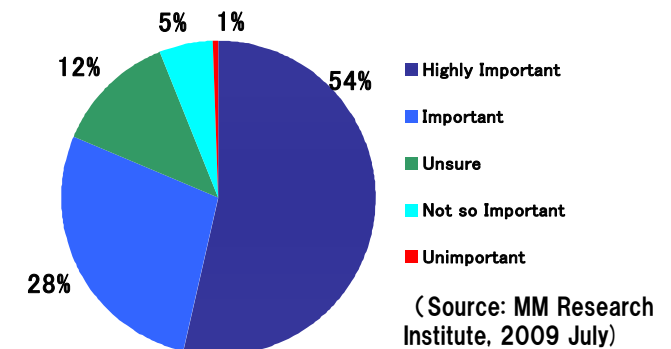
### Volume of Smart Phone Shipment Worldwide

(Source: I D C / USA)



- Boosted by Response to Personal Info. Protection Law & Strengthening of Internal Control

### Personal Info. Protection is Important Consideration for Corporations



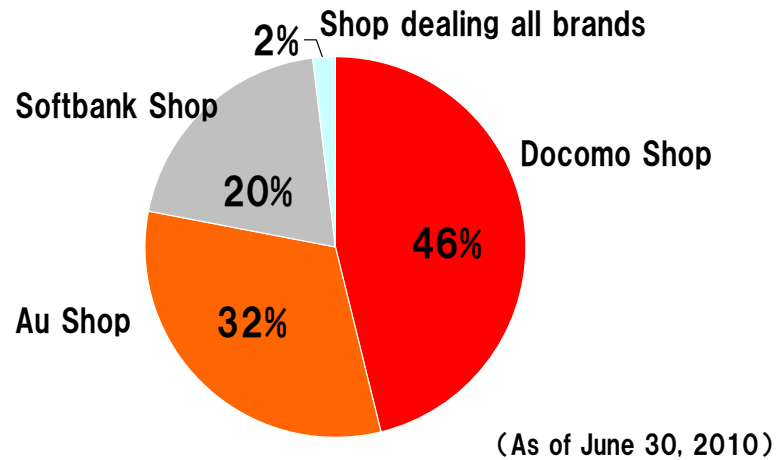
- As part of personal info. protection, No. of corporation, which switch their mobile handsets & PHSs from personal use to corporate use, have been increasing year by year.



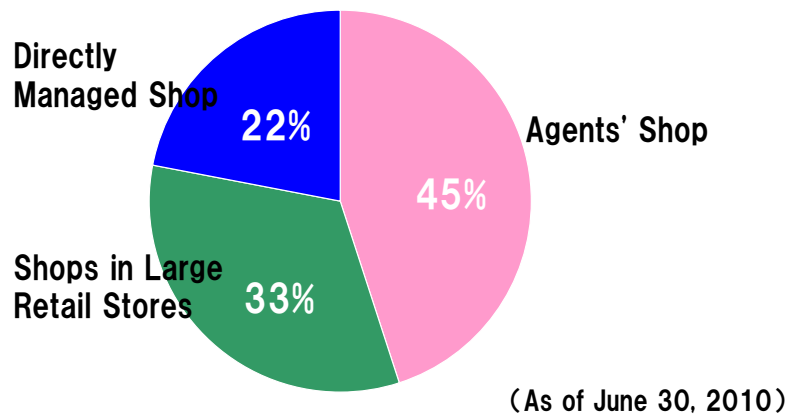
# Optimization of Sales Channels

## Well-balanced Sales Channel

### Composition by Carrier in Directly Managed Shops

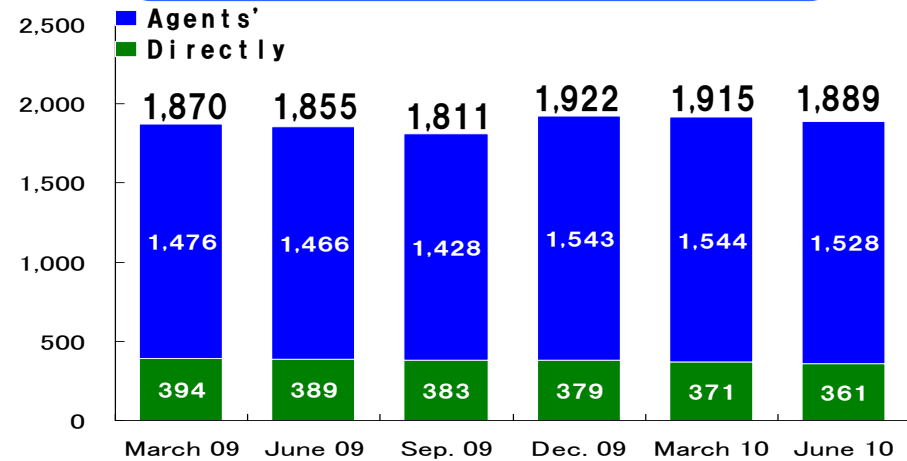


### Composition by Sales Channel

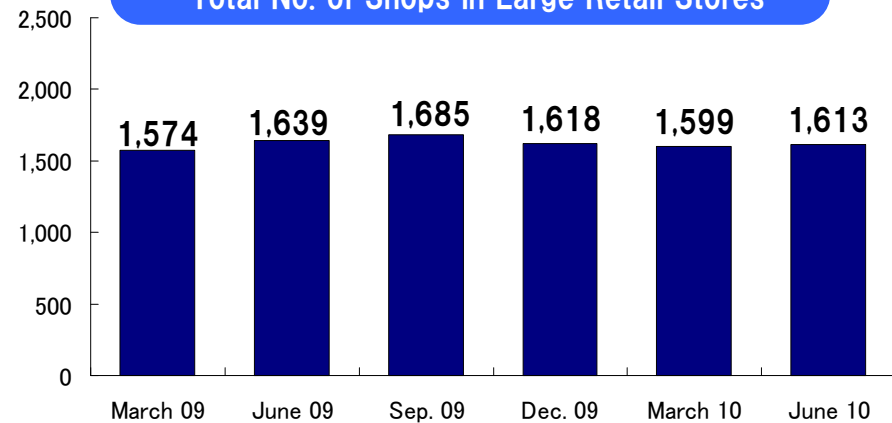


## Increased Profitability by Efficient Operation

### Total No. of Directly Managed & Agents' Shops



### Total No. of Shops in Large Retail Stores





# Market Environment & Business Strategy

## Present Market Situation

Expansion of Broadband Services with Penetration of Internet Usage

High Speed & High Capacity FTTH (Optical Fibers) Became Mainstream

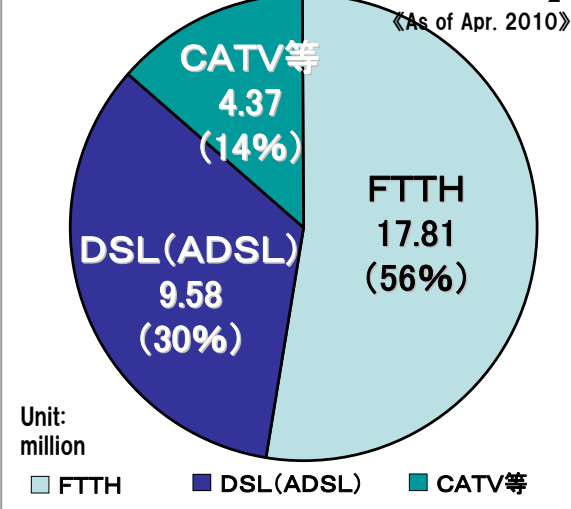
- No. of "Mylene" Subscribers **Approx. 36.7**
- No. of Broadband Service Subscribers **Approx. 32.0**

## Future Market Situation

Further Expansion of Broadband Servs.

- **Broadband Service Subscribers will increase to 60 million by 2015 at all home & offices in Japan"**  
: Mr. Haraguchi, Minister of MIC (Ministry of Internal Affairs & Communications)
- **Diversification of FTTH Usage**  
Use of Various Contents such as Projected Images  
Varied Network Terminals including Personal Computers, Television, Game Machines, Cameras, "Smart Phones", e-Book and Home ICT, etc.  
● In order to provide better service for corporate clients comprehensively, consolidated Corporate Sales Dept. and Network Communications Dept. into **Solution Marketing Dept.** as of July 2010.

【Breakdown of Subscribers for Broadband Services】  
《As of Apr. 2010》



## Business Strategy

Strategy Focusing on Expansion of FTTH Business taking Trend of FMC Service Market & NGN Market into Consideration

- Acquiring new sales agents
- Marketing for one unit homes
- Providing content services inc. video pictures & IP telephones
- Diversifying sales & marketing method such as business alliance
- Cooperation with Corporate Sales Dept. with the view to "FMC Era"

## Structure of Fixed Line Business

### Telecom Carriers (Service Providers)

NTT East, NTT West, NTT Communications, KDDI, Sofbank Telecom, Fusion Communications, etc.

- Improvement of Communication Infrastructures
- Provision of New Telecom Services

### T - G A I A

- Good business partnerships with all major telecom carriers
- Product line-up to suit market conditions
- Strong nationwide sales agents' network

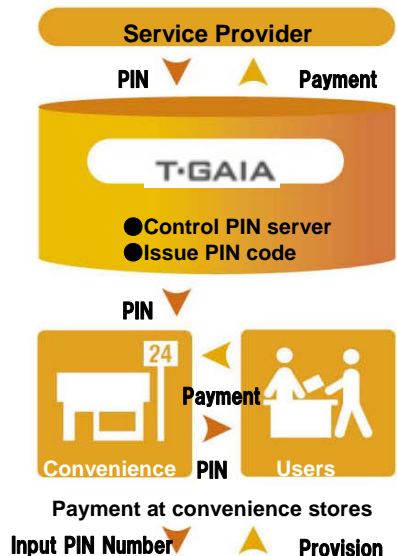
Sales Agents

Users (Customers)



# Market Environment & Business Strategy

## Structure of PIN Service



### Convenience stores dealing PIN

- |              |                |
|--------------|----------------|
| Seven-Eleven | MINISTOP       |
| LAWSON       | DAILY YAMAZAKI |
| Circle K     | Seikomart      |
| Sunkus       | Hokkaido Spar  |
| FamilyMart   |                |

## Development of Settlement Service

(For Prepaid Mobile Handsets, Overseas Calls, E-money, and Contents, etc.)

Expansion of Business with 40 Thousand Convenience Stores

(incl. 32 Thousand Stores with whom Online Network for PIN System has been Established)

## Secure Sales Channel for Future Growth

**[ Strengthening of E-settlement business using PIN (\*) ]**

- ① For mobile handsets : Settlement of calling rate for prepaid & postpaid mobile handsets
- ② For overseas calls: Settlement of overseas calls
- ③ E-money: Convenient & secured general purpose e-money
- ④ For variety of products: iTunes Card, Amazon ® Gift Card & game cards, etc.

(注) PIN (Personal Identification Number)

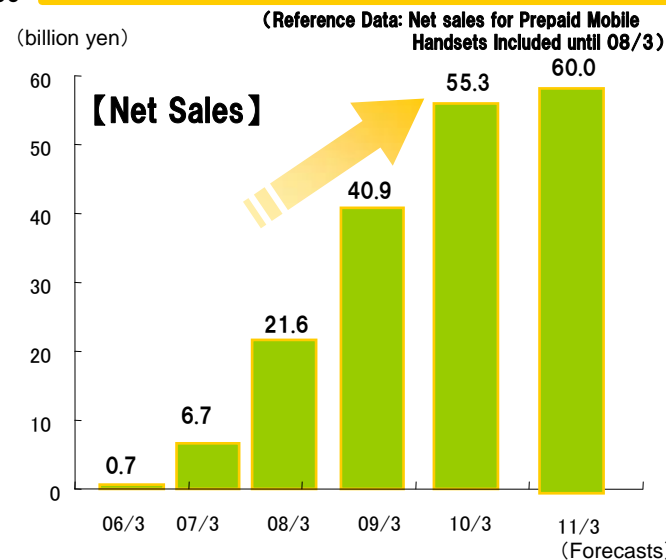
: Password accessed by users to utilize the PIN-based services



(Sample of Prepaid Card)

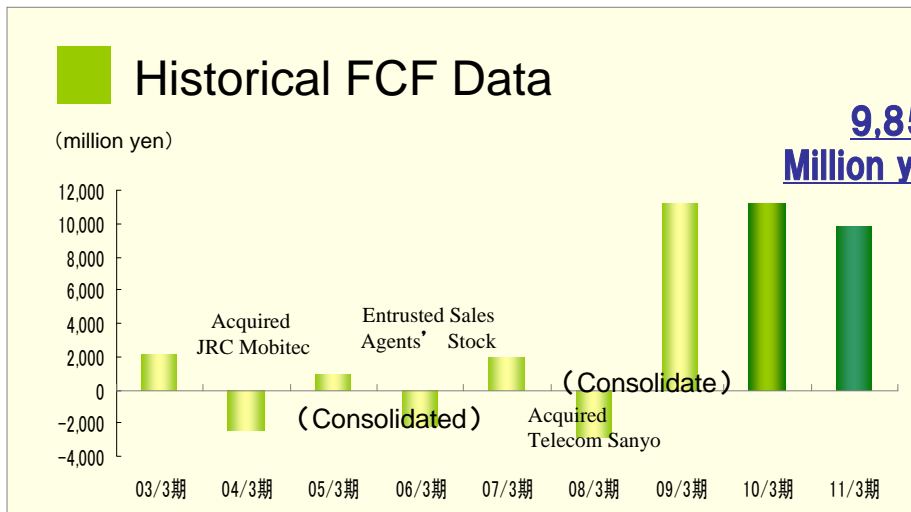
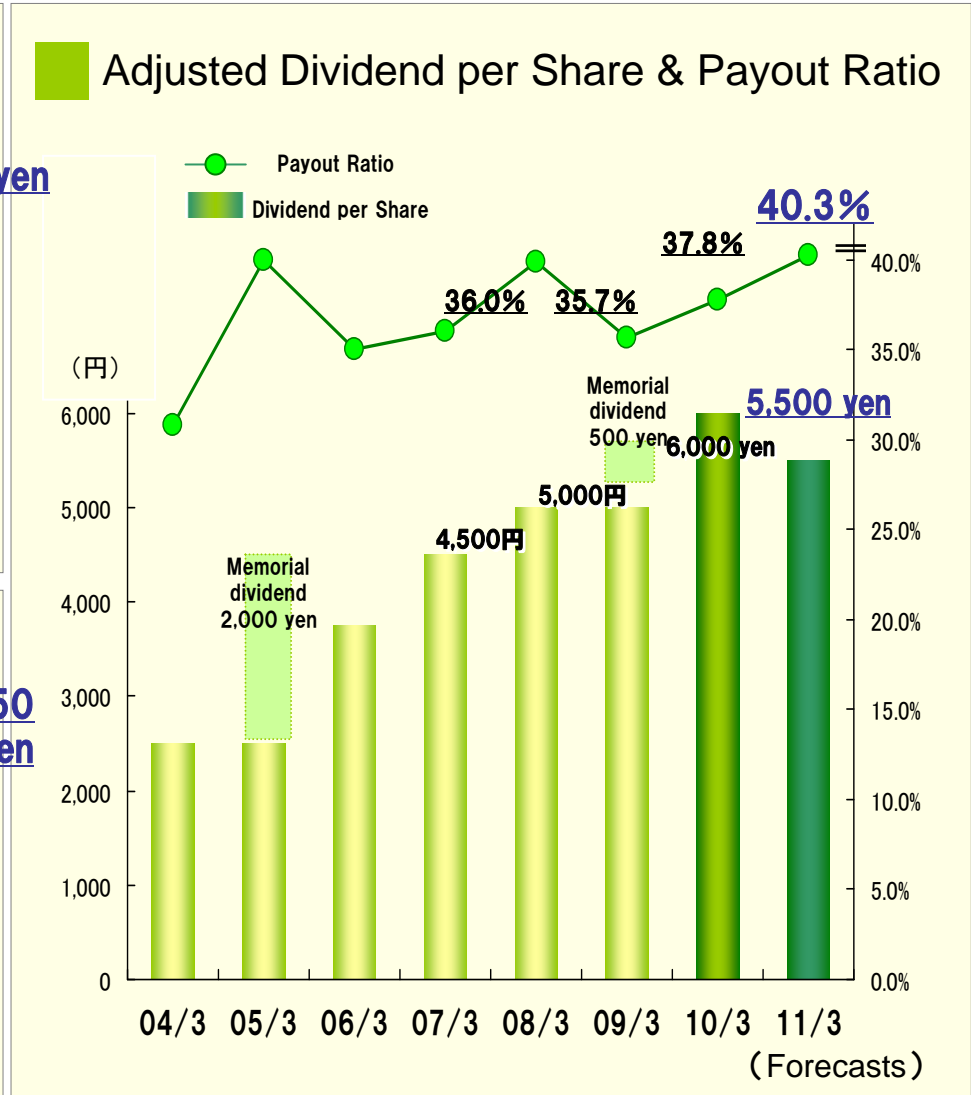
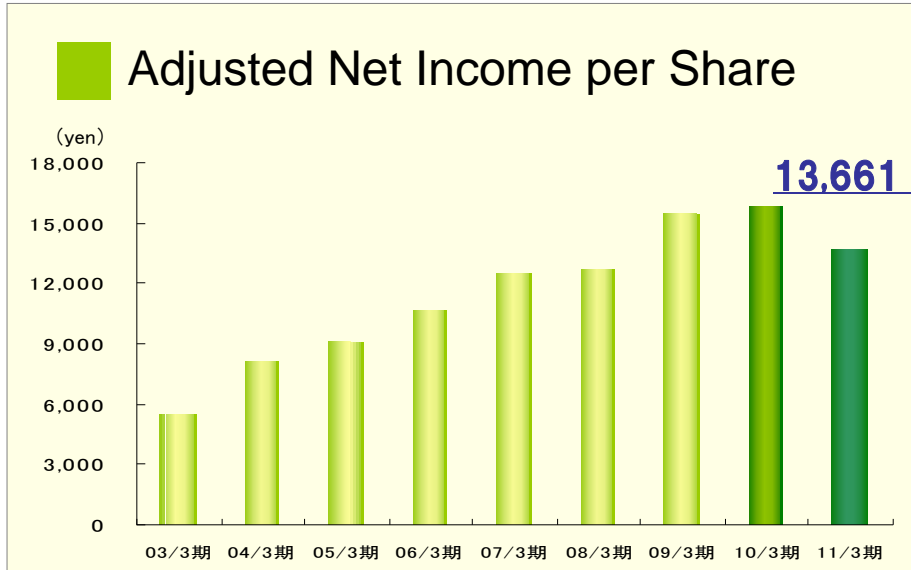


## Further Growth though Effect of Merger



# Financial Strategy & Return to Shareholders

Targeting Dividend Payout Ratio over 30% Level based on our Stable Dividend Policy to Strengthen the Future Business Development and the Management Base



**Future Development & Forecasts  
for FY ending March 2011**

## Maximization of Corporate Value



**Sustainable Growth by Expansion of Existing Business**

**Realization of Larger Synergy Effect of Merger**

**Globalization via Aggressive Investment in Overseas & New Business**

### Further Enhancement of Sales Force

- Enhance Marketing for Corporate Clients
- Regional Supplement
- Optimize Sales Channel

### Streamline Operations

- Centralize logistics & Inventory Management
- Integration of Activation centers
- Effective Posting of HR

### Actively Challenge Overseas & New Business

- Invest in Overseas Business
- Business Alliance with Major Chinese Telecom Carrier

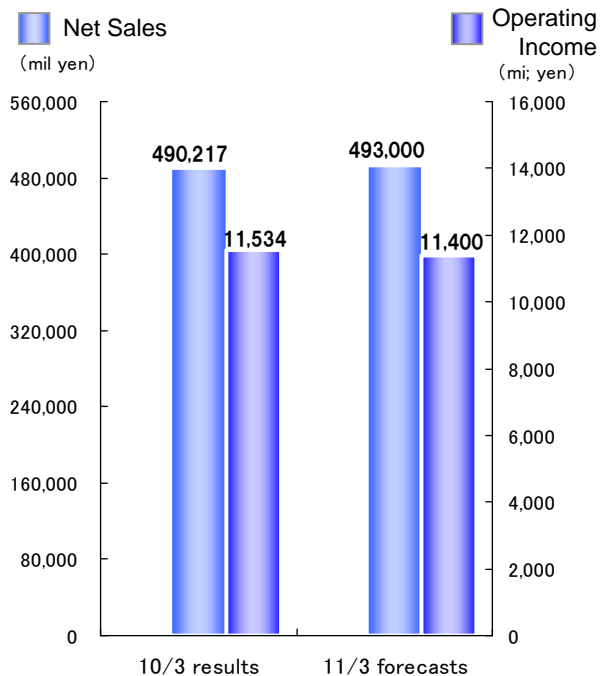
# Forecasts for FY ending March 2011

(Unit: million yen)	2010/3 1H Results	2011/3 1H Forecasts	Year-on- Year basis (%)	2010/3 Full-year Results	2011/3 Full-year Forecasts	Change of amount	Year-on- -Year basis (%)
Net Sales	279,910	276,000	98.6%	566,057	571,000	4,943	100.9%
Gross Margin	31,232	28,700	91.9%	61,890	58,750	△3,140	94.9%
SGA Expenses	23,174	22,600	97.5%	46,697	45,150	△1,547	96.6%
Operating Income	8,058	6,150	76.3%	15,193	13,600	△1,593	89.5%
Ordinary Income	7,939	6,050	76.2%	14,968	13,400	△1,568	89.5%
Net Income	4,353	3,000	68.9%	8,135	7,000	△1,135	86.0%
FCF	14,730	-	-	11,175	9,850	△1,325	88.1%
Net Income /share (yen)	8,496.19	5,854.86	68.9%	15,878.52	13,661.34	△2,217.18	86.0%
Dividend /share (yen) (Pay-out ratio)	3,000.00 (35.7%)	2,750.00 (46.9%)	91.7% (+11.2%)	6,000.00 (37.8%)	5,500.00 (40.3%)	△ 500.00	91.6% (+2.5%)

# Forecasts for FY ending March 2011 by Business Segments



## Mobile Phone Business

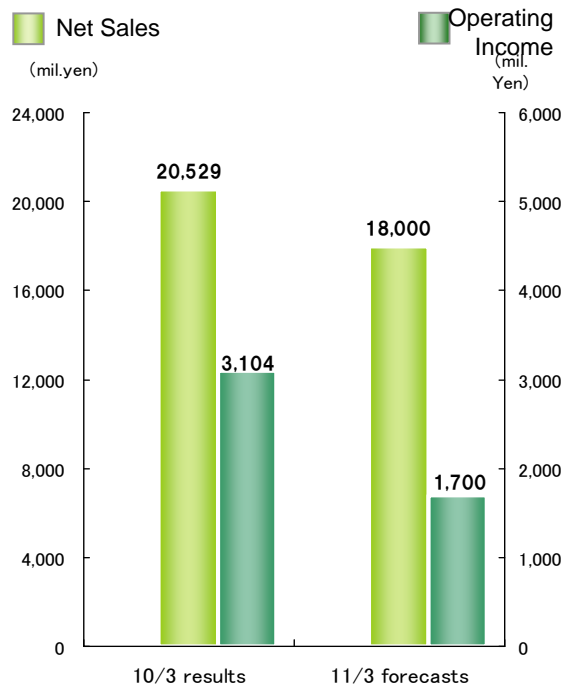


### Full-year Forecasts (mil. yen)

- Net Sales 493,000
- Operating Income 11,400
- No. of handsets sold 5.1 mil. units <Ref.> 10/3 Results
- Net Sales 490,217
- Operating Income 11,534
- No. of handsets sold 5.13 mil units (Postpaid only)



## Fixed-line Business

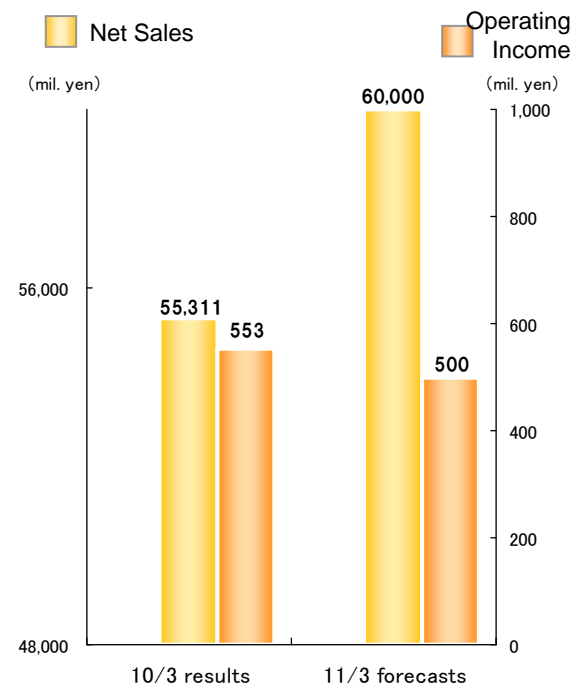


### Full-year Forecasts (mil. yen)

- Net Sales 18,000
- Operating Income 1,700
- Net Sales 20,529
- Operating Income 3,104



## Prepaid Settlement Service & Other Business



### Full-year Forecasts (mil. yen)

- Net Sale 60,000
- Operating Income 500
- Net Sales 55,311
- Operating Income 553



# Analysis of Cash Flows

Item/Fiscal Year (Unit: million yen)	1Q of FY ended Mar. 31, 2010 April 1 – June 30, 2009	1Q of FY ending Mar. 31, 2011 April 1 – June 30, 2010	YoY change (Amount)
Cash Flows from Operating Activities	8,788	5,348	△3,440
( inc. Amortization of Goodwill )	383	379	△4
Cash Flows from Investing Activities	139	△307	△446
Cash Flows from Financing Activities	△6,146	△5,166	980
Free Cash Flows	8,927	5,041	△3,886
Cash and Cash Equivalents	5,472	1,340	△4,132

- **Cash Flows from Operating Activities : Decreased by 3,440 million yen**

Mainly due to the inclusion of 1Q income before tax of 2,863 million yen and decrease of accounts receivable of 20,653 million yen as well as account payable of 13,365 million yen and payment of income tax payable of 2,722 million yen

- **Cash Flows from Investing Activities : Increased by 446 million yen**

Mainly due to 289 million yen used for the acquisition of tangible fixed assets, and 68 million yen used for the acquisition of software, and 45 million yen in proceeds from the returned leasehold deposits

- **Cash Flows from Financing Activities : Decreased by 980**

Mainly attributable to 2,900 million yen decrease (repayment) in short-term borrowings, and cash dividend payment of 1,434 million yen

- **Cash and Cash Equivalents at the end of 1Q of FY ending Mar. 31, 2011 : Decreased by 4,132 million yen**