

# Consolidated Interim Financial Results for FY ending March 2013

November 14, 2012



Mobile Telecommunication Business



Solutions Marketing Business



Settlement Services & Other Business

\*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.

## Topics on 1Q for FY ending March 2013: Significant matters concerning TG (T-Gaia) Group

### 【Change to the Business Segments】

- We have combined the Fixed-line Business segment with business of selling mobile-phones for corporate clients, which was included in the Mobile-phone Business segment until March 2012, and newly set up Solution Business segment. Accordingly, we have made change to our business segments and since the first quarter for FY ending March 2013, we have applied NEW business segments consists of Mobile-phone Business, Solution Business and Settlement Service Business & Others.

### 【Increase of Consolidated Subsidiaries】

- We began preparing consolidated financial statements from the 3Q of the fiscal year ended March 2012 because we had acquired all the outstanding shares of TG Miyazaki Co., Ltd. as of Dec. 1, 2011, and made it a consolidated subsidiary. In addition to that, we have also made both T-Gaia Shanghai and TG Contract our consolidated subsidiaries as they became more important to us. However, the financial impact from the change was slight, non-consolidated 1Q financial results for FY ended March 2012 are used to compare with those for FY ending March 2013 for reference information.

### 【Cancellation of Treasury Stock, Stock Split and Adoption of Share Trading Unit System】

- We cancelled Treasury Stock of 117,985 shares in total as of May 31, 2012.
- We conducted the 200-for-1 Stock Split with the base date of Sep. 30 and effective date of Oct. 1, 2012. Moreover, we will adopt the Share Trading Unit System at the same time. The objectives of stock Split are to increase the liquidity of T-Gaia's stock and broaden our investors base by reducing the price of one investment unit, as well as to adopt the Share Trading Unit System in which each share of common stock will be split into 200 shares and the stock will be trade in 100-share units.



# **Outline of Interim Financial Results for FY ending March 2012**

# Outline of Interim Financial Results for FY ending March 2012

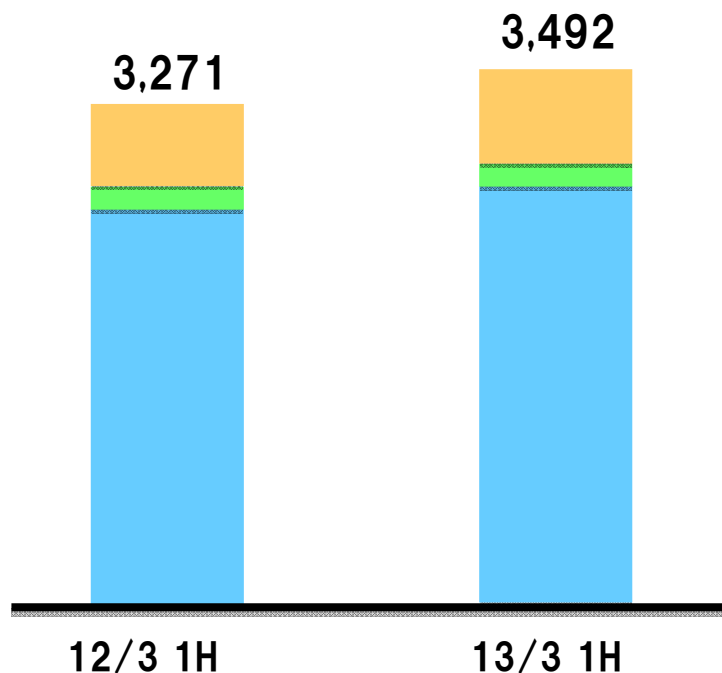
(Unit: billion yen)	12/3 Interim Results (Non- consolidated)	13/3 Interim Results (Consolidated)	YoY Change (%)	13/3 1H Forecasts (Consolidated)	1H Achievement Ratio (%)	13/3 Full-year Forecasts (Consolidated)	Full-year Achievement Ratio (%)
Net Sales	3,271.9	3,492.5	106.7%	3,655.0	95.6%	7,600.0	46.0%
Gross Margin (to Net Sales)	306.7 (9.4%)	329.7 (9.4%)	107.5%	327.0 (8.9%)	100.8%	690.0 (9.1%)	47.8%
SGA Expenses	241.2	275.4	114.2%	262.5	104.9%	537.0	51.3%
Operating Income (to Net Sales)	65.4 (2.0%)	54.2 (1.6%)	82.9%	64.5 (1.8%)	84.1%	153.0 (2.0%)	35.5%
Ordinary Income (to Net Sales)	65.0 (2.0%)	53.6 (1.5%)	82.5%	63.5 (1.7%)	84.5%	150.0 (2.0%)	35.8%
Net Income (to Net Sales)	35.3 (1.1%)	29.8 (0.9%)	84.5%	35.5 (1.0%)	84.1%	86.0 (1.1%)	34.7%
Net Income/share (yen)	40.75	37.21	91.3%	44.24	-	108.08	-
Dividend/share (yen) [ Payout Ratio ]	16.25 (39.9%)	17.50 (47.0%)	107.7%	17.50 (39.6%)	-	35.00 (32.4%)	-

## Outline of Interim Financial Results for FY ending March 2012 on a Quarterly basis

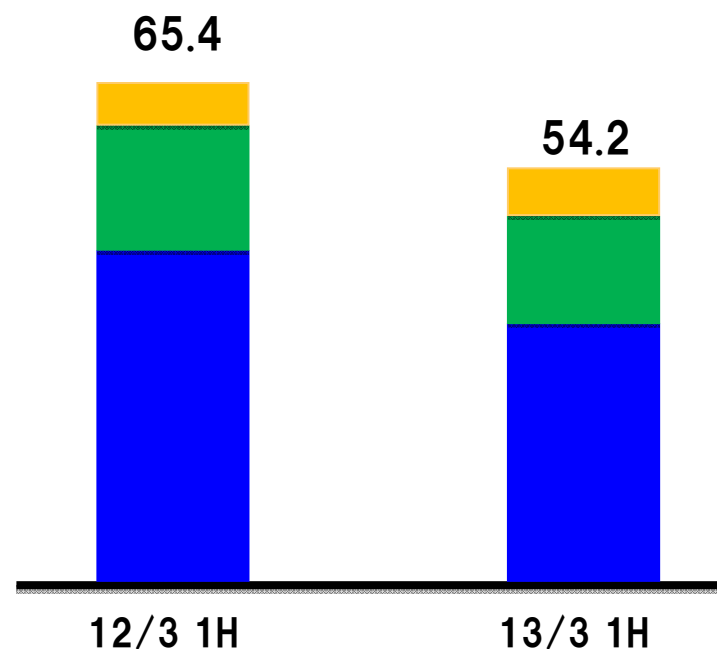
(Unit: billion yen)	April-June, 2011	April-June, 2012	YoY Change (B/A)	April-June, 2011	April-June, 2012	YoY Change (D/C)
	1Q Results (Non-consolidated) A	1Q Results (Consolidated) B		2Q Results (Non-consolidated) C	2Q Results (Consolidated) D	
<b>Net Sales</b>	<b>1,555.1</b>	<b>1,678.2</b>	<b>107.9%</b>	<b>1,716.7</b>	<b>1,814.3</b>	<b>105.7%</b>
<b>Gross Margin</b> (to Net Sales)	<b>147.5</b> (9.5%)	<b>157.5</b> (9.4%)	<b>106.8%</b>	<b>159.1</b> (9.3%)	<b>172.2</b> (9.5%)	<b>108.2%</b>
<b>SGA Expenses</b>	<b>117.3</b>	<b>137.5</b>	<b>117.3%</b>	<b>123.9</b>	<b>137.9</b>	<b>111.3%</b>
<b>Operating Income</b> (to Net Sales)	<b>30.2</b> (1.9%)	<b>19.9</b> (1.2%)	<b>66.0%</b>	<b>35.2</b> (2.1%)	<b>34.2</b> (1.9%)	<b>97.4%</b>
<b>Ordinary Income</b> (to Net Sales)	<b>30.0</b> (1.9%)	<b>19.5</b> (1.2%)	<b>65.0%</b>	<b>34.9</b> (2.0%)	<b>34.1</b> (1.9%)	<b>97.6%</b>
<b>Net Income</b> (to Net Sales)	<b>16.3</b> (1.0%)	<b>10.4</b> (0.6%)	<b>64.0%</b>	<b>19.0</b> (1.1%)	<b>19.4</b> (1.1%)	<b>101.9%</b>

# Interim Financial Results for by NEW Business Segment

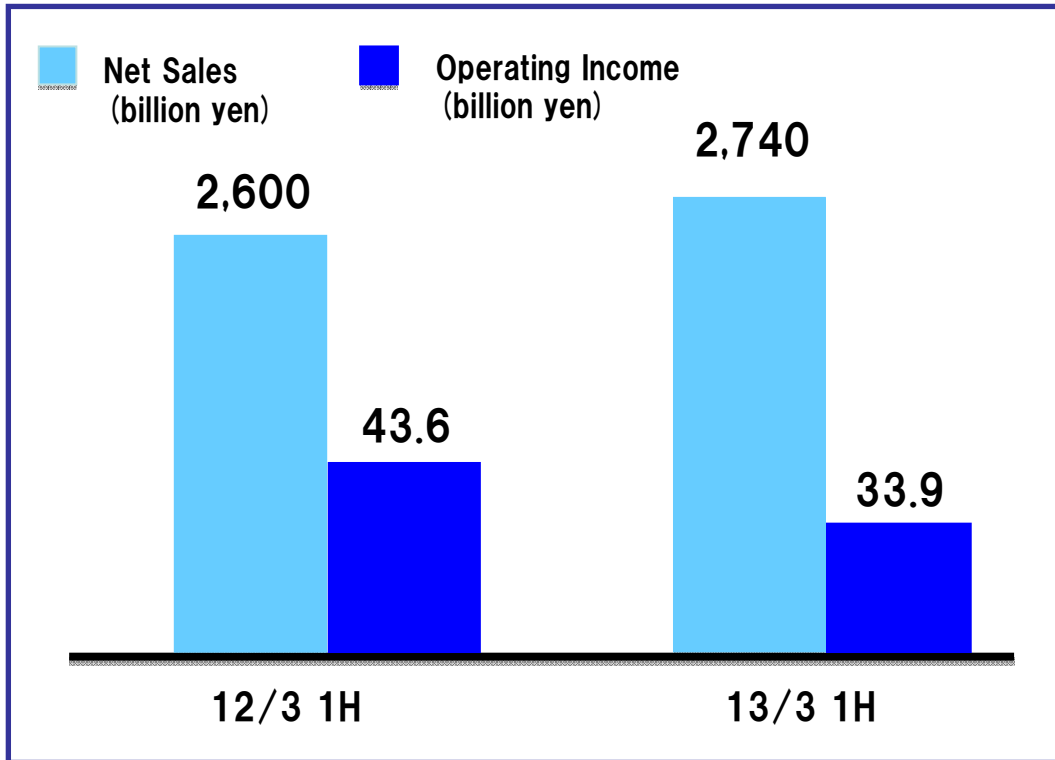
## Net Sales (billion yen)



## Operating Income (billion yen)

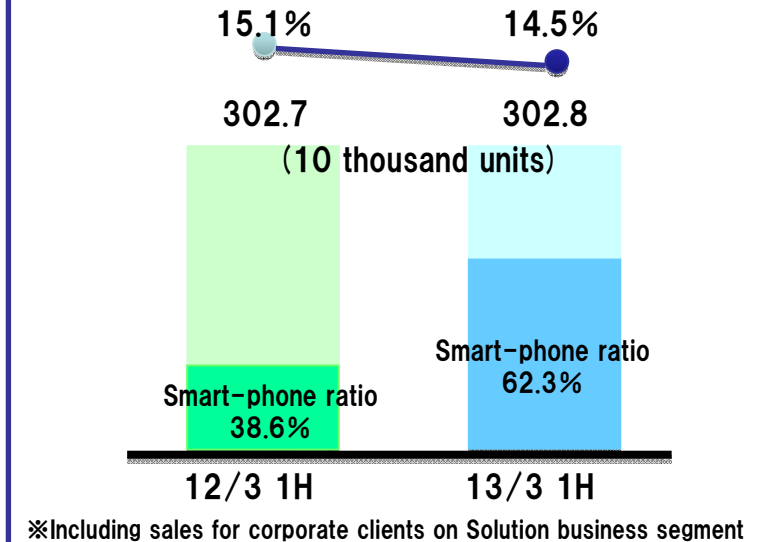


# Mobile-phone Business

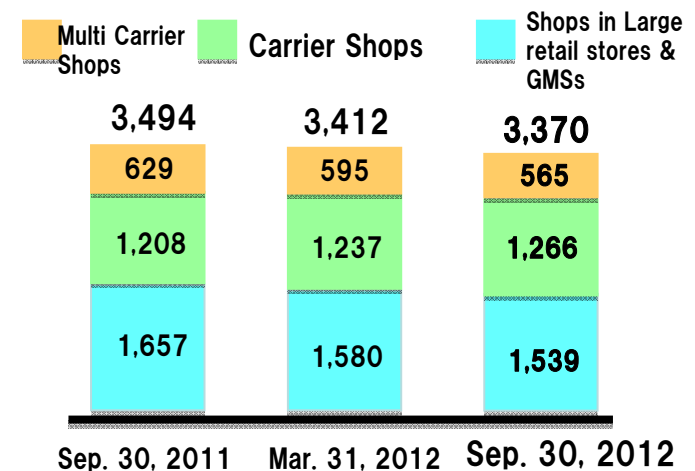


- Net Sales increased due to rising smart-phone ratio
- Operating Income decreased owing to increase of SGA expenses

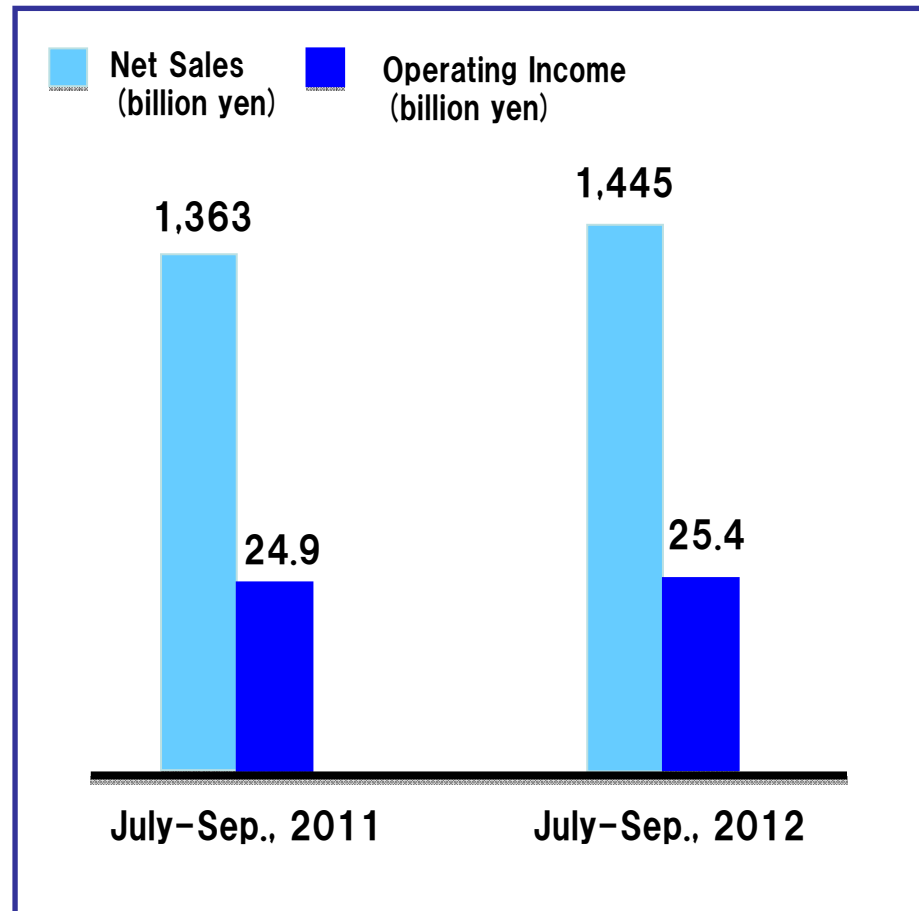
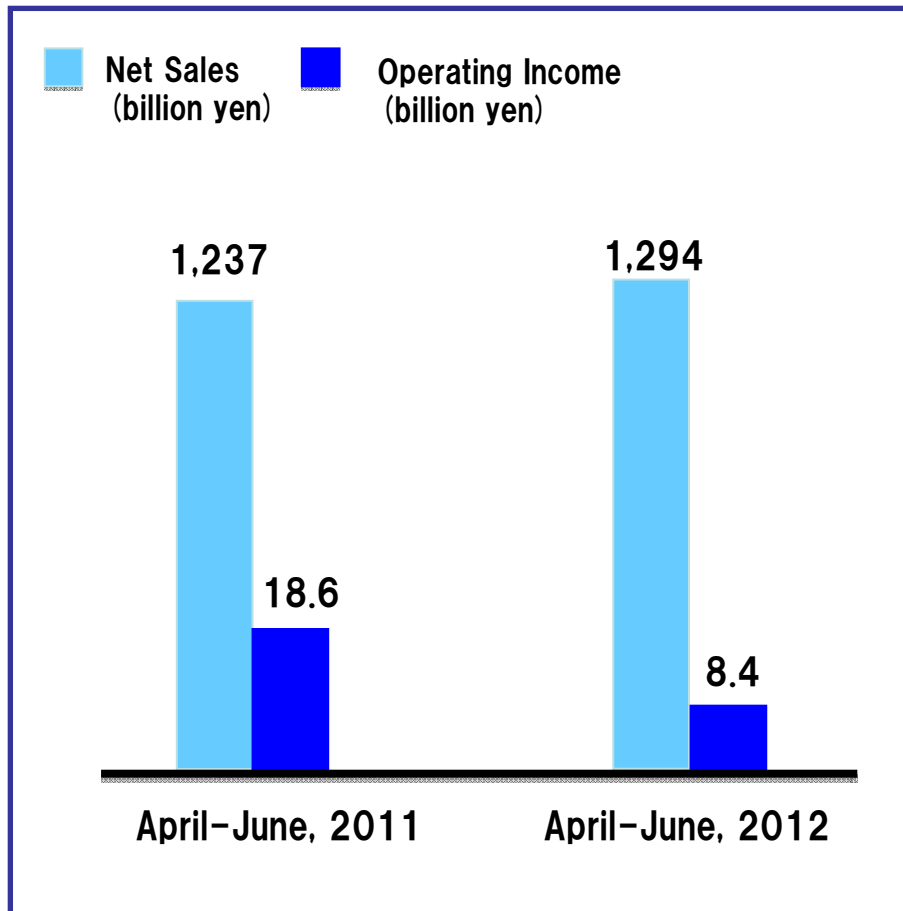
Total No. of handsets sold & TG's Market share regarding three main telecom carriers



No. of Sales base in Japan



# Mobile-phone Business on a Quarterly basis



- Launch of new models & aggressive sales promotion campaigns contributed to improvement of income in the 2<sup>nd</sup> Quarter: July-Sep.



# Mobile-phone Business

## Main factors for decrease of income in 1H

### ① Increase of workload in the front of shops

- Increase of both No. of sales staff and their working hours
- Change of employment system to retain excellent staff

### ② Increase of selling costs in the large retail stores/GMSs

- Impact from new stores opened in both this & previous fiscal years
- Change of commission/sales support policy of telecom carriers

### ③ Diversification of mobile terminals

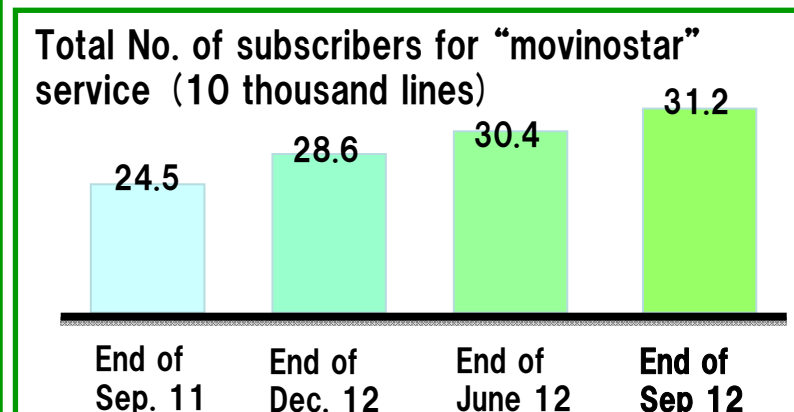
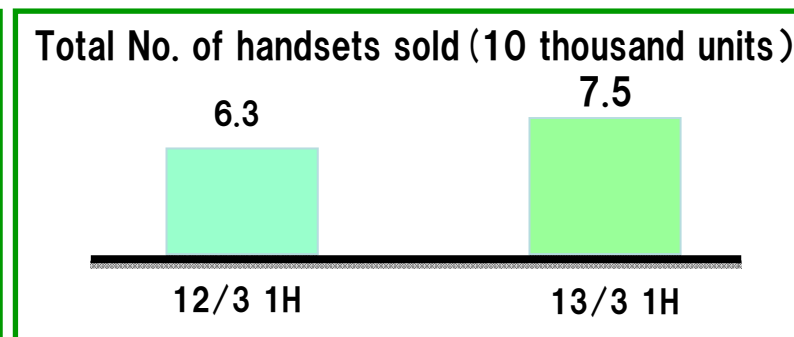
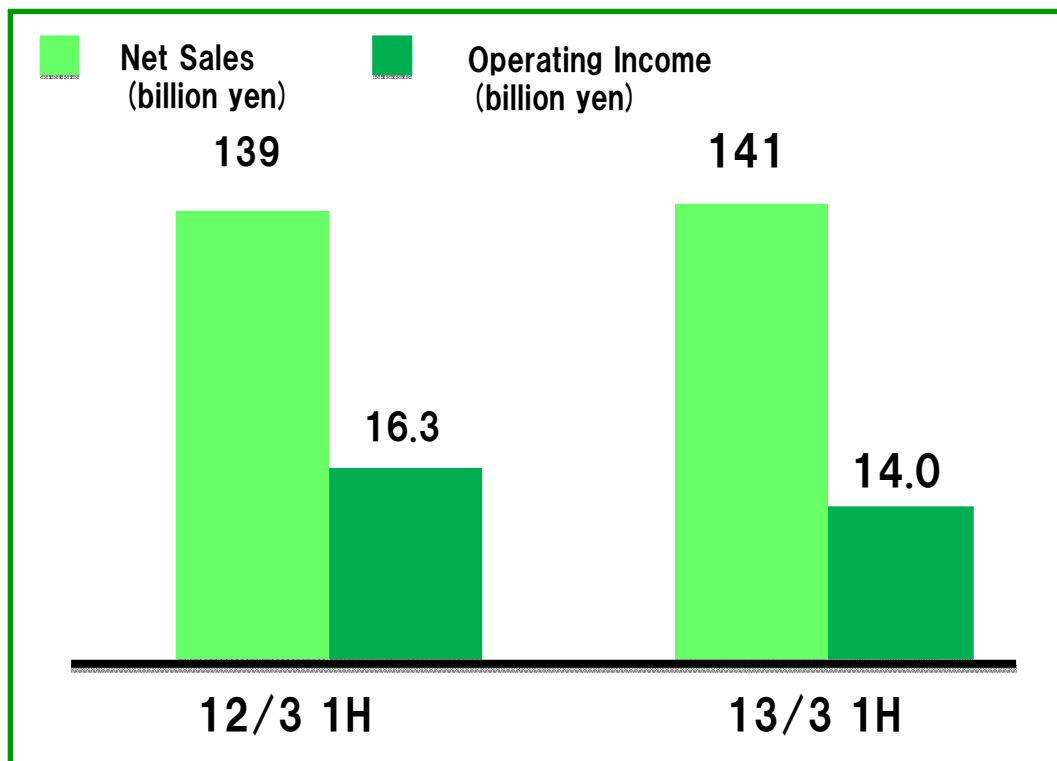
- Increase of selling costs due to expansion of product lineup & shortened life cycle of mobile terminals
- Rise in sales of less profitable non-voice products such as digital photo-frames, WiFi routers and data cards

# Mobile-phone Business

**Our main efforts & approached in 1H**

- ① Set up “TG Academy” to strengthen our staff education & training systems**
- ② Improvement of Non-profitable Sales Channels**
- ③ Strengthening of sales of products related to mobile-phones especially smart-phones such as accessories and so on**

# Solution Business



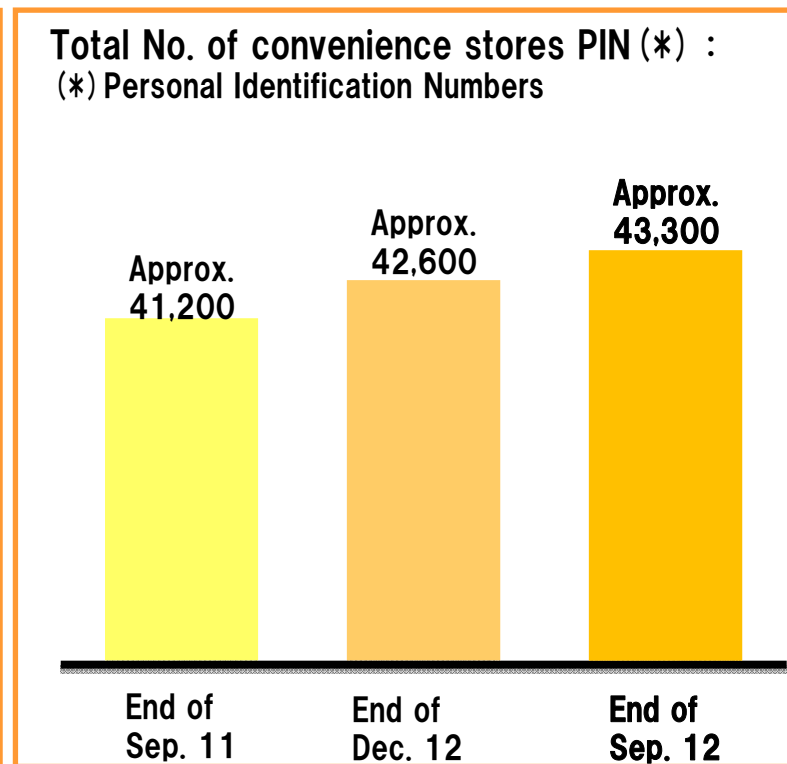
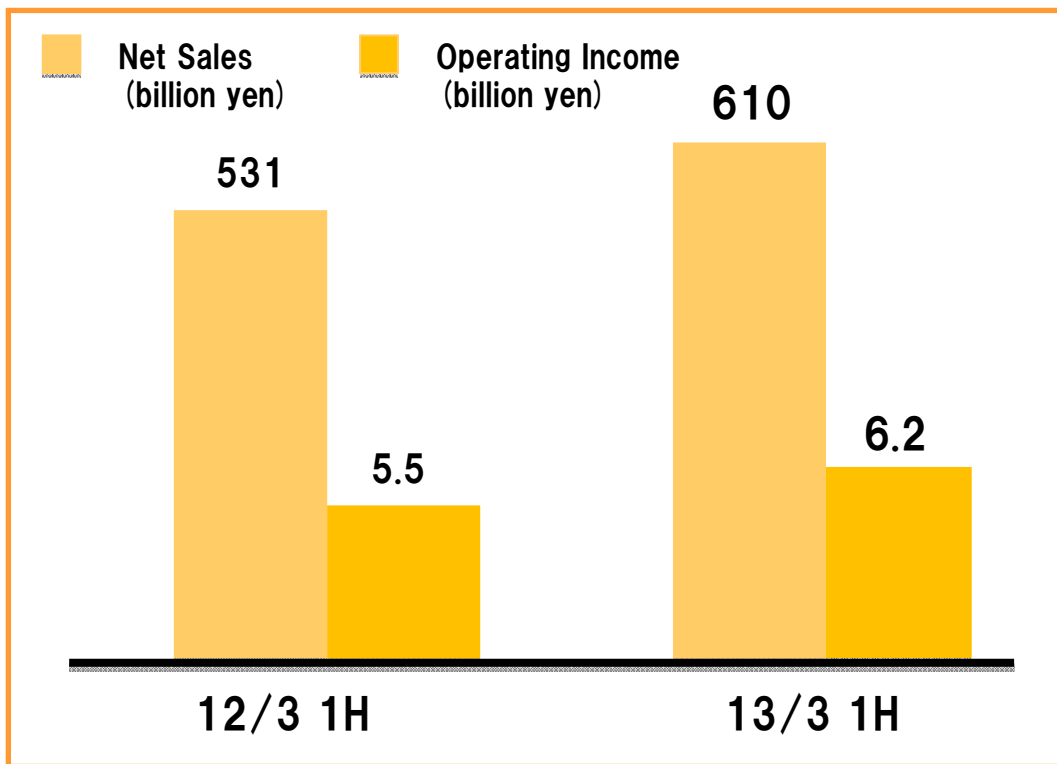
## 【Sales/ Marketing Business for Corporate Clients】

- Both total No. of handsets sold & subscribers for "moninostar" service which is mobile & fixed line management service for corporate clients increased
- Efforts to promote adoption of smart-phones/tablet terminals among corporate clients

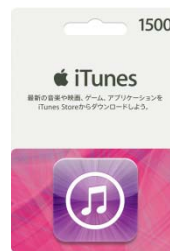
## 【Fixed-line Business】

- Optical communication lines service was well sold
- New sales of MYLINE service drastically decreased

# Settlement Services Business & Others



- PIN products related to e-money were sold well
- New products of Gift Cards are also becoming popular



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# Mobile-phone Distribution Business in China: Shanghai

## Marketing for Consumers

- Opened Our Sixth China Unicom Mobile-phone Shops in Shanghai in July 2012



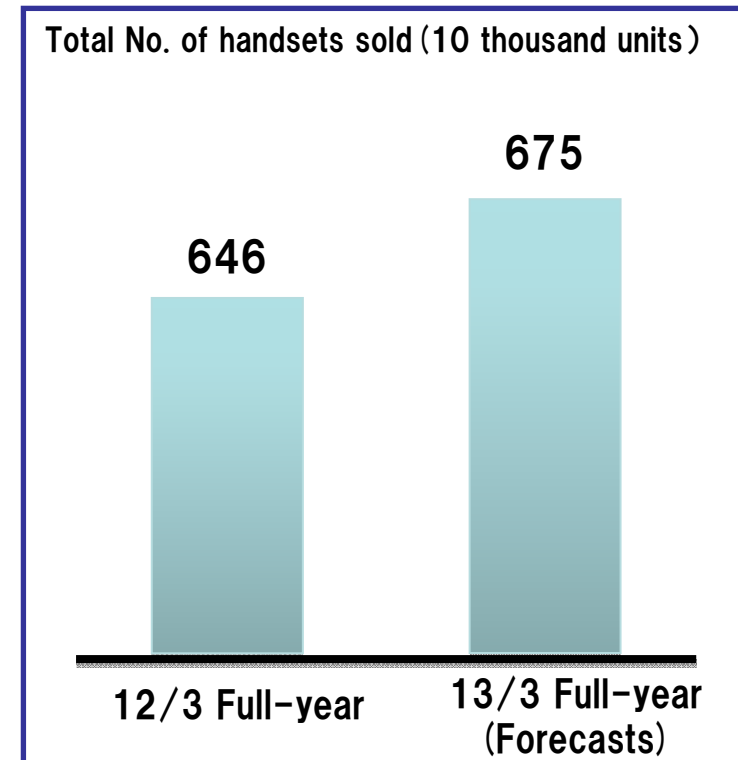
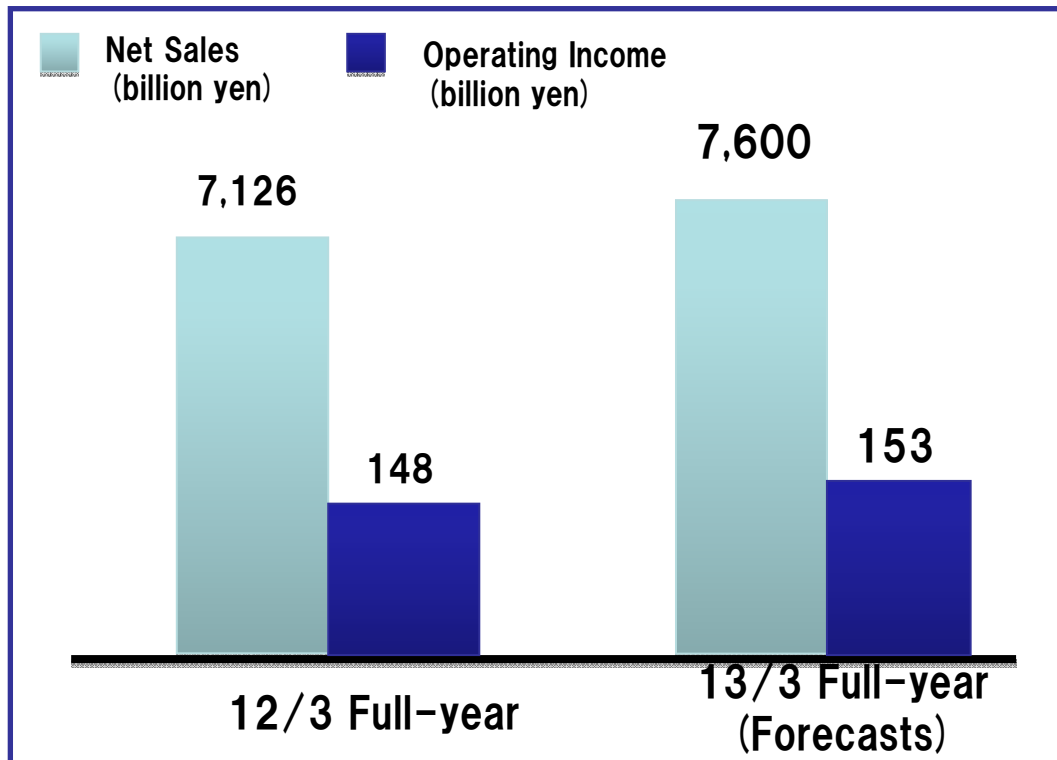
## Marketing for Corporate Clients

- Promote sales and marketing activities continuously for Japanese companies mainly targeting the group companies of major Japanese trading firms to be entrusted with mobile-phone mgmt. service



# **Forecasts for FY ending March 2013 & Future Development**

# Consolidated Forecasts for all TG Group



- **No change in Consolidated Full-year Forecasts**

# Consolidated Forecasts for FY ending March 2013

(Unit : million)	12/3 Full-year Results	13/3 Full-year Forecasts	Change of Amount	Year-on-Year basis (%)
Net Sales	712,683	760,000	47,317	106.6%
Gross Margin	65,823	69,000	3,177	104.8%
SGA Expenses	50,950	53,700	2,750	105.4%
Operating Income	14,873	15,300	427	102.9%
Ordinary Income	14,843	15,000	157	101.1%
Net Sales	7,933	8,600	667	108.4%
Net Income/Share (yen) [※]	18,551.22	21,617.00	3,065.78	116.5%
Dividend /Share (yen) [※] (Payout Ratio)	6,500.00 (35.0%)	7,000.00 (32.4%)	500	107.7%

※:Net Income/Share and Dividend/Share Forecasts for FY ending March 2013 have been calculated based on the No. of shares outstanding without reflecting the 200-for-1 Stock Split (pre-split basis) that will be conducted with the effective date of October 1, 2012. And Treasury stock of both 91,000 shares and 26,985 shares have been deducted from the No. of outstanding shares.



# Consolidated Forecasts for FY ending March 2013 by NEW Segment

We have combined the Fixed-line Business segment with business of selling mobile-phones for corporate clients, which was included in the Mobile-phone Business segment until March 2012, and newly set up Solution Business segment. Accordingly, we have made change to our business segments and since the first quarter for FY ending March 2013, we have applied NEW business segments consists of Mobile-phone Business, Solution Business and Settlement Service Business & Others. Please note that financial results by segment for FY ended March 2012 below have been re-calculated based on the NEW business segments.

## Former segments until FY ended March 2012

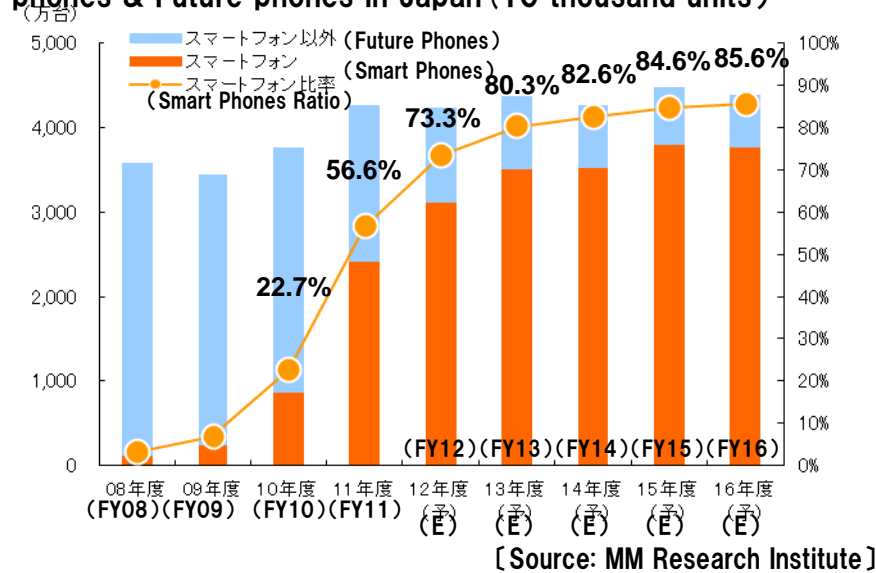
(Unit: million yen)		2012/3 Actual Results
		Amount
Mobile-phone Business	Net Sales	575,738
	Operating Income	11,147
Fixed-line Business	Net Sales	19,765
	Operating Income	2,441
Prepaid Settlement Service & Others	Net Sales	117,180
	Operating Income	1,284
Total	Net Sales	712,683
	Operating Income	14,873

## NEW segments from FY ending March 2013

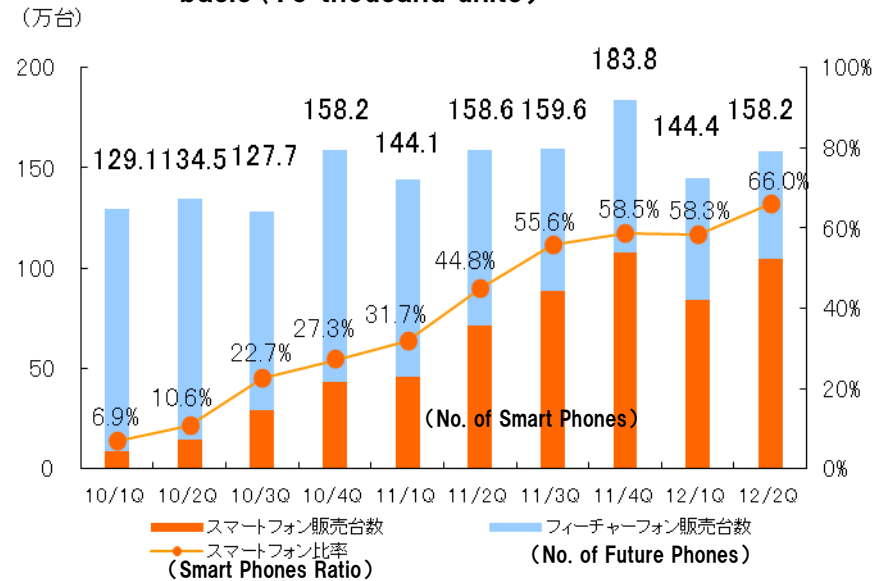
(Unit: million yen)		2012/3 Re-calculated Results	2013/3 Forecasts	
		Amount	Amount	YoY basis (%)
Mobile-phone Business	Net Sales	568,793	583,000	102.5%
	Operating Income	10,569	10,750	101.7%
Solution Business	Net Sales	26,902	30,000	111.5%
	Operating Income	3,054	3,200	104.8%
Settlement Service Business & Others	Net Sales	116,987	147,000	125.7%
	Operating Income	1,249	1,350	108.1%
Total	Net Sales	712,683	760,000	106.6%
	Operating Income	14,873	15,300	102.9%

# Mobile-phone Business: Business Environment

Results & Forecasts of Total Volume of Shipments for smart-phones & Future phones in Japan (10 thousand units)



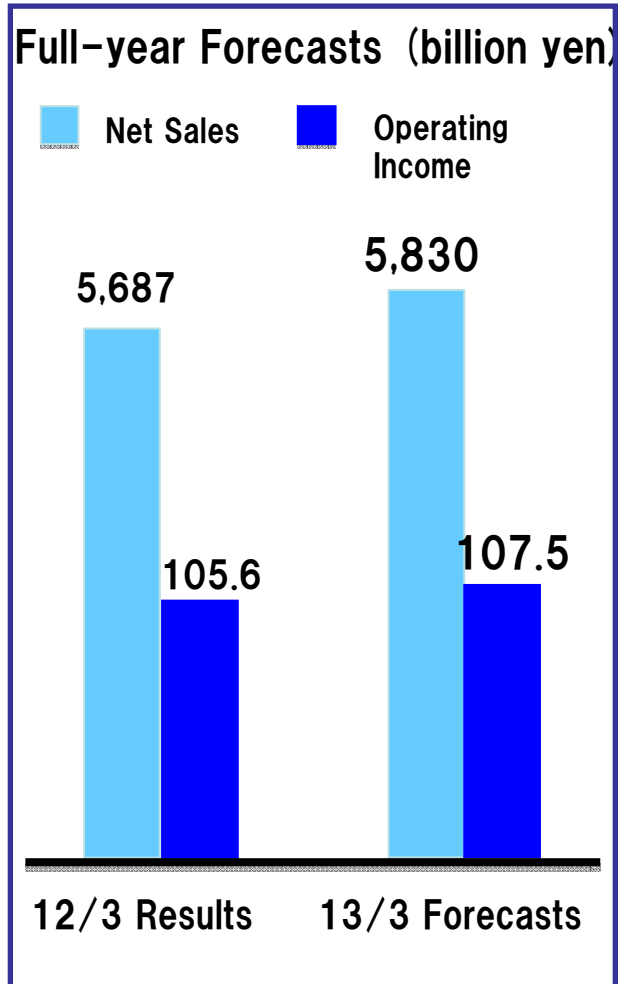
Total No. of handsets sold & Smart-phone ratio on a Quarterly basis (10 thousand units)



## Fiercer Competition to acquire customers with the further penetration of smart-phones

- Competition to acquire customers will be further intensifying toward the end of the year 2012 as well as the fiscal year-end in March 2013
- High-speed communication services will be accelerating and the covered service area will be expanding
- Needs for products related to mobile terminals will be continuously increasing

# Mobile-phone Business: Full-year Forecasts & Efforts in 2H



Total No. of handsets to sell: 6.6 million units

- Strengthening of sales force for smart-phones based on sales policies of telecom carriers and Improvement of prospect of profit by sales channel

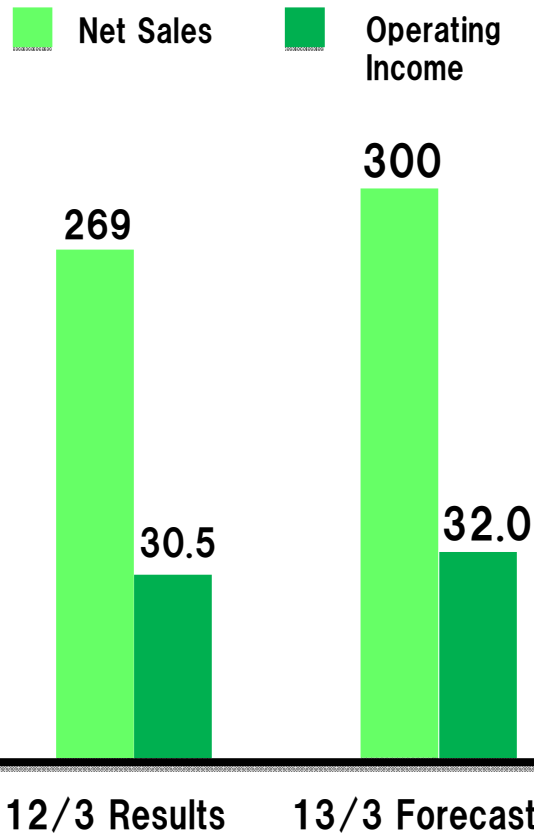
- Proposal of more convenient & better life for smart-phone users responding to their respective needs

⇒ Launch & expand our original shops specializing in accessories for smart-phones with “Smart Labo” brand



# Solution Business: Full-year Forecasts & Efforts in 2H

## Full-year Forecasts (billion yen)



Total No. of handsets to sell: 0.15 million units

## Sales/ Marketing Business for Corporate Clients

Further promotion of adoption of smart-phones / tablet terminals among corporate clients continuously

- Strengthening of mobile & fixed line services based on “movinostar” service
- Provision of Solution Services inc. “TG Smart Support” to improve convenience for corporate clients
- Sales promotion of related products such as accessories

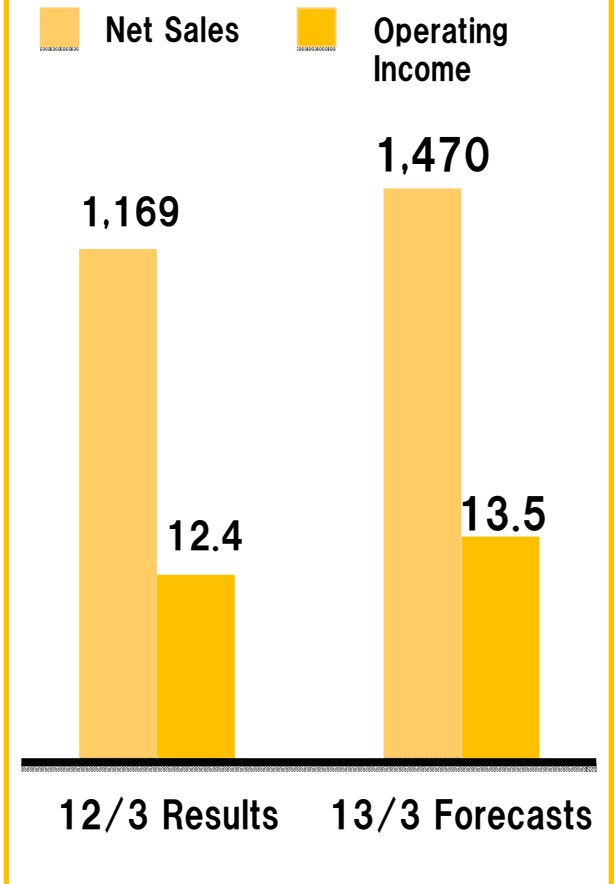


## Fixed-line Business

- Further strengthening of alliance with business partners
- Sales promotion of related products such as ISPs

# Settlement Service Business: Full-year Forecasts & Efforts in 2H

## Full-year Forecasts (billion yen)



## Settlement Service Business

- Increase & diversification of products as well as Sales channels not only for PIN products but also for Gift Cards

⇒ Started sales of “BitCash Card” as of October 16 and “Mobage Moba Coin Card” as of November 13 at Lawson stores all nationwide in Japan.



※“Mobage” is Trademark for DeNA Co. Ltd.

## Mobile-phone Distribution Business in China

- Increase the level of CS with Japanese style service
- Realization of effect of synergy by establishing multiple China Unicom shops
- Strengthening of mobile & fixed line management service for Japanese companies

# Capital Policy

## Stock Split and Adoption of Share Trading Unit System

### [ Objectives ]

- To increase the liquidity of T-Gaia's stock and broaden our investors base by reducing the price of one investment unit, actually dividing it into halves

### [ Details ]

- To conduct the 200-for-1 Stock Split  
Base Date: September 30, 2012 / Effective Date: October 1, 2012
- To adopt the Share Trading Unit System to trade T-Gaia's stock in 100-share units at the same time

## Cancellation of Treasury Stock

### [ Objectives ]

- To improve capital efficiency and increase stockholder value

### [ Details ]

- We cancelled Treasury Stock of 117,985 shares in total as of May 31, 2012

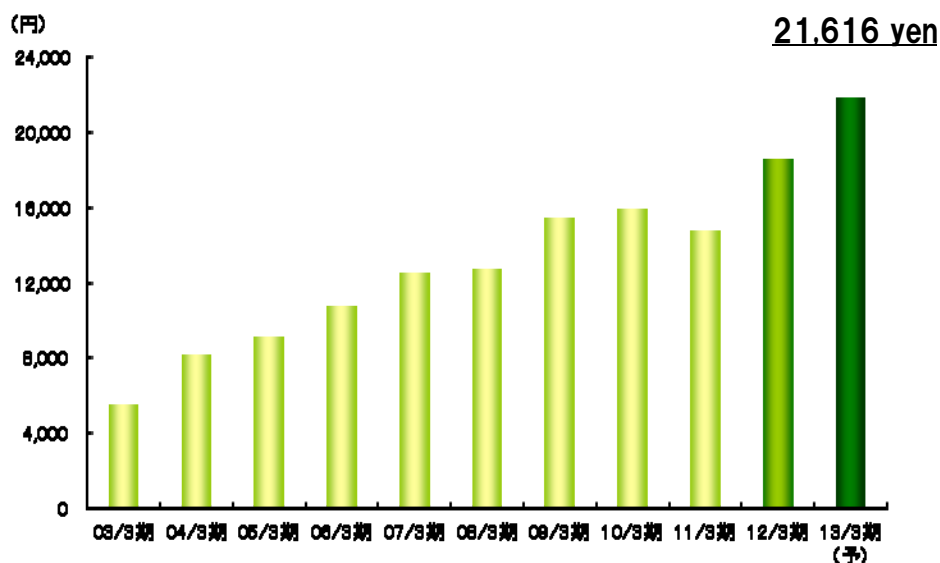
※Reference: The total number of shares issued and outstanding as of the end of September 2012 ⇒ 394,438 shares  
(78,887,600 shares after Stock Split)

# Return to Shareholders: Dividend Policy

## [ Basic Dividend Policy ]

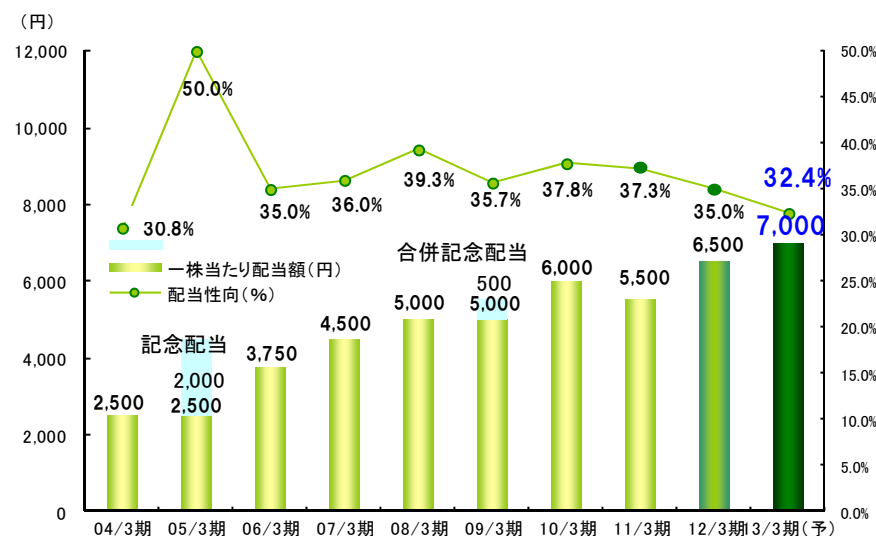
- We have been targeting and maintaining **Dividend Payout Ratio over 30% Level**

### Net Income per Share (Pre-split basis)



※Amount for 2013/3 (Forecast) is calculated based on the average number of shares outstanding during the period.

### Dividend per Share & Payout Ratio (Pre-split basis)



※Dividend Payout Ratio for 2013/3 (Forecast) is calculated based on the average number of shares outstanding during the period.

## [ Annual Dividend per Share for FY ending March 2013 (Forecast) ]

**7,000 yen/Share** ※Pre-split basis

⇒ Increase by 500 yen / Share from 6,500 yen  
in the previous fiscal year ended March 2012

# Management Strategy for Future Growth

Proactively Advancing Three-directional Effort, named “SHINKA” meaning “Revolution”, “Deepening” & Evolution in Japanese Pronunciation, For Further Business Growth over the Medium & Long Term

1

Establishing New Business Model

## Renovation

Establishment of New Business Platform

- Proactively engaging in new business fields centralized on solution services using devices & applications diversifying into new business areas
- Entering overseas markets and launching foreign business initiatives focusing on operations in China

2

Increasing Depth of Existing Business Model

## Deepening

Maximization of Customer Satisfaction

- Increasing & strengthening sales networks and enhancing quality of sales
- Developing new merchandize resources and providing services with high added value

3

Further Progress in Management Base

## Evolution

Innovation of Internal Infrastructure

- Promoting development of human resources capable of dealing with new business models & global initiatives
- Creating internal framework that cultivates spirit of challenge
- Creating & introducing next version of newly upgraded main systems