

# Consolidated 1Q Financial Results for FY ending March 2015

August 8, 2014



Mobile Telecommunication Business



Solution Marketing Business



Settlement Service & Other Business

## Disclaimer

\*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 2015**

# Market Trend for Mobile-phone Sales

## Overall Market Trend

14/3  
1Q

- Summer selling season was partially pushed forward to 1Q because new summer model launched earlier than usual
- Especially smartphones sold very well due to aggressive sales campaign held by telecom carriers

14/3  
4Q

- The backlash after the demand rush at the end of the previous fiscal year before the consumption tax hike & suspension of MNP cashback by telecom carriers occurred

15/3  
1Q

- Sales campaign held by telecom carriers slowed down
- Preparation period for 2Q when all major telecom carriers start accepting the applications for new price plans

## Background of T-Gaia's Financial Results

- Mobile-phones sold very well due to aggressive sales campaign held by telecom carriers
- Improvement of unprofitable sales channel that we started in the FY ended March 2013 contributed to the financial results drastically

- No. of customers & sales volume increased according to the market trend at the end of the fiscal year

- Sales volume decreased significantly due to the backlash after the demand rush at the end of the previous fiscal year
- Contribution to 1Q financial results was limited though effect from the structural reform will be fully realized at the end of FY ending March 2015

# Action Plan of T-Gaia based on the Market Trend

## Trend of Mobile-phone Market we Predicted in Advance

15/3  
1Q

### Sales Volume

- At the transition stage for mobile-phone sales market, total sales volume stagnated due to slowdown of sales campaign held by telecom carriers and the backlash after demand rush at the end of FY ended March 2014
- Sales volume in T-Gaia also decreased due to optimization of sales channel in addition to efforts to improve unprofitable sales channel that we have been continuing since the previous fiscal year

### Financial Results

- Net sales decreased due to declined sales volume according to the market trend
- Further promotion of structural reform toward the end of FY ending March 2015 along with action plan focused on profitability

## Market Trend in 15/3 1Q Moved as Expected

### Action Plan based on the Market Trend

- Reinforcement of the foundations for realization of operational & cost efficiency through promotion of new structural reform
- Strengthening of recommendation of tablets & related products for customers' affluent smartphone life
- Improvement of service quality & thoroughness of hands-on approach via in-house education & training provided by "TG Academy"
- Relocation & renovation of carrier shops to promote growth in their size & clarification of the shop concept

# Summary of 1Q Financial Results

(Unit: 0.1 billion)	13/3 1Q Results	14/3 1Q Results	15/3 1Q Results	Change from 13/3 1Q	Change from 14/3 1Q	15/3 Full-year Forecast	Achievement Ratio
<b>Net Sales</b>	1,678.20	1,687.8	1,269.5	75.7%	75.2%	7,200.0	17.6%
<b>Gross Margin</b>	157.5	155.9	141.7	90.0%	90.9%	650.0	21.8%
(to Net Sales)	9.4%	9.2%	11.2%	—	—	9.0%	—
<b>SGA Expenses</b>	137.5	120.5	116.4	84.7%	96.7%	520.0	22.4%
<b>Operating Income</b>	19.9	35.4	25.3	126.9%	71.5%	130.0	19.5%
(to Net Sales)	1.2%	2.1%	2.0%	—	—	1.8%	—
<b>Ordinary Income</b>	19.5	35.2	25.3	129.5%	71.9%	128.0	19.8%
(to Net Sales)	1.2%	2.1%	2.0%	—	—	1.8%	—
<b>Net Income</b>	10.4	20.0	13.2	127.2%	66.4%	72.5	18.3%
(to Net Sales)	0.6%	1.2%	1.0%	—	—	1.0%	—

# 1Q Financial Results by Business Segment

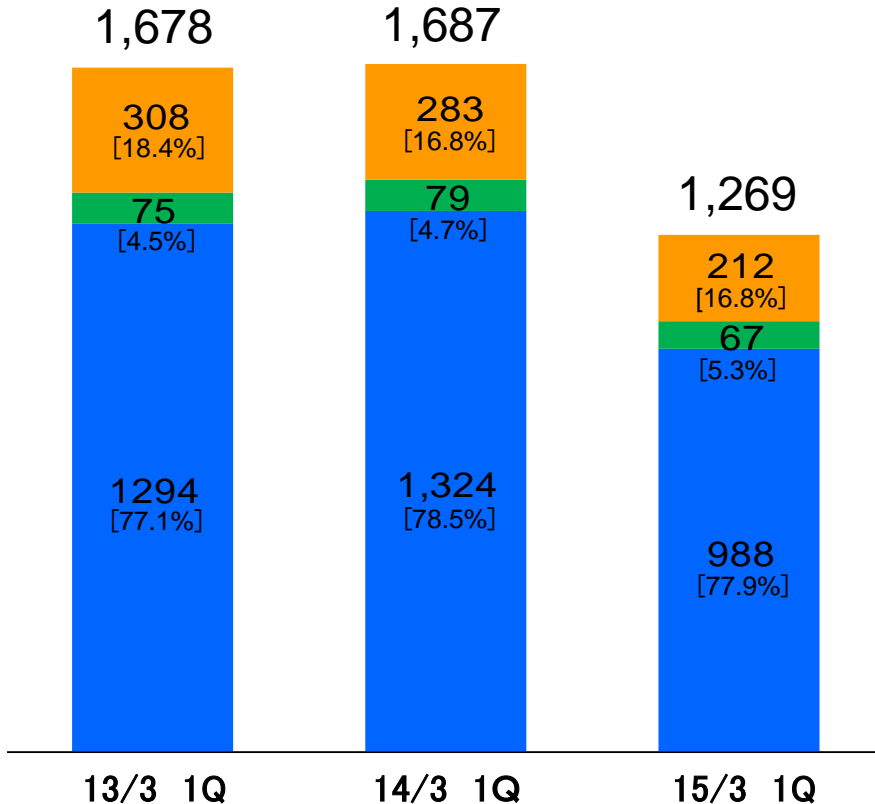
## Net Sales

(Billion yen)

Mobile-phone Business

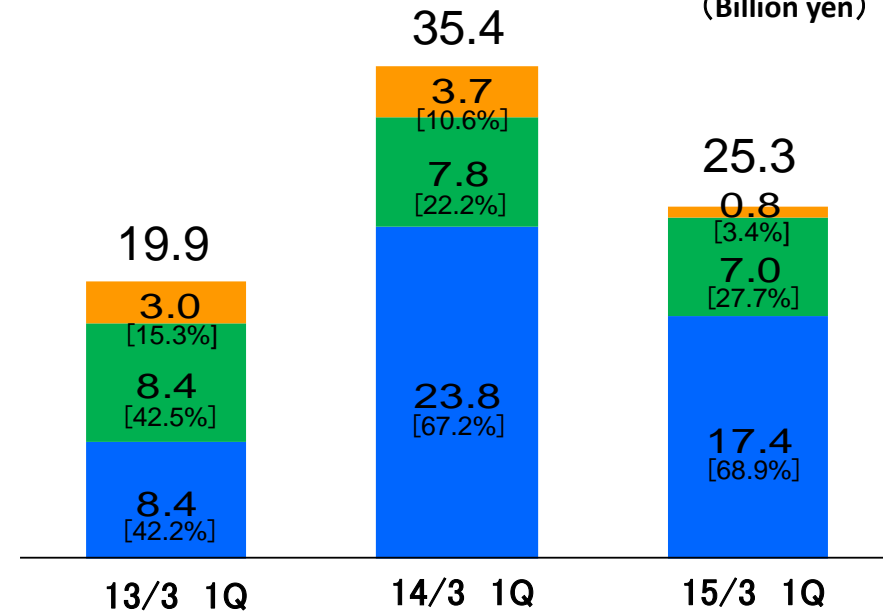
Solution Business

Settlement Service Business & Others



## Operating Income

(Billion yen)



Net sales decreased due to decline of sales volume and the difference of calculation method between PIN products & Gift Cards in Settlement Service

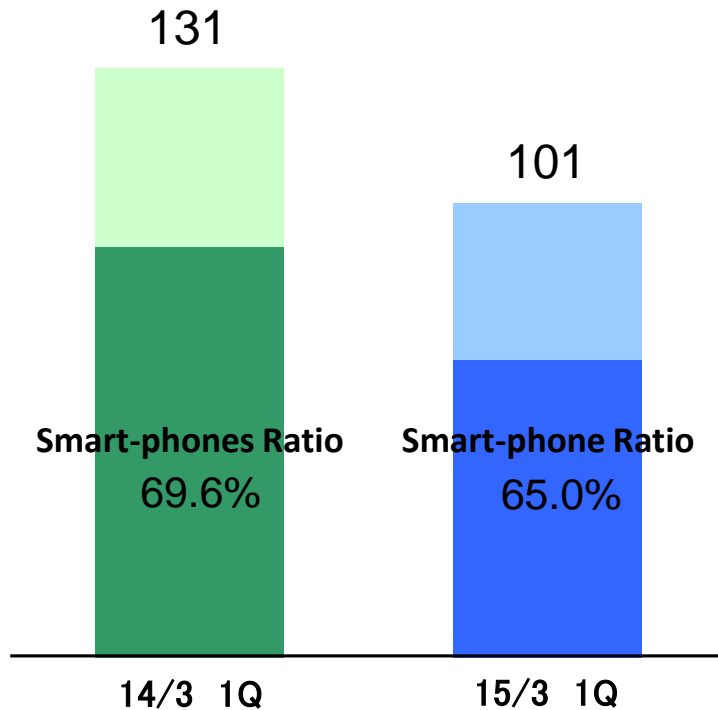
Showed substantial earning power for three consecutive years though operating income has decreased on a YoY basis mainly due to declined sales volume

# Total No. of Mobile-phones Sold Company-wide

## Total No. of Mobile-phones, etc. sold

※ Including Wi-Fi models

(10 thousand units)



## Total No. of Mobile-phones sold & Smart-phone Ratio on a Quarterly basis

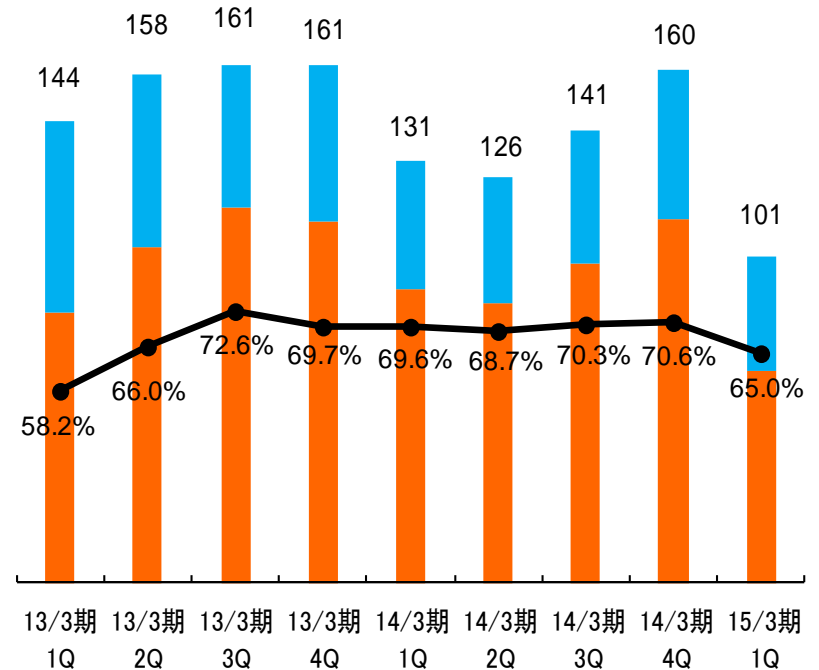
■ No. of Smart-phones

■ No. of Feature-phones, etc.

※ Including Wi-Fi models

● Smart-phone Ratio

(10 thousand units)

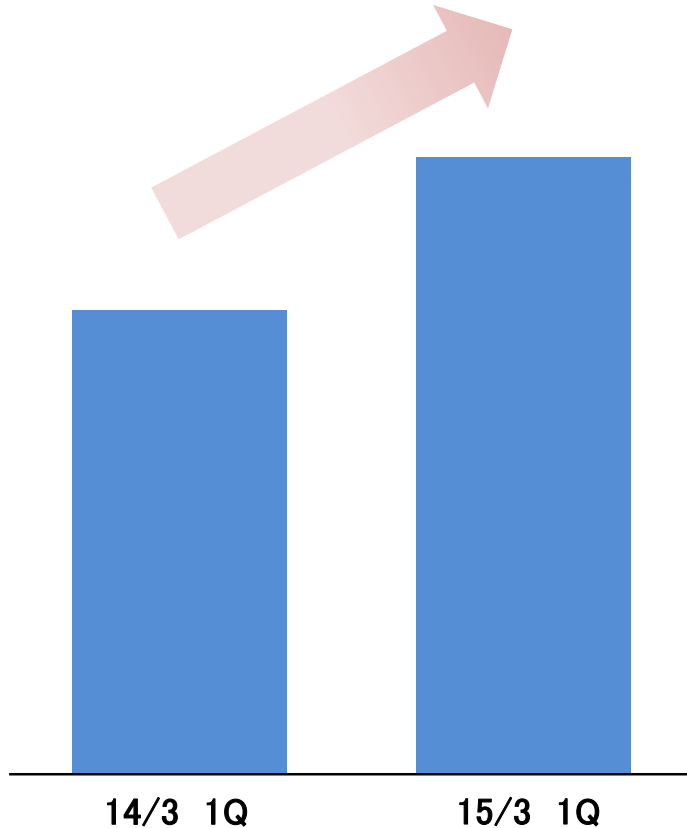


Sales volume has declined due to our sales policy more focusing on profitability and decrease of No. of sales base in addition to the backlash after the demand rush at the end of the previous fiscal year

# No. of Tablets Sold & Net Sales of Related Products

## Total No. of Tablets sold company-wide

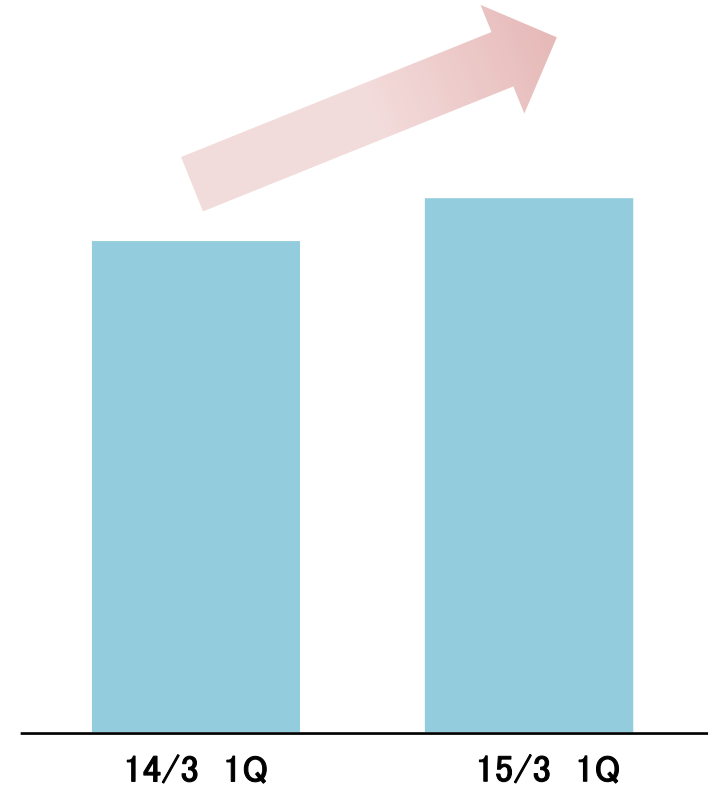
※ Including Wi-Fi model



Increased by approx. 20%  
on a YoY basis

## Net Sales of Related Products

※ Related Products: Accessory & Content, etc. for Smart-phones



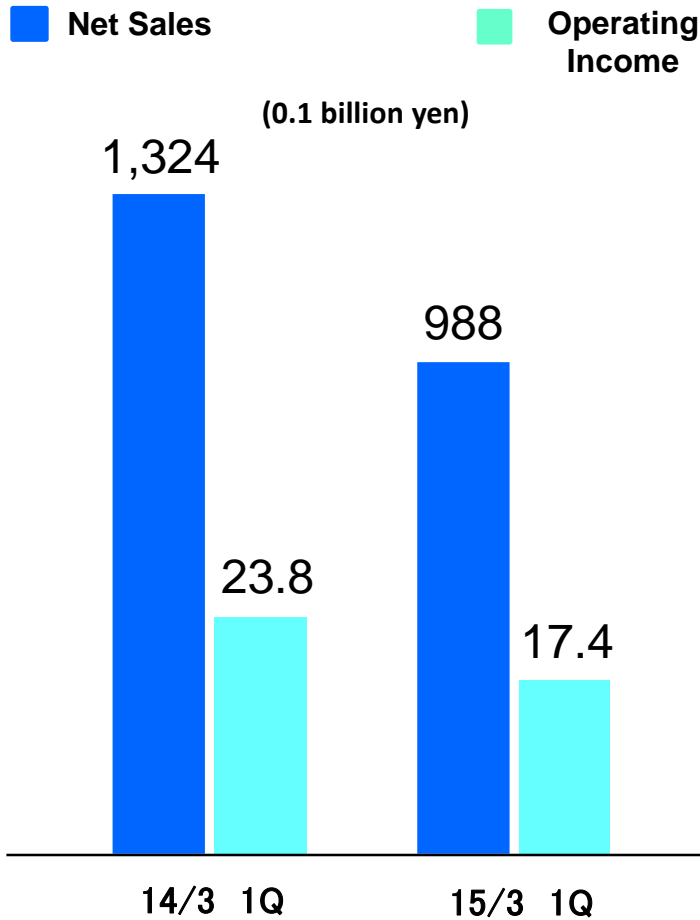
Grew steadily by approx. 10%  
on a YoY basis



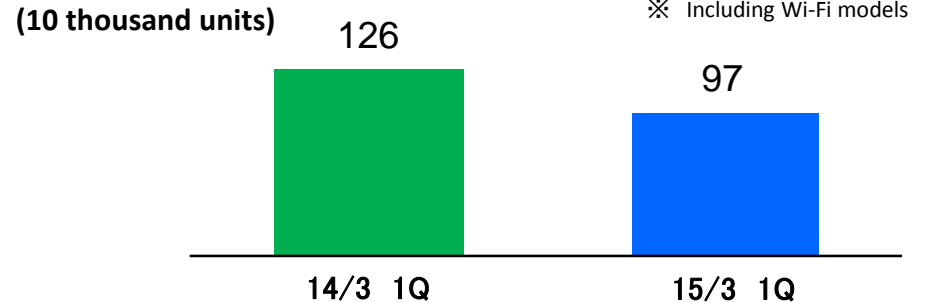


# Mobile-phone Business

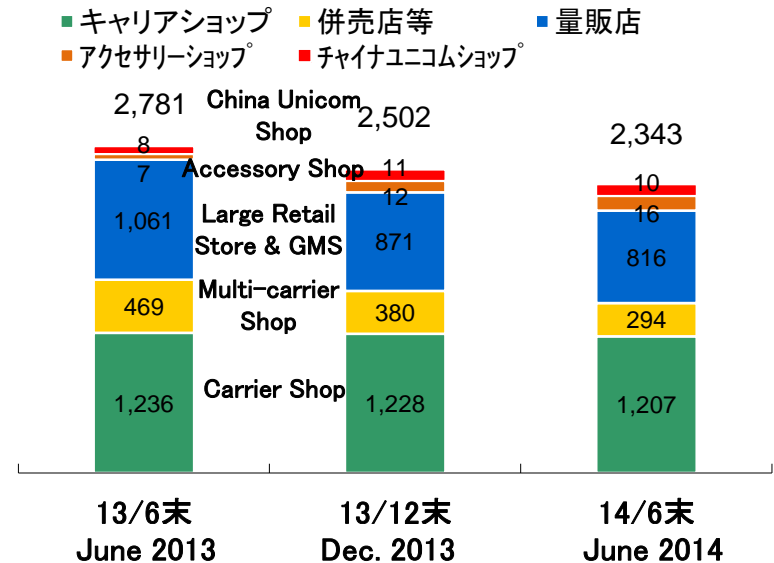
## Financial Results Comparison



## Total No. of Mobile-phones, etc. Sold in the Segment



## Total No. of Sales Bases



- Net sales decreased due to decline of sales volume.
- Despite continued effort to improve unprofitable sales channels, the effect was limited on a YoY basis.

# About “TG Academy”

## Foundation of TG Academy

- April 2012:  
Established as In-house education & training institution with the intention of supporting our customers to realize affluent smartphone life

## Efforts made in 15/3 1Q

- Improved retention rate through enhancement of various training program for new sales staff
- Built up higher skills & enhanced Customer Satisfaction via upskilling training & support for acquiring telecom carriers' qualification
- Focused on company-wide improvement of service quality by sharing information on best practice of sales staff

Recommendation of tablets & smartphone related products based on usage scenes



Staff Organization	June 2013	June 2014
Instructor	3	7
SV(Supervisor)	33	47
Trainer	207	279(※)

※ Deployed one trainer at every directly-managed shop

Aggressive Investment in  
Human Resource Development



# Expansion of Accessory Shop Business

## Smart Labo

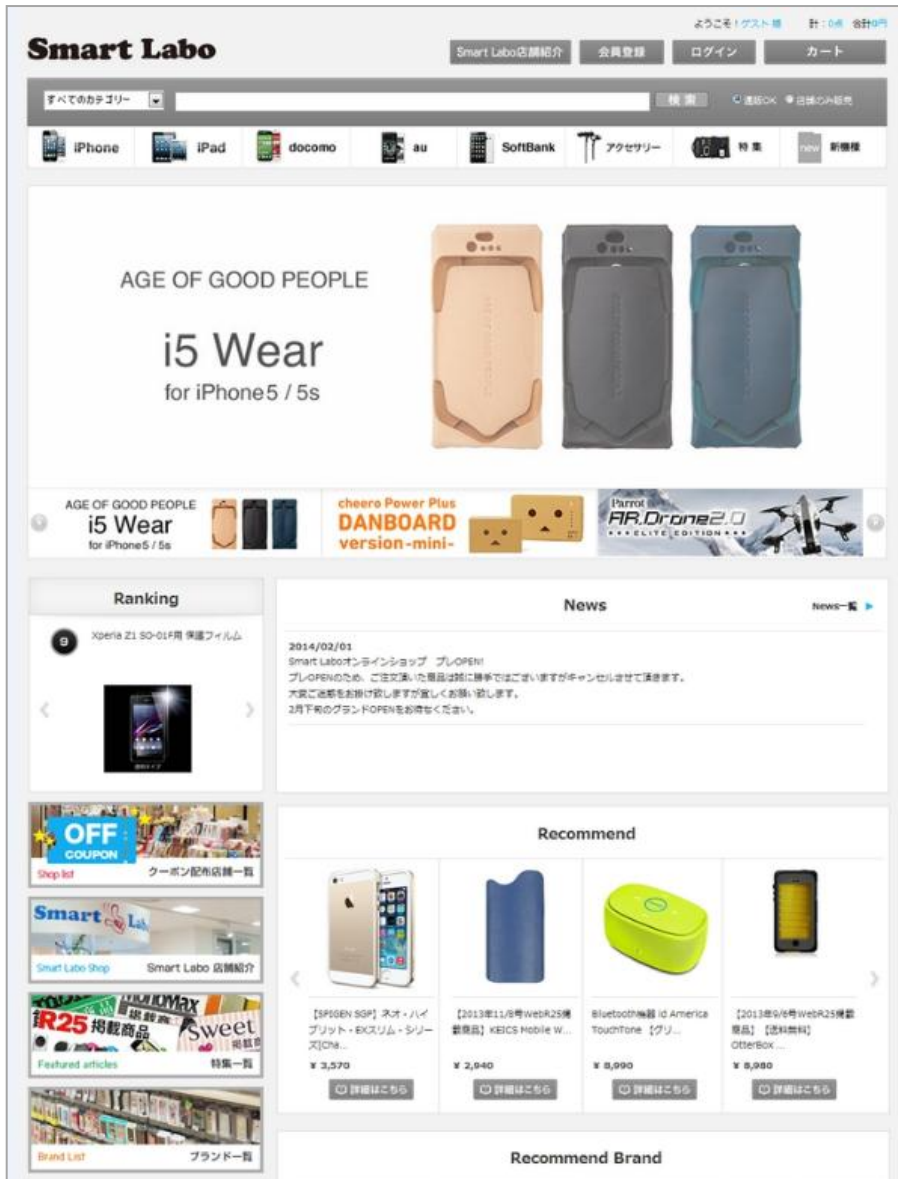
April 11: Opened "Smart Labo Aeon Mall Otaka" in Nagoya City



June 13: Opened "Smart Labo atre Kameido"



# Promotion of Online Shop Business



“Smart Labo Online”  
Launched on April 1  
as our original EC site

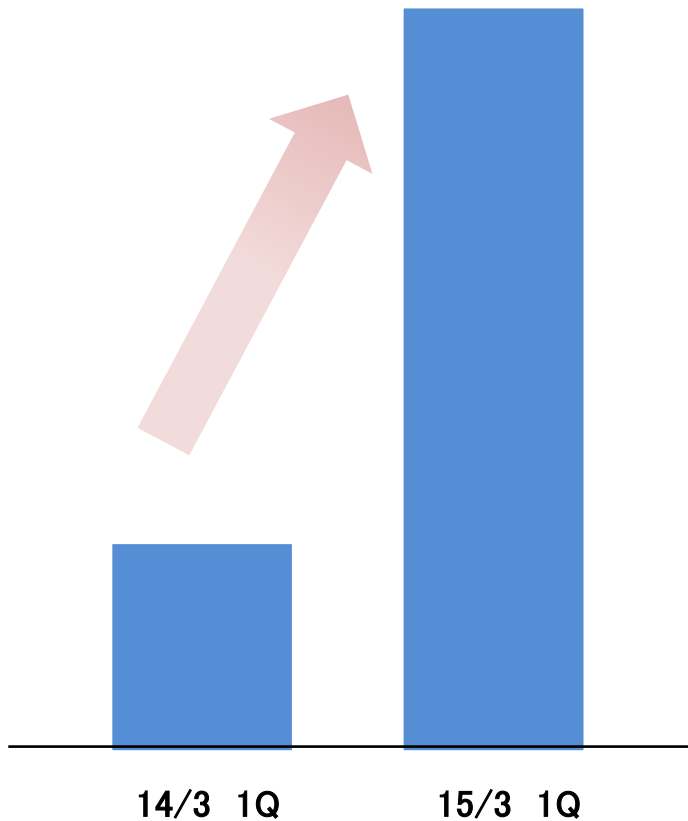
URL: <http://smalabo.com/>

Implementing “Omni  
Channel” Strategy

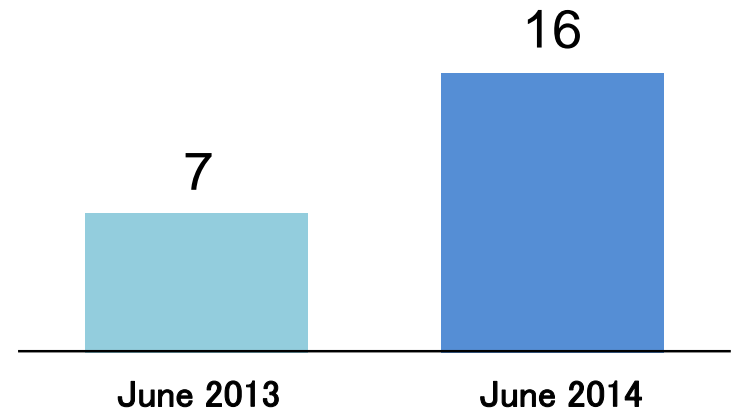


# Net Sales in Accessory Shops for Smart-phones

## Net Sales in Accessory Shops



## No. of Accessory Shops



## Products sold in Accessory Shops

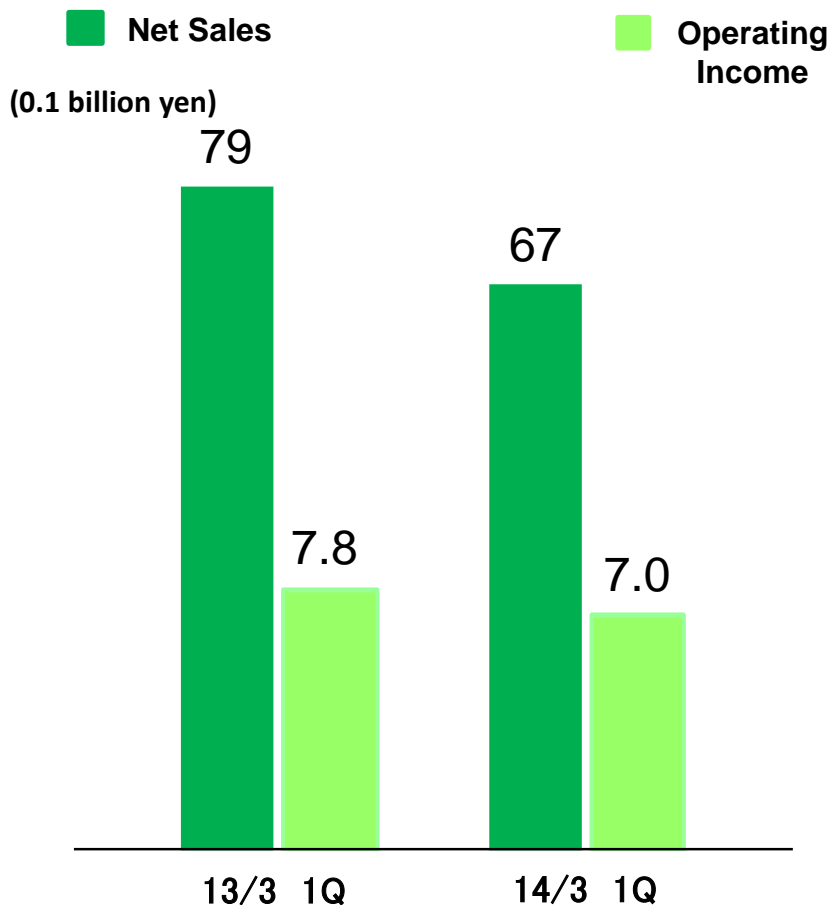


Rapidly increased by approx. three-and-a-half times on a YoY basis

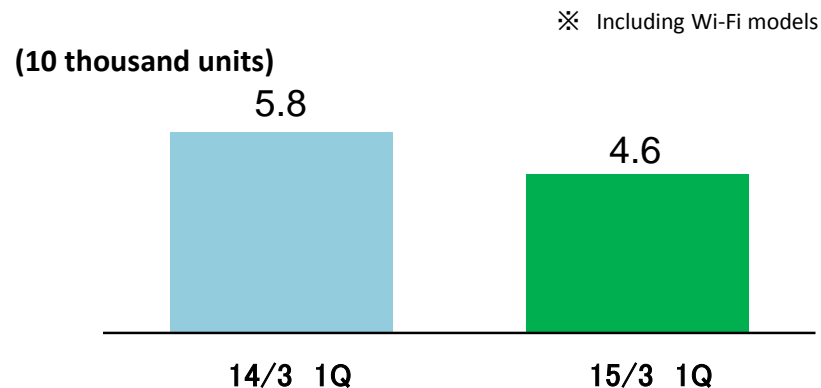


# Solution Business

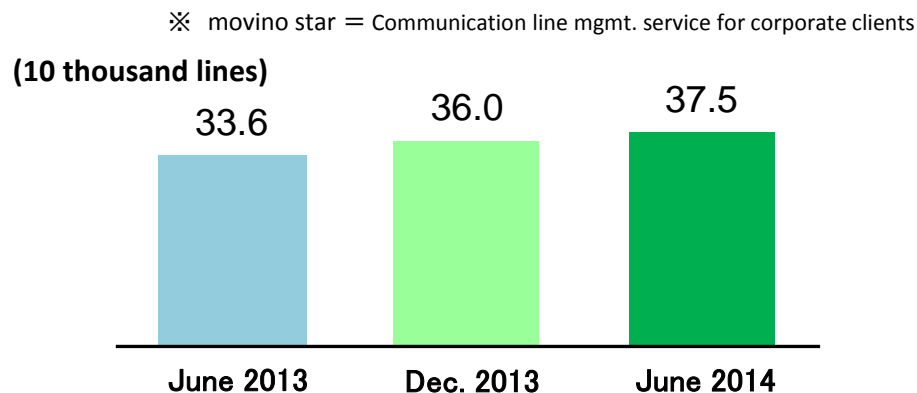
## Financial Results Comparison



## Total No. of Mobile-phones, etc. Sold in the Segment



## Total No. of lines subscribing "movinostar"



- Total unit sales decreased partially due to the absence of the large-scale orders seen in the same period in the last FY .
- Total No. of lines subscribing "movnostar" are steadily increasing.



# Synergy Effect between WAM!NET Japan K.K.

## Main Action Plan in 1Q

### “Strengthened the Foundations for Maximizing Synergy Effect”

- Mutual utilization of customer base of both T-Gaia & WAM!NET
- Strengthening of ability to propose solution service



## Main Action Plan from 2Q & onward

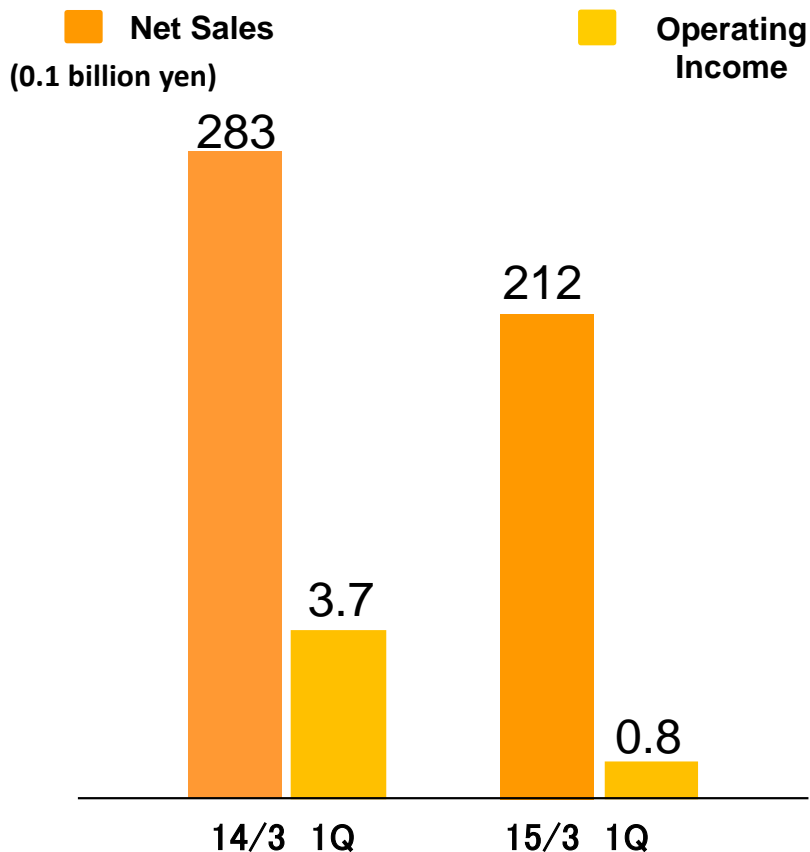
### “Convergence of Mobile Solution & Cloud Service”

- Realization of proposal of comprehensive solution service via cross-selling
- Development & sale of our own bundled service & products
- Further strengthening of sales & support capabilities through personal exchanges between two companies
- Operational efficiency improvement & cost reduction utilizing GigaCC internally

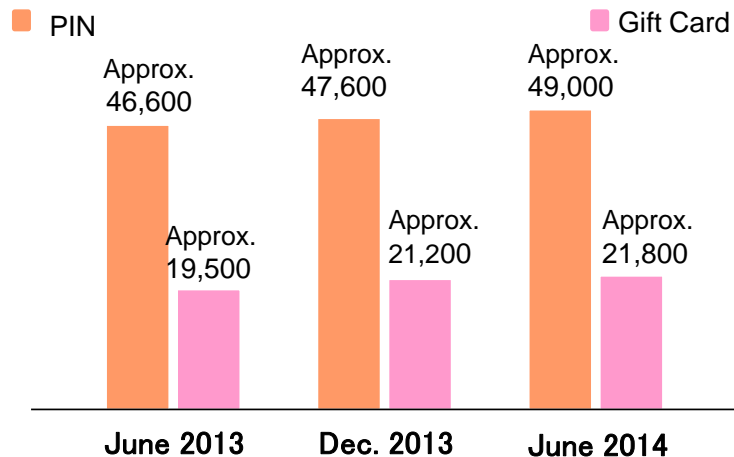


# Settlement Service & Other Business incl. Overseas Business

## Financial Results Comparison



## Total No. of convenience stores dealing PIN/Gift Cards



## Overseas Business

- Continued investment in mobile-phone distribution business in Shanghai
- Launched Gift Card Business in Singapore

- Net sales decreased mainly due to shift from PIN products for which face value is regarded as net sales to Gift Cards that treat only received commissions as sales amount
- Promoted overseas business investment in Shanghai & Singapore





# Gift Card Business in Singapore

## Corporate Profile

- Corporate Name : Advanced Star Link Pte.Ltd.
- Date of Establishment : November 2013
- Capital Structure : 100% owned by T-Gaia Corp.
- Description of Business : Distribution of Gift Cards
- No. of Convenience Stores & Large Electric Stores dealing Gift Cards :  
Approx. 600 (As of June 2014)



## Main Activities

- Feb. 2014 Started Gift Card Distribution Business
- June 2014 Made an Agreement with the Largest Convenience Store Chain and Expanded its Sales Channel

**Deployment of Settlement Service Business in Asia**

# New Corporate Philosophy

## T G Vision - Corporate Vision of T-Gaia

**Lead the Way toward the Future  
& Take a Leap for Tomorrow**

## T G Mission

- Corporate Mission of T-Gaia -

- T-Gaia will propose new ways of communication to provide our customers with excitement, delight, and safety.
- T-Gaia will thank its employees as well as their families and provide them with equal opportunities and rewards to challenge something new.
- T-Gaia will develop strong relationships with all the business partners and seek for mutual benefit under the fair and healthy conditions of business transaction.
- T-Gaia will contribute to all societies and regional communities through our global business activities.
- T-Gaia will thank all the stakeholders including our shareholders for their trust and confidence in our practice, and keep enhancing our corporate value.
- As a leading company in the industry, T-Gaia will go ahead of change of the times to develop new markets in addition to expanding our existing businesses.

## T G Action

- Our Code of Conduct -

- We always act with a customer-driven attitude.
- We provide the highest-quality service to be appreciated by everyone.
- We keep moving ourselves higher as professionals.
- We respect and compete with each other to develop our infinite potentials.
- We seek for open & constructive communication.
- We value teamwork to achieve the best performance.
- We always act on high ethical standards and strengthen our compliance structure.
- We are not satisfied with our current situation; we keep challenging something new aggressively with our passion and a sense of speed.

# Corporate Slogan for FY ending March 2015

“Thorough Hands-on Approach”

“Realization of Smartphone World”

Advancing to the Next Stage



決済  
Settlement Service

ウェアラブル  
Wearable Appliance

アプリ  
Application



EC



# **Forecast for FY ending March 2015 & Future Development**

# Consolidated Forecasts for FY ending March 2015

(Unit : 0.1 billion yen)	14/3 Full-year Results	15/3 Full-year Forecasts	Change of Amount	Year-on-Year basis (%)
Net Sales	7,070.0	7,200.0	130.0	101.8%
Gross Margin	633.1	650.0	16.9	102.7%
SGA Expenses	505.5	520.0	14.5	102.9%
Operating Income	127.6	130.0	2.4	101.9%
Ordinary Income	126.6	128.0	1.4	101.1%
Net Income	68.3	72.5	4.2	106.1%
Net Income/share (yen)	86.74	105.52	18.78	121.7%
Dividend /share (yen)	35.00	35.00	0.00	100.0%
<b>Total No. of mobile-phones to sell</b>	560	555	▲ 5	99.1%

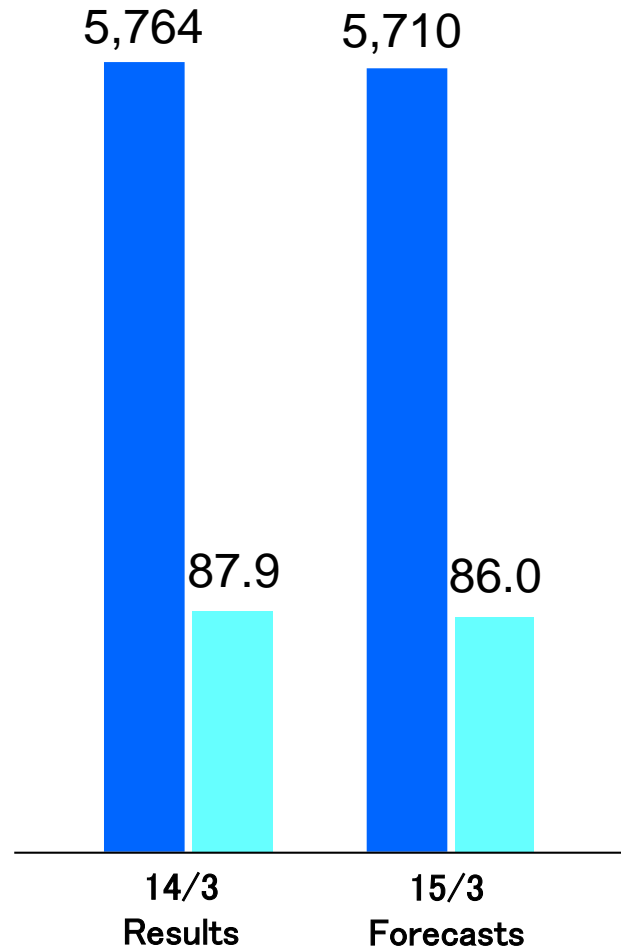


# Mobile-phone Business: Full-year Forecasts & Future Development

## Full-year Forecasts

Net Sales      Operating Income

(0.1 billion yen)



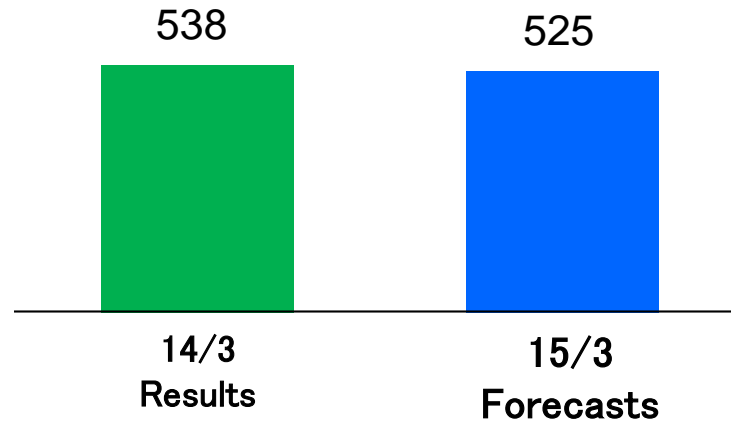
## Future Development

- Strengthening of recommendation of tablets responding to telecom carriers' new price plans
- Promotion of related products such as smartphone accessory
- Expansion of accessory shops including EC sites  
⇒ Support customers to spend affluent smartphone life in order to realize "Smartphone World"
- Realization of operational & cost efficiency through promotion of full-scale structural reform  
⇒ **Establishment of streamlined operating structure**

## No. of mobile-phones, etc. sold & to be sold

(10 thousand units)

※ Including Wi-Fi models



# Mobile-phone Business: Promotion of Accessory Shop Business



SL Matsumoto PARCO (Nagano)



SL LoveLa2 (Niigata)



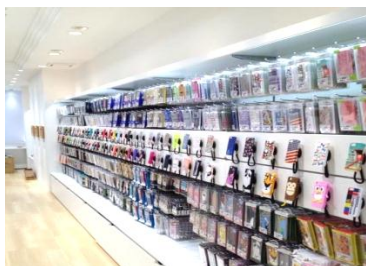
SL Aeon Lake Town (Saitama)



SL Aeon Mall Natori (Miyagi)



SL ATRE Akihabara (Tokyo)



SL Hiroshima Hondori (Hiroshima)

Total 14 shops in major cities in Japan

(As of June 2014 excluding EC sites)



ABS Shinjuku (Tokyo)



SL Okaido Chuo (Ehime)



ABS Harajuku (Tokyo)



SL Yume Town Mitoyo (Kagawa)



SL Shinsaibashi (Osaka)



SL.style Nishinomiya Garden (Hyogo)



SL Aeon Mall Otaka (Aichi)



SL ATRE Kameido (Tokyo)

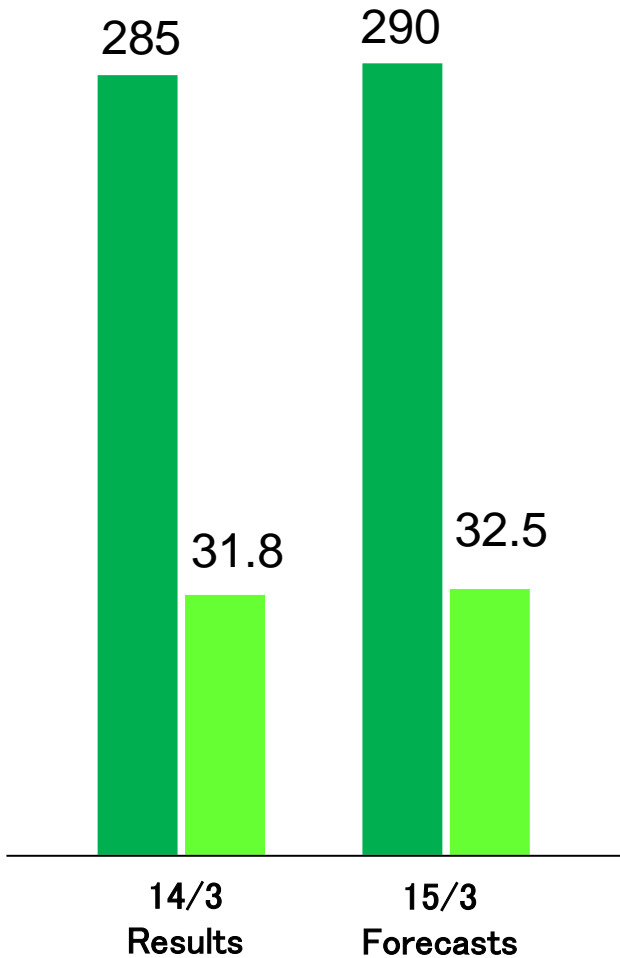


# Solution Business: Full-year Forecasts & Future Development

## Full-year Forecasts

■ Net Sales      ■ Operating Income

(0.1 billion yen)



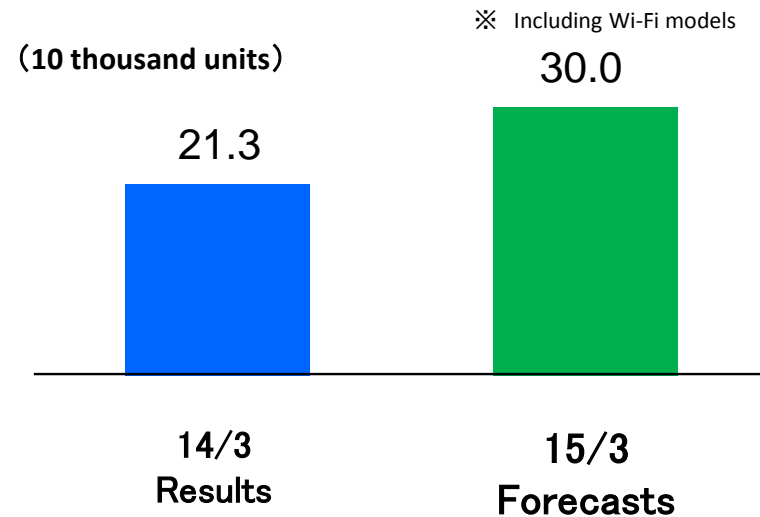
## Future Development

### Mobile-phone Business for Corporate Clients

- Create a synergy effect with WAM!NET
- Expansion of sales of smartphones & tablets as promising products
- Provision of solution service depending on clients' needs
- Upgrade of movino star (※) to improve convenience & CS among corporate clients

※ movino star : telecommunication line management service for corporate clients

## No. of mobile-phones, etc. sold & to be sold



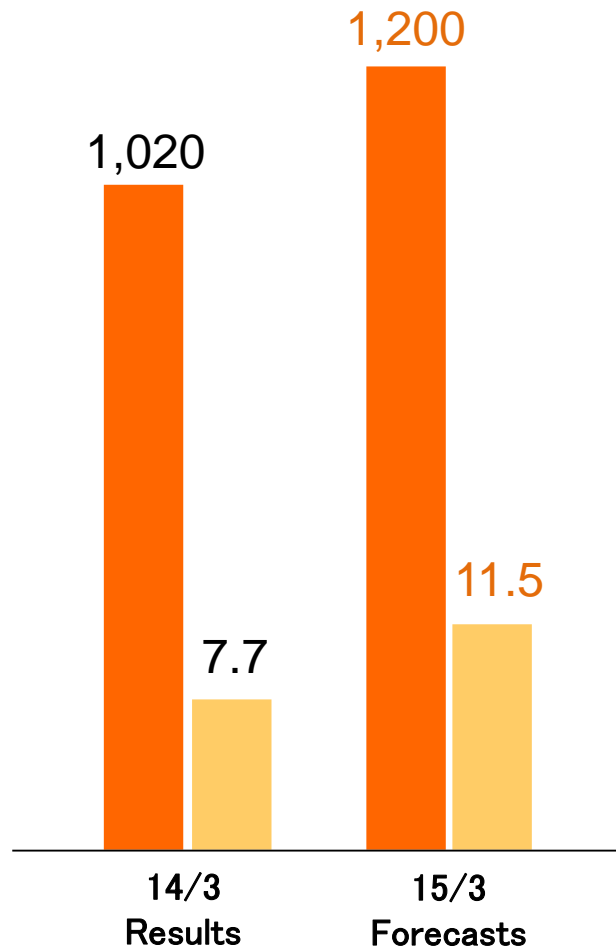


# Settlement Service Business & Others : Full-year Forecasts & Future Development

## Full-year Forecasts

Net Sales      Operating Income

(0.1 billion yen)



## Future Development

### Settlement Service Business

- Strengthening of promotion of Gift Cards responding to the shift of customers' needs from PIN to Gift Cards
- Expansion of sales channels as well as product lineups

### Overseas Business

- **Mobile-phone Sales Business**
  - Penetration of Japanese-style quality service along with the start of 4G service in China
  - Strengthening of support system for communication line mgmt. service intended for Japanese –affiliated companies
- **Settlement Service Business**
  - Promotion of Gift Cards Distribution in Singapore

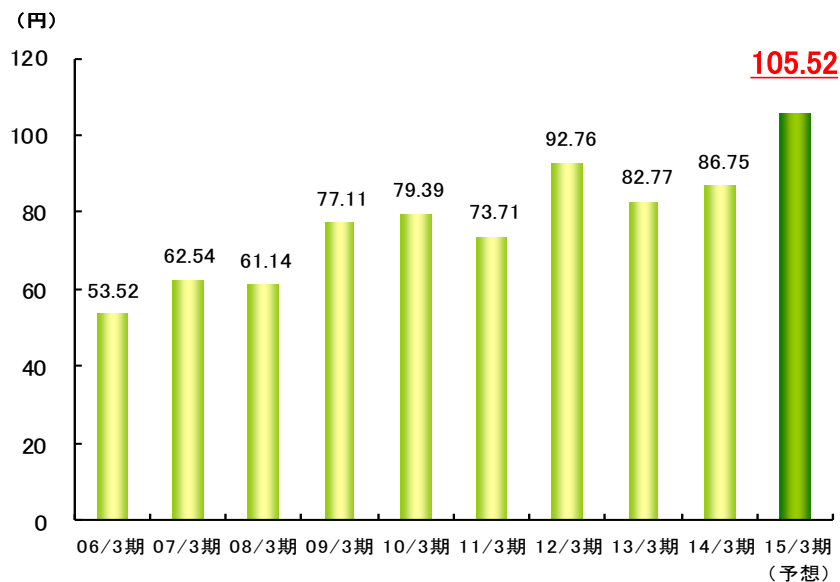


# Return to Shareholders: Dividend Policy

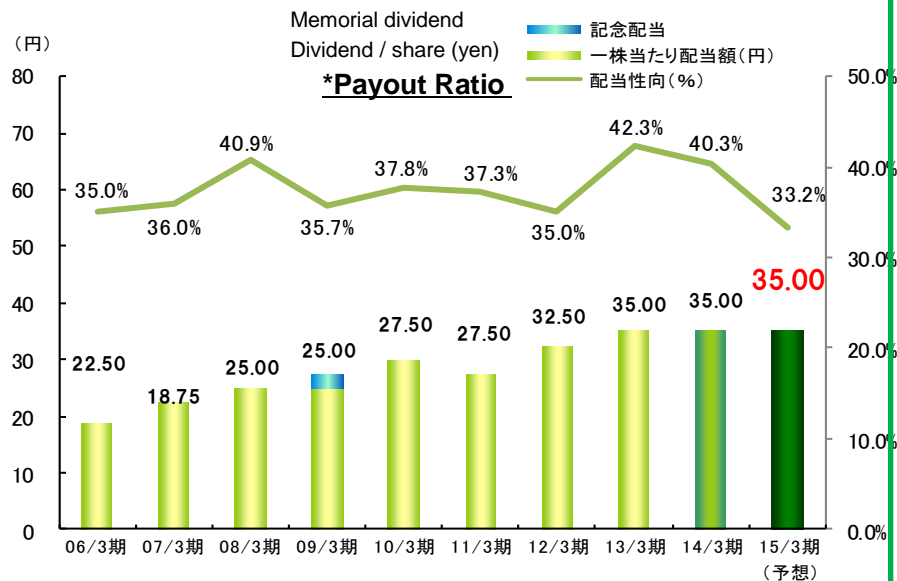
## [ Basic Dividend Policy ]

- Targeting and maintaining Dividend Payout Ratio over 30% Level

### ☆Net Income per Share



### ☆Dividend per Share & Payout Ratio



※15/3期(予想)の1株当たり当期純利益および配当性向は14/3期末における発行済株式数(自己株式除く)に基づき算出しております。

## < Dividend per Share for FY ending March 2015 (Forecast ) >

**35.0 yen/share (Interim: 17.5 yen/ Year-end: 17.5 yen)**