

(Summary Translation)

**Consolidated Financial Results for the First Quarter of Fiscal Year Ending March 31, 2018
(Three Months Ended June 30, 2017) (Based on J-GAAP)**

August 1, 2017

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Stock code: 3738

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Financial results presentation: No

Listing: Tokyo Stock Exchange, First Section

URL: <http://www.t-gaia.co.jp/>

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

1. Consolidated Financial Results for the First Quarter of Fiscal Year Ending March 31, 2018 (April 1, 2017 – June 30, 2017)

(1) Consolidated results of operations (three months)

(Percentages represent year-over-year changes)

	Net sales		Operating income		Ordinary income		Net income attributable to shareholders of the parent company	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
1Q FY 2018	122,521	(0.4)	2,491	(6.3)	2,513	(6.3)	1,578	(13.2)
1Q FY 2017	123,067	(9.5)	2,659	(13.2)	2,683	(13.0)	1,817	(1.2)

(Note) Comprehensive income (million yen): 1Q FY 2018: 1,504 (17.7%) 1Q FY 2017: 1,828 (1.7%)

	Net income per share		Diluted net income per share	
	Yen	Yen	Yen	Yen
1Q FY 2018	28.32	—	—	—
1Q FY 2017	31.63	—	—	—

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Million yen	Million yen	Million yen	Million yen	%	%
1Q FY 2018	68,373	29,439	29,439	43.0		
FY 2017	75,282	29,389	29,389	39.0		

Reference: Shareholders' equity (million yen): 1Q FY 2018: 29,419 FY 2017: 29,364

2. Dividends

	Annual dividends				
	1Q-end	Interim	3Q-end	Yearend	Annual
	Yen	Yen	Yen	Yen	Yen
FY 2017	—	26.00	—	26.00	52.00
FY 2018	—	—	—	—	—
FY 2018 (forecasts)	—	27.50	—	27.50	55.00

Note: Revisions to the dividend forecast in the current quarter: None

3. Consolidated forecasts for the Fiscal Year Ending March 31, 2018 (April 1, 2017 – March 31, 2018)

(Percentages represent year-over-year changes)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	565,000	2.4	15,200	6.5	15,200	6.4	10,150	4.7	182.13

Note: Revisions to the financial forecast in the current quarter: None

Notes

(1) Changes in significant subsidiaries during the consolidated period (three months) under review

(changes in subsidiaries accompanying change in the scope of consolidation): None

New: None (Company name:)

Excluded: None (Company name:)

(2) Changes in accounting procedures specific to creation of quarterly consolidated financial statements: None

(3) Changes in accounting principles, estimates and restatement

1) Changes in accounting principles caused by revision of accounting standards: None

2) Changes in accounting principles other than those mentioned above: None

3) Changes in accounting estimates: None

4) Restatement: None

(4) Number of shares issued and outstanding (shares of common stock)

1) Number of shares outstanding (including treasury stock) at end of period

1Q FY 2018	79,074,000 shares	FY 2017	79,074,000 shares
1Q FY 2018	23,345,796 shares	FY 2017	23,345,796shares
1Q FY 2018	55,728,204 shares	1Q FY 2017	57,448,515 shares

2) Number of treasury stock at end of period

3) Average number of shares outstanding during the period (three months)

* Implementation of quarterly review procedures

The consolidated financial statement is not subject to audit procedures pursuant to the Financial Instruments and Exchange Act.

At the time of disclosure of the consolidated financial statement, the audit procedures of consolidated financial statements pursuant to the FIEA are already completed.

* Cautionary statement with respect to forward-looking statements

(Disclaimer on forward-looking statements)

These materials contain forward-looking information including earnings projections based on information currently available to the Company and certain assumptions considered reasonable in the judgment of the Company. Nothing contained in these materials is meant to suggest that the Company promises to attain the said projections. Moreover, due to various factors, actual results may materially differ from projections. Concerning matters to be observed regarding the assumptions underlying earnings projections and concerning the use of earnings projections, please refer to “(3) Qualitative information concerning consolidated business performance forecast” under “1. Qualitative Information Concerning the First Quarter Financial Results” on page3 of the Attachment to the summary of quarterly financial statement.

* Financial results supplementary explanatory documents will be posted on the English site for Investors of T-Gaia Corporation within days.

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1. Qualitative Information Concerning the First Quarter Financial Results

(1) Explanation of operating performance

The Japanese economy in the period under review (from April to June 2017) maintained a moderate recovery trend associated with signs of improving employment and income environments as well as a rebound in personal consumption. Supporting factors were the government's economic measures and the Bank of Japan's policy of monetary easing. However, the further outlook remains uncertain, mainly due to economic conditions in China and other emerging economies in Asia and the policy direction of the new U.S. administration.

In the market for mobile phone handset, the business mainstay of the Group (the Company and its consolidated subsidiaries), efforts at normalizing smartphone sales have been gaining ground, steadying sales prices of mobile terminals. Moreover, the diffusion of telecommunications carriers' sub-brands and the emergence of Mobile Virtual Network Operators (MVNO) have been serving to offer customers a broader range of choices. At the same time, telecommunications carriers have been introducing point service schemes and extended their business fields beyond the boundaries of telecommunications.

In this operating environment, Group sales of mobile phone handsets, etc. rose above the level of a year-earlier period to 1.02 million units, with the weighting of smart devices at around 80% of the total.

In store operations, in a bid to realize the "100 Million Effort" propagated by the government, the Company took steps to raise productivity at the company-level through the application of flexible work schemes. At the store level, with a view to enhancing employee satisfaction and raising the employee retention rate, the Company introduced fixed holidays and working hour reductions, amid other steps to promote work place reform. At the same time, efforts continued to create new earnings platforms at all business segments.

Group-level consolidated results for the period under review posted net sales of 122,521 million yen (-0.4% compared with the year-earlier period), with operating income of 2,491 million yen (-6.3% compared with the year-earlier period), ordinary income of 2,513 million yen (-6.3% compared with the year-earlier period) and net income attributable to shareholders of the parent of 1,578 million yen (-13.2% compared with the year-earlier period).

Results by business segment for the period under review are described below.

(Mobile Telecommunications Business)

In the Mobile Telecommunications Business, the Company promoted repurchase demand with offers of newly launched attractive models and revamped charge plans. Additionally, telecommunications carriers' sub-brands and MVNO handset sales developed favorably, lifting unit sales above the year-earlier result.

Efforts continued to enhance profitability and acquire operating income by strengthening the Company's added-value proposal capabilities. Specifically, this concerned propositions surrounding smart-device usage methods as well as smartphone related merchandise including contents and security propositions. Moreover, the Company promoted investment in store facilities, including new store openings dedicated to sub-brand and MVNO offerings, in addition to store enlargements such as large-store formats associated with store relocations. Furthermore, with a view to the future, the Company invested proactively also in human resources, such as promoting employee status changes to regular employee from other employment formats and stepped-up and broadened hiring of new graduates, increasing selling, general and administrative expenses.

As a result, sales marked 102,888 million yen (+0.9% compared with the year-earlier period) with operating income of 1,641 million yen (-15.5% compared with the year-earlier period).

(Solutions Business)

In corporate mobile solutions, the division strengthened its proposal capabilities, specifically concerning smartphone introduction and usage support for businesses and support services designed to reduce the administrative burden encountered by corporate customers. As a result, unit sales increased and earnings developed favorably.

Moreover, T-Gaia expanded help desk operations, reacting to rising demand, by acquiring equity in a company with call center services as its main business line. The Company promoted also solutions services specialized by industry, such as offering one-stop solution services for the education industry.

In products related to fixed-line telecommunications, the division has been working to strengthen sales by seeking to identify new partner companies and nurturing existing resale wholesalers with a view to expanding the number of corporate customers for the Company's own "TG Hikari" fiber-optics access service. Furthermore, in order to increase stock income, the Company made forward-looking investments by continuing to expand service content and support systems.

As a result, sales marked 5,612 million yen (+10.1% compared with the year-earlier period), with operating income of 427 million yen (+15.1% compared with the year-earlier period).

(Settlement Services Business and Other Business)

The Settlement Service Business posted a decline in handling volume. This was primarily due to the effects from the continuing shift of the revenue recognition basis from previously electronic-money related merchandise (with sales recognized at products' face value) to gift cards (with revenue recognition based purely on commission income). Effects from the reorganization of existing sales routes including convenience stores was another factor.

In overseas operations, the Singapore-based gift card business has been performing well. Additionally, the Company has been participating in plans for the establishment of a joint venture firm with a view to expanding settlement service operations in Southeast Asia and has created frameworks for the inception of house card operations in Singapore and Malaysia.

As a result, sales marked 14,020 million yen (-12.2% compared with the year-earlier period) with operating income of 422 million yen (+22.8% compared with the year-earlier period).

(2) Explanation of financial position

(Assets)

Consolidated current assets at the end of the period under review were 55,114 million yen, which was 6,527 million yen lower than at the end of the previous fiscal year. This was mainly due to lower accounts receivable and products, which respectively decreased 1,281 million yen and 5,859 million yen, and 643 million yen increase in other accounts receivable. Non-current assets were 13,259 million yen, which was 381 million yen lower than at the end of the previous fiscal year. This was mainly due to a 165 million yen decline in goodwill.

As a result, consolidated total assets posted 68,373 million yen, which was 6,909 million yen lower than at the end of the previous fiscal year.

(Liabilities)

Consolidated current liabilities at the end of the period under review were 28,605 million yen, which was 5,840 million yen lower than at the end of the previous fiscal year. This was mainly due to lower trade accounts payable, other accounts payable, and unpaid taxes, which respectively decreased 2,014 million yen, 1,052 million yen, and 1,473 million yen. Non-current liabilities were 10,327 million yen, which was 1,118 million yen lower than at the end of the previous fiscal year. This was mainly due to a 1,157 million yen decrease in long-term borrowings.

As a result, consolidated total liabilities posted 38,933 million yen, which was 6,959 million yen lower than at the end of the previous fiscal year.

(Net assets)

Consolidated net assets at the end of the period under review were 29,439 million yen, which was 50 million yen higher than at the end of the previous fiscal year. This was mainly due to 1,578 million yen in net income attributable to shareholders of the parent for the quarter, and a 1,448 million yen withdrawal from retained earnings for dividend payments.

(3) Explanation of forward-looking information including the consolidated financial forecasts

The earnings estimates for the full year to March 2017 released on May 12, 2017, remain intact.

Three months (April - June 2017) sales represent 21.7 percent of the full-year estimate released on May 12, 2017, with percentages for operating income, ordinary income, and net income attributable to shareholders of the parent at 16.4 percent, 16.5 percent, and 15.6 percent, respectively.

3. Quarterly Consolidated Financial Statements

(1) Quarterly consolidated balance sheets

(Millions of yen)

	FY 2017 (As of March 31, 2017)	1Q FY 2018 (As of June 30, 2017)
Assets		
Current assets		
Cash and deposits	1,901	1,694
Accounts receivable – trade	12,867	11,586
Products	34,218	28,359
Inventories	80	77
Other accounts receivable	10,399	11,043
Other current assets	2,177	2,355
Allowance for doubtful accounts	(4)	(4)
Total current assets	61,641	55,114
Fixed assets		
Tangible fixed assets	3,321	3,198
Intangible assets		
Goodwill	1,847	1,682
Others	1,233	1,216
Total intangible assets	3,081	2,898
Investments and other assets		
Leasehold deposits	4,342	4,382
Others	2,913	2,797
Allowance for doubtful accounts	(17)	(17)
Total investments and other assets	7,238	7,162
Total fixed assets	13,641	13,259
Total assets	75,282	68,373
Liabilities		
Current liabilities		
Accounts payable – trade	7,915	5,901
Short-term borrowings	8,332	8,132
Long-term borrowings payable within one year	5,503	4,628
Accounts payable – other	8,446	7,394
Unpaid taxes	1,845	371
Reserve of bonuses	1,747	1,065
Allowance for early subscription cancellations	164	160
Others	491	953
Total current liabilities	34,446	28,605
Long-term liabilities		
Long-term borrowings	9,244	8,087
Retirement benefit liabilities	374	372
Asset Retirement Obligations	1,388	1,412
Others	439	455
Total long-term liabilities	11,446	10,327
Total liabilities	45,892	38,933
Net Assets		
Shareholders' equity		
Capital stock	3,154	3,154
Capital surplus	5,177	5,177
Retained earnings	42,232	42,361
Acquisition of own stock	(21,526)	(21,526)
Total shareholders' equity	29,037	29,166
Accumulated other comprehensive income		
Net unrealized holding gain on securities	321	246
Foreign currency translation adjustment	6	6
Total accumulated other comprehensive income	327	252
Non-controlling interests	24	20
Total net assets	29,389	29,439
Total Liabilities and Net Assets	75,282	68,373

(2) Quarterly consolidated statements of income and Quarterly consolidated statements of comprehensive income
(Quarterly consolidated statements of income)
(Consolidated first quarter period)

	(Millions of yen)	
	1Q FY2017 (from April 1, 2016 to June 30, 2016)	1Q FY2018 (from April 1, 2017 to June 30, 2017)
Net Sales	123,067	122,521
Cost of Sales	108,916	108,063
Gross Profit	14,151	14,457
Selling, General and Administrative Expenses	11,492	11,965
Operating Income	2,659	2,491
Non-operating Income		
Interest income	0	0
Dividend income	4	6
Equity in earnings of affiliates	4	7
Insurance income	15	17
Others	25	6
Total non-operating income	51	38
Non-operating Expenses		
Interest expenses	18	13
Others	8	2
Total non-operating expenses	27	15
Ordinary Income	2,683	2,513
Extraordinary Gains		
Gain on sales of fixed assets	2	4
Gain on sales of investment securities	118	—
Total extraordinary gains	121	4
Extraordinary Losses		
Loss on removal of fixed assets	7	2
Loss on sales of fixed assets	0	9
Total extraordinary losses	7	12
Net income before income taxes	2,796	2,506
Income Taxes – Current	509	444
Income Taxes – Deferred	452	481
Total Income Taxes	961	926
Net Income for the Period	1,834	1,579
Net Income Attributable to Non-controlling Interests	17	0
Net Income Attributable to Shareholders of the Parent	1,817	1,578

(Quarterly consolidated statements of comprehensive income)
(Consolidated first quarter period)

	(Millions of yen)	
	1Q FY2017 (from April 1, 2016 to June 30, 2016)	1Q FY2018 (from April 1, 2017 to June 30, 2017)
Net Income for the Period	1,834	1,579
Other Comprehensive Income		
Net unrealized holding gain on securities	4	(74)
Foreign currency translation adjustment	(11)	(0)
Total other comprehensive income	(6)	(74)
Quarterly Comprehensive Income	1,828	1,504
(Breakdown)		
Comprehensive income attributable to shareholders of the parent	1,810	1,503
Comprehensive income attributable to non-controlling interests	17	0

(3) Notes to quarterly consolidated financial statements

(Notes on the going-concern assumption)

Not applicable.

(Notes on significant changes in shareholders' equity)

Not applicable.

(Segment information)

Segment Information

I. 1Q FY 2017 (from April 1, 2016 to June 30, 2016)

1. Information by reportable segment on sales and income/loss amounts

(Millions of yen)

	Mobile Telecommunications Business	Solutions Business	Settlement Services Business and Other Business	Total
Net Sales	102,003	5,095	15,968	123,067
Segment Income (Operating Income)	1,943	371	343	2,659

2. Total income or loss of reportable segments, difference to income or loss reported in the consolidated statement of income for the period under review, and main items responsible for the difference (Matters concerning difference adjustment)

Total income of reportable segments is consistent with operating income as stated in the quarterly consolidated statement of income.

3. Matters concerning the impairment loss from fixed assets or goodwill of reportable segments

Not applicable.

II. 1Q FY 2018 (from April 1, 2017 to June 30, 2017)

1. Information by reportable segment on sales and income/loss amounts

(Millions of yen)

	Mobile Telecommunications Business	Solutions Business	Settlement Services Business and Other Business	Total
Net Sales	102,888	5,612	14,020	122,521
Segment Income (Operating Income)	1,641	427	422	2,491

2. Total income or loss of reportable segments, difference to income or loss reported in the consolidated statement of income for the period under review, and main items responsible for the difference (Matters concerning difference adjustment)

Total income of reportable segments is consistent with operating income as stated in the quarterly consolidated statement of income.

3. Matters concerning the impairment loss from fixed assets or goodwill of reportable segments

Not applicable.