

Consolidated Financial Results for the First Half of Fiscal Year Ending March 31, 2013 (Six Months Ended September 30, 2012) (Based on J-GAAP)

November 9, 2012

Company name: T-Gaia Corp.

Listing: Tokyo Stock Exchange, First Section

Stock code: 3738

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Quarterly earnings supplementary explanatory documents: Yes

Quarterly earnings presentation: Yes (For Institutional Investors and Analysts)

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

1. Consolidated Financial Results for the First Half of Fiscal Year Ending March 31, 2013

(April 1, 2012 – September 30, 2012)

(1) Consolidated results of operations (six months)

(Percentages represent year-over-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
1H FY 2013	349,259	—	5,426	—	5,365	—	2,986	—
1H FY 2012	—	—	—	—	—	—	—	—

(Note) Comprehensive income (million yen): 1H FY 2013: 2,950 (—%) 1H FY 2012: — (—%)

	Net income per share		Diluted net income per share	
	Yen		Yen	
1H FY 2013	37.21		37.19	
1H FY 2012	—		—	

(Note 1) Since consolidated financial statements for the first half of fiscal year ended March 31, 2012 was not created, figures for the first half of fiscal year ended March 31, 2012 and year-over-year changes are not stated.

(Note 2) Dated October 1, 2012, the Company instituted a 200-for-1 stock split. Consolidated net income and diluted net income per share for the period under review have been calculated assuming that the stock split was instituted at the beginning of the current fiscal year.

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Million yen		Million yen		%	
1H FY 2013	163,709		25,887		15.8	
FY 2012	208,233		28,050		13.5	

Reference: Shareholders' equity (million yen): 1H FY 2013: 25,887 FY 2012: 28,050

2. Dividends

	Annual dividends				
	1Q-end	Interim	3Q-end	Yearend	Annual
	Yen		Yen		Yen
FY 2012	—	3,250.00	—	3,250.00	6,500.00
FY 2013	—	3,500.00	—	—	—
FY 2013 (forecasts)	—	—	—	17.50	—

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

(Note) The stated amount for the prospective year-end dividend for the fiscal year to March 2013 considers the 200-for-1 stock split instituted dated October 1, 2012.

Figures for cash dividends per share at the end of fiscal year ending March 31, 2013 (forecast) and annual cash dividends per share are projected to come to 3,500 yen and 7,000 yen, respectively without reflecting the planned stock split (pre-split basis).

3. Consolidated forecasts for the Fiscal Year Ending March 31, 2013 (April 1, 2012 – March 31, 2013)

(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	760,000	6.6	15,300	2.9	15,000	1.1	8,600	8.4	108.08

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

(Note) Projected consolidated net earnings per share for the fiscal year to March 2013 have been calculated based on the average number of shares issued and outstanding during the current fiscal year and consider the effects of the stock split. Details are stated in the "Cautionary statement with respect to forward-looking statements."

***Notes**

(1) Changes in significant subsidiaries during the consolidated period (six months) under review (changes in subsidiaries accompanying change in the scope of consolidation): None

New: None (Company name:)

Excluded: None (Company name:)

(2) Application of simplified accounting procedures and special accounting procedures: 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

1H FY 2013	78,887,600 shares	FY 2012	102,483,800 shares
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2) Number of treasury stock at end of period

1H FY 2013	—	FY 2012	18,200,000 shares
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3) Average number of shares outstanding during the period (six months)

1H FY 2013	80,243,453 shares	1H FY 2012	86,770,138 shares
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(Note) Dated October 1, 2012, the Company has instituted a 200-for-1 stock split. The number of shares of common stock issued and outstanding has been calculated assuming that the stock split was instituted on at the beginning of the previous fiscal year.

*** Implementation of quarterly review procedures**

This summary of quarterly financial statements is not subject to audit procedures pursuant to the Financial Instruments and Exchange Act.

At the time of disclosure of this summary of consolidated quarterly financial statements, the audit procedures of consolidated financial statements pursuant to the FIEA are not 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 Half Financial Results" on page 3 of the Attachment to the summary of quarterly financial statement.

(Information concerning the stock split)

In accordance with the resolution at the meeting of the board of directors held on May 14, 2012, for a stock split and for the adoption of a voting unit system, dated October 1, 2012, the Company instituted a 200-for-1 stock split and adopted a voting unit system of 100 shares per unit.

Associated with these changes, information on dividend and business results projections for the fiscal year to March 2013 is stated in the relevant section.

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1. Qualitative Information Concerning the First Half Financial Results

(1) Qualitative information concerning the consolidated operating results

The Japanese economy in the period under review (April - September 2012) displayed a moderate rebound aided by the rebuilding effort after the Great East Japan Earthquake, attended by recovering facility investment in the corporate sector as well as signs of an upturn in personal consumption.

However, with the European financial instability retarding the global economy and promoting the appreciation of the yen, the outlook remains uncertain.

In the market for mobile phone handsets, the core business field of the Group (the Company and its consolidated subsidiaries), brisk sales continued, fueled by a string of new model launches and aggressive sales promotion campaigns implemented by communication carriers.

In this business environment, activities at the Group have been concentrating on expanding sales of smart phones. As a result, while mobile phone sales were largely unchanged from the same period of the year earlier, the percentage of smart phone sales rose to over 60 percent of the total.

In the Mobile Telecommunications Business, in order to secure revenues and earnings, the Group worked to further increase sales of smart phones and tablet terminals and stepped up sales efforts in peripheral products including accessory items. Sales developed favorably as a result but included also increased sales of low-profit non-voice related merchandise. At the same time, the selling cost of shops swelled due to the rising proportion of smart phones among handsets sales and also the selling cost in the mass retailer channel increased.

In the Solutions Business, sales of mobile phone handsets to corporate clients as well as subscriptions for support services and sales of optical communication line services such as FTTH developed favorably.

In Settlement Services Business and Other Businesses, conditions remained solid for sales of electronic-money based merchandise which is used to make payments for internet-based merchandise purchases and SNS (Social Networking Service) content purchases.

As a result, for the period under review (April - September 2012), net sales totaled 349,259 million yen, with operating income of 5,426 million yen, ordinary income of 5,365 million yen, and net income of 2,986 million yen.

Since consolidated financial statements for the first half of fiscal year ended March 31, 2012 was not created, comparative results are not presented. (The same applies in the following to “(2) Qualitative information concerning the consolidated financial position.”)

Note that, beginning with the first quarter of fiscal year 2013, the Group has applied new business segments, which are “Mobile Telecommunication Business,” “Solutions Business,” and “Settlement Services Business and Other Business.”

The “Network Communications Business” segment was combined with the business of selling mobile phones and handsets for corporate clients, which was included in the “Mobile Telecommunications Business” segment by the fiscal year ended March 31, 2012, and “Solutions Business” segment was set up. Also, the name of “Prepaid Settlement Services Business and Other Business” was changed to “Settlement Services Business and Other Business.” Results by business segment are described below.

(Mobile Telecommunications Business)

In the period under review (April - September 2012), sales totaled 274,000 million yen due to sales efforts centered on smart phones, where performance has been favorable thanks to a string of new product launches and sales promotion campaigns of telecommunication carriers, as well as aggressive sales efforts in peripheral products such as accessories for smart phones.

To further enhance customer satisfaction and to deal with the increasing selling cost of shops associated with the rising proportion of smart phones among handset sales, a new organization structure was implemented involving the entire Group, for sales personnel education and training and for enhancing store and sales frameworks.

Earnings, however, saw operating income post 3,393 million yen, reflecting a rise in sales of low-profit non-voice related merchandise and increased selling costs in the mass retailer channel.

(Solutions Business)

In the period under review (April - September 2012), sales totaled 14,170 million yen, with operating income of 1,407 million yen. This result reflects sales of conventional mobile phone handsets to corporate clients as well as the steady acquisition of subscribers for support services related to the introduction and management of smart phones and tablet terminals by corporate clients. Moreover, despite the anticipated large decline in new sales of MYLINE services, sales of optical communications lines services such as FTTH performed well.

(Settlement Services Business and Other Business)

In the period under review (April - September 2012), sales posted 61,088 million yen, with operating income of 626 million yen, thanks to continued favorable conditions surrounding sales of electronic-money based merchandise which is used to make payments for internet-based merchandise purchases and SNS (Social Networking Service) content purchases.

(2) Qualitative information concerning the consolidated financial position

(Assets)

Current assets totaled 146,451 million yen. Main items are 77,288 million yen in accounts receivable-trade, 43,257 million yen in products, and 22,600 million yen in other accounts receivable.

Fixed assets totaled 17,258 million yen. Main items are 3,002 million yen in tangible non-current assets and 6,335 million yen in goodwill.

As a result, consolidated total assets at the end of the period under review were 163,709 million yen.

(Liabilities)

Current liabilities totaled 118,152 million yen. Main items are 58,073 million yen in accounts payable-trade, 25,508 million yen in short-term borrowings (including long-term borrowings payable within one year), and 30,359 million yen in other accounts payable.

Long-term liabilities totaled 19,669 million yen. Main items are 17,537 million yen in long-term borrowings, and 1,069 million yen in asset retirement obligations.

As a result, consolidated total liabilities at the end of the period under review were 137,822 million yen.

(Net assets)

Consolidated total net assets at the end of the period under review were 25,887 million yen.

(3) Qualitative information concerning the consolidated financial forecasts

The earning estimates for full-year, released on May 14, 2012, remain unchanged.

Six months (April - September 2012) sales represent 46.0 percent of the full-year estimate released on May 14, 2012, with percentages for operating income, ordinary income, and net income at 35.5 percent, 35.8 percent, and 34.7 percent, respectively.

2. Summary (Notes) Information

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

Beginning with the first quarter of fiscal year 2013, consolidated accounts include T-Gaia (Shanghai) Corporation and TG Contract Co., Ltd., whose importance has been increasing.

(2) Application of simplified accounting procedures and special accounting procedures

Not applicable.

(3) Changes in accounting principles, estimates and restatement

Not applicable.

3. Material Matters Concerning the Going-Concern Assumption

Not applicable.

4. Quarterly Consolidated Financial Statements

(1) Quarterly consolidated balance sheets

	(Millions of yen)	
	FY 2012 (As of March 31, 2012)	1H FY 2013 (As of September 30, 2012)
Assets		
Current assets		
Cash and deposits	1,766	1,214
Accounts receivable – trade	106,482	77,288
Products	54,304	43,257
Inventories	350	257
Other accounts receivable	25,103	22,600
Other current assets	1,878	1,847
Allowance for doubtful accounts	(17)	(14)
Total current assets	189,867	146,451
Fixed assets		
Tangible fixed assets	3,171	3,002
Intangible assets		
Goodwill	7,135	6,335
Others	863	930
Total intangible assets	7,999	7,266
Investments and other assets		
Investments in affiliates	308	—
Leasehold deposits	4,234	4,430
Others	2,671	2,571
Allowance for doubtful accounts	(18)	(11)
Total investments and other assets	7,195	6,989
Total fixed assets	18,366	17,258
Total assets	208,233	163,709
Liabilities		
Current liabilities		
Accounts payable – trade	90,628	58,073
Short-term borrowings	35,100	21,500
Long-term borrowings payable within one year	3,264	4,008
Accounts payable – other	31,458	30,359
Unpaid taxes	3,442	2,332
Reserve of bonuses	1,344	1,180
Allowance for early subscription cancellations	137	153
Others	496	545
Total current liabilities	165,871	118,152
Long-term liabilities		
Long-term borrowings	12,159	17,537
Accrued employees' retirement benefits	428	425
Asset Retirement Obligations	1,048	1,069
Others	675	637
Total long-term liabilities	14,311	19,669
Total liabilities	180,183	137,822

	(Millions of yen)	
	FY 2012 (As of March 31, 2012)	1H FY 2013 (As of September 30, 2012)
Net Assets		
Shareholders' equity		
Capital stock	3,098	3,099
Capital surplus	5,585	5,585
Retained earnings	32,052	17,186
Acquisition of own stock	(12,740)	—
Total shareholders' equity	27,997	25,870
Accumulated other comprehensive income		
Net unrealized holding gain on securities	52	14
Foreign currency translation adjustment	—	2
Total accumulated other comprehensive income	52	16
Total net assets	28,050	25,887
Total Liabilities and Net Assets	208,233	163,709

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

	(Millions of yen)
	1H FY2013
	(from April 1, 2012 to September 30, 2012)
Net Sales	349,259
Cost of Sales	316,283
Gross Profit	32,975
Selling, General and Administrative Expenses	27,548
Operating Income	5,426
Non-operating Income	
Interest income	2
Dividend income	2
Insurance reimbursement	24
Others	33
Total non-operating income	63
Non-operating Expenses	
Interest expenses	115
Others	9
Total non-operating expenses	124
Ordinary Income	5,365
Extraordinary Gains	
Gain on sales of fixed assets	0
Total extraordinary gains	0
Extraordinary Losses	
Loss on sales of fixed assets	0
Loss on removal of fixed assets	21
Others	0
Total extraordinary losses	21
Net income before income taxes	5,343
Income Taxes – Current	2,272
Income Taxes – Deferred	85
Total Income Taxes	2,357
Net Income before Minority Interest	2,986
Net Income	2,986

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

	(Millions of yen)
	1H FY2013
	(from April 1, 2012 to September 30, 2012)
Net Income before Minority Interest	2,986
Other Comprehensive Income	
Net unrealized holding gain on securities	(38)
Foreign currency translation adjustment	2
Total other comprehensive income	(36)
Quarterly Comprehensive Income	2,950
(Breakdown)	
Comprehensive income attributable to shareholders of the parent	2,950

(3) Quarterly consolidated statements of cash flows

(Millions of yen)

	1H FY2013 (from April 1, 2012 to September 30, 2012)
Cash Flows from Operating Activities	
Income before income taxes and other adjustments	5,343
Depreciation	669
Amortization of goodwill	800
Increase (decrease) in allowance for doubtful accounts	(10)
Increase (decrease) in reserve for employees' bonuses	(164)
Increase (decrease) in allowance for early subscription cancellations	16
Increase (decrease) in accrued employees' retirement benefits	(3)
Interest and dividend income	(5)
Interest expenses	115
Loss (gain) on sales of fixed assets	0
Loss on removal of fixed assets	21
Unrealized loss (gain) from investment securities	0
Decrease (increase) in accounts receivable	29,269
Decrease (increase) in accounts receivable - other	2,504
Decrease (increase) in inventories	11,150
Increase (decrease) in accounts payable	(32,595)
Increase (decrease) in accounts payable - other	(1,046)
Others	(16)
Subtotal	16,047
Interests and dividends received	5
Interests paid	(116)
Income taxes paid	(3,410)
Net cash provided by operating activities	12,527
Cash Flows from Investing Activities	
Payment for purchase of property, plant and equipment	(380)
Proceeds from sales of property, plant and equipment	0
Payment for purchase of software	(279)
Payment for purchase of investment securities	(0)
Payment for loans receivable	(2)
Proceeds from collection of loans receivable	10
Payment for leasehold deposits	(262)
Proceeds from return of leasehold deposits	80
Others	78
Net cash used in investing activities	(755)

(Millions of yen)	
1H FY2013	
(from April 1, 2012 to September 30, 2012)	
Cash Flows from Financing Activities	
Increase (decrease) in net short term loans payable	(13,600)
Proceeds from long-term borrowings	7,700
Decrease in long-term borrowings	(1,578)
New stock issue expenses	0
Payment for acquisition of own stock	(3,680)
Cash dividends paid	(1,376)
Net cash provided by financing activities	(12,534)
Effect of Exchange Rate Change on Cash and Cash Equivalents	
Increase (Decrease) in Cash and Cash Equivalents	2
Cash and Cash Equivalents at Beginning of Period	1,766
Increase in Cash and Cash Equivalents from Newly Consolidated Subsidiaries	208
Cash and Cash Equivalents at End of Period	1,214

(4) Notes on the going-concern assumption

Not applicable.

(5) Notes on significant changes in shareholders' equity

(Acquisition of own stock)

Based on a resolution passed on May 16, 2012, at the meeting of the board of directors, the Group on May 17, 2012, purchased own stock following a pertinent decision in accordance with the stipulations of Article 156 of the Companies Act applicable pursuant to the mutatis-mutandis provision of Article 165, Article 3, of the Companies Act.

Class of stock acquired:	Common stock
Number of shares of stock acquired:	26,985 shares
Total cost of the shares acquired:	3,680 million yen
Method of acquisition:	Purchase of own stock in off-floor trading on the Tokyo Stock Exchange (ToSTNeT-3)

(Cancellation of own stock)

- 1) Based on the resolution passed on May 14, 2012, at the meeting of the board of directors, the Group on May 31, 2012, cancelled own stock following a pertinent decision in accordance with the stipulations of Article 178 of the Companies Act. As a result, retained earnings and own stock, respectively, declined 12,740 million yen.

Class of stock cancelled:	Common stock
Number of shares cancelled:	91,000 shares

- 2) Based on the resolution passed on May 17, 2012, at the meeting of the board of directors, the Group on May 31, 2012, cancelled own stock following a pertinent decision in accordance with the stipulations of Article 178 of the Companies Act. As a result, retained earnings and own stock, respectively, declined 3,680 million yen.

Class of stock cancelled:	Common stock
Number of shares cancelled:	26,985 shares

(6) Segment information

Quarterly consolidated financial statements were first prepared beginning with the third quarter of the fiscal year ended March 31, 2012. Segment information for the first half of the fiscal year ended March 31, 2012 is therefore not stated.

1H FY 2013 (from April 1, 2012 to September 30, 2012)

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

(Millions of yen)

	Reportable Segment			Total
	Mobile Telecommunications Business	Solutions Business	Settlement Services Business and Other Business	
Net Sales	274,000	14,170	61,088	349,259
Segment Income (Operating Income)	3,393	1,407	626	5,426

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)

The income of reportable segments is consistent with the operating income reported in the consolidated statement of income.

3. Matters concerning the change of reportable segments

Beginning with the first quarter of fiscal year 2013, the Group has applied new business segments, which are "Mobile Telecommunication Business," "Solutions Business," and "Settlement Services Business and Other Business."

The "Network Communications Business" segment was combined with the business of selling mobile phones and handsets for corporate clients, which was included in the "Mobile Telecommunications Business" segment by the fiscal year ended March 31, 2012, and "Solutions Business" segment was set up. Also, the name of "Prepaid Settlement Services Business and Other Business" was changed to "Settlement Services Business and Other Business."

4. Information by reportable segment on impairment losses on fixed assets or information on goodwill, etc.
Not applicable.

(7) Significant subsequent events

(Stock split and adoption of voting unit system)

In accordance with a resolution passed on May 14, 2012, at the meeting of the board of directors, dated October 1, 2012, a stock split was instituted and a voting unit system was adopted.

1. Purpose of the stock split and adoption of the voting unit system

The Company instituted a 200-for-1 stock split in order to lower the unit price for investment in the shares of the Company so as to enhance the shares' liquidity and widen the investor stratum. Furthermore, the Company adopted a voting unit system of 100 shares per unit consistent with the "Action Plan for the Consolidation of Share Units" promulgated by Japanese stock exchanges.

2. Outline of the stock split

1) Stock split method

With September 30, 2012, as the base date (effectively September 28, 2012, since the base date was a bank holiday of the shareholder registry administrator) each one share of common stock held by the shareholders of the Company stated or recorded on the base date in the final shareholder register was split into two hundred shares of common stock.

2) Increase in the number of shares as a result of the stock split

Total number of shares issued and outstanding before the stock split:	394,438 shares
Increase in the number of shares as a result of the stock split:	78,493,162 shares
Total number of shares issued and outstanding after the stock split:	78,887,600 shares
Total number of authorized shares after the stock split:	400,000,000 shares

3) Date of the stock split

Effective date: October 1, 2012

3. Adoption of the voting unit system

1) Adopted number of shares per unit

The Company adopted a voting unit system of one hundred shares per unit.

2) Date of establishment

Effective date: October 1, 2012

4. Other matters

The effects of the stock split are described under "Per-share information."