

**Consolidated Financial Results for the First Half of Fiscal Year Ending March 31, 2017
(Six Months Ended September 30, 2016) (Based on J-GAAP)**

November 8, 2016

Company name: T-Gaia Corp. Listing: Tokyo Stock Exchange, First Section
Stock code: 3738 URL: <http://www.t-gaia.co.jp/>
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Scheduled date of filing Securities Report: November 9, 2016
Scheduled commencement date of dividend payout: December 9, 2016
Financial results supplementary explanatory documents: Yes
Financial results presentation: Yes

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

1. Consolidated Financial Results for the First Half of Fiscal Year Ending March 31, 2017 (April 1, 2016 – September 30, 2016)

(1) Consolidated results of operations (six 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	%
1H FY 2017	256,355	(10.0)	5,989	(8.1)	6,014	(7.7)	4,003	5.1
1H FY 2016	284,994	(0.8)	6,514	11.0	6,513	11.6	3,807	19.5

(Note) Comprehensive income (million yen): 1H FY 2017:4,162 8.3% 1H FY 2016:3,844 20.3.0%

	Net income per share	Diluted net income per share
	Yen	Yen
1H FY 2017	70.75	—
1H FY 2016	55.36	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
1H FY 2017	69,438	25,795	36.9
FY 2016	85,930	36,018	41.7

Reference: Shareholders' equity (million yen): 1H FY 2017: 25,622 FY 2016:35,817

2. Dividends

	Annual dividends				
	1Q-end	Interim	3Q-end	Yearend	Annual
	Yen	Yen	Yen	Yen	Yen
FY 2016	—	20.50	—	22.50	43.00
FY 2017	—	26.00	—	—	—
FY 2017 (forecasts)	—	—	—	26.00	52.00

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

3. Consolidated forecasts for the Fiscal Year Ending March 31, 2017 (April 1, 2016 – March 31, 2017)

(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	616,000	(0.7)	15,000	(4.3)	14,950	(4.3)	9,700	2.1	172.72

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
- (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	1H FY 2017	79,074,000 shares	FY 2016	79,074,000 shares
2) Number of treasury stock at end of period	1H FY 2017	23,345,757 shares	FY 2016	10,300,357 shares
3) Average number of shares outstanding during the period (six months)	1H FY 2017	56,580,680 shares	1H FY 2016	68,773,654 shares

* 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 Half Financial Results” on page 3 of the Attachment to the summary of quarterly financial statement.

(Concerning 1H earnings presentation and 1H earnings supplementary explanatory documents)

* 1H earnings presentation for Institutional Investors & Analysts will be made as on November 15, 2016.

1H earnings supplementary explanatory documents will be posted on the English site for Investors of T-Gaia Corp. after the presentation

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1. Qualitative Information Concerning the First Half Financial Results

(1) Explanation of operating performance

The Japanese economy in the period under review (April - September 2016) displayed a moderate improvement trend in employment and income environments, aided by the government's economic policy measures and monetary easing by the Bank of Japan. However, the outlook remains uncertain as foreign exchange rate and share price volatility continues due to factors that include slower growth in the Chinese economy as well as deceleration in other emerging economies and resource countries and effects from the UK referendum to leave the EU.

In the market for mobile phone handset sales, which forms the business mainstay of the Group (the Company and its consolidated subsidiaries), unit sales decreased as excessive selling competition abated in response to the effects of the "Measures and policies for a lighter payment burden from smartphone charges and for appropriate smartphone sales" of the Ministry of Internal Affairs and Communications.

In this operating environment, Group sales of mobile phone handsets, etc., totaled 2.04 million units, marking a decline compared with the year-earlier period, while the percentage of smartphone sales increased to around 80% of total unit sales.

Company-level business results in the period under review posted sales of 256,355 million yen (-10.0% compared with the year-earlier period), with operating income of 5,989 million yen (-8.1% compared with the year-earlier period), ordinary income of 6,014 million yen (-7.7% compared with the year-earlier period) and net income attributable to shareholders of the parent company of 4,003 million yen (+5.1% compared with the year-earlier period).

By business segment, results for the period under review developed as follows.

(Mobile Telecommunications Business)

Unit sales decreased in reaction to effectively higher selling prices for terminals caused by changes in the market environment.

In response, the Company worked to raise customer satisfaction through store enhancements including store relocations and large-store formats as well as by promoting sales staff training. Moreover, along with new large-store openings, Mobile Virtual Network Operators (MVNO) stores were newly established. Furthermore, to increase customers' smart-device convenience, the Company strengthened sales of optical lines and tablets, etc., widened the service line-up consistent with customers' needs and usage preferences, and in sales of smartphone related merchandise such as accessory items continued to reinforced added-value proposal capabilities, and in this and other ways worked to enhance profitability.

Based on these developments, sales marked 213,740 million yen (-8.8% compared with the year earlier period) with operating income of 4,465 million yen (+0.6% compared with the year earlier period).

(Solutions Business)

In mobile solutions for corporate users, large-lot demand for terminals was scant compared with the year-earlier period, resulting in lower unit sales. Even so, sales and earnings proved resilient thanks to efforts at strengthening propositions for smart-device introductions to corporate users and user support services. Moreover, the division widened its solution services across the board, including solution services catering to individual industries.

Fixed-line related products saw sales and earnings plunge compared with the year-earlier period as FLETS transitioned to a wholesale model, with the business model entering a period of transformation. However, for the own-brand optical access service "TG Optical" the division has strengthened sales and sub-wholesales to partnering vendors, made forward-looking investments such as expanding support frameworks, and steadily enlarged the sales network.

Based on these developments, sales posted 10,416 million yen (-23.0% compared with the year-earlier period) with operating income of 829 million yen (-39.8% compared with the year-earlier period).

(Settlement Services Business and Other Business)

In the domestic settlement business, sales have been declining due to the continuing structural shift from revenue recognition based on the face value of merchandise paid for with electronic money to revenue recognition based on gift cards, which captures only commission income. Sales of gift cards have been favorable.

Overseas operations saw mobile phone-based sales stagnate in China but settlement service operations performed well in Singapore.

Based on these developments, sales marked 32,198 million yen (-13.1% compared with the year-earlier period) with operating income of 694 million yen (-0.3% compared with the year-earlier period).

(2) Explanation of financial position

(Assets)

Consolidated current assets at the end of the period under review were 55,967 million yen, which was 16,309 million yen lower than at the end of the previous fiscal year. This was mainly due to a 10,444 million yen decline in accounts receivable, a 3,041 million yen decline in products, and a 1,042 million yen decline in other accounts receivable. Non-current assets were 13,470 million yen, which was 182 million yen lower than at the end of the previous fiscal year. This was mainly due to a 331 million yen decline in goodwill, a 58 million yen decline in software, and a 231 million yen increase in investment securities.

As a result, consolidated total assets posted 69,438 million yen, which was 16,491 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 29,927 million yen, which was 3,027 million yen lower than at the end of the previous fiscal year. This was mainly due to lower trade accounts payable and other accounts payable, which respectively decreased 1,251 million yen, and 2,227 million yen. Non-current liabilities were 13,715 million yen, which was 3,240 million yen lower than at the end of the previous fiscal year. This was mainly due to a 3,189 million yen decrease in long-term borrowings.

As a result, consolidated total liabilities posted 43,643 million yen, which was 6,268 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 25,795 million yen, which was 10,223 million yen lower than at the end of the previous fiscal year. Main factors were 4,003 million yen in net income attributable to shareholders of the parent company, a 1,547 million yen decrease in retained earnings due to dividend payments, and a 12,771 million yen decrease in net assets due to the acquisition of treasury shares.

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

The earnings estimates for the full year to March 2016 released on May 13, 2016, remain the same.

Six months (April - September 2016) sales represent 41.6 percent of the full-year estimate released on May 13, 2016, with percentages for operating income, ordinary income, and net income attributable to shareholders of the parent company at 39.9 percent, 40.2 percent, and 41.3 percent, respectively.

2. Summary (Notes) Information

Supplementary information

(Application of the Application Guideline Concerning the Recoverability of Deferred Tax Assets)

Beginning with the first quarter of the current fiscal year, the Company applies the "Application Guideline Concerning the Recoverability of Deferred Tax Assets" (Business Accounting Standard Application Guideline No. 26 of March 28, 2016).

3. Quarterly Consolidated Financial Statements

(1) Quarterly consolidated balance sheets

(Millions of yen)

	FY 2016 (As of March 31, 2016)	1H FY 2017 (As of September 30, 2016)
Assets		
Current assets		
Cash and deposits	3,314	1,420
Accounts receivable – trade	19,012	8,568
Products	35,942	32,901
Inventories	65	41
Other accounts receivable	11,438	10,395
Other current assets	2,507	2,641
Allowance for doubtful accounts	(4)	(1)
Total current assets	72,276	55,967
Fixed assets		
Tangible fixed assets	3,212	3,047
Intangible fixed assets		
Goodwill	2,510	2,179
Others	1,168	1,244
Total intangible fixed assets	3,678	3,423
Investments and other assets		
Leasehold deposits	4,111	4,172
Others	2,655	2,831
Allowance for doubtful accounts	(5)	(4)
Total investments and other assets	6,762	6,999
Total fixed assets	13,653	13,470
Total assets	85,930	69,438
Liabilities		
Current liabilities		
Accounts payable – trade	7,803	6,552
Short-term borrowings	1,002	3,346
Long-term borrowings payable within one year	8,128	7,253
Accounts payable – other	10,523	8,296
Unpaid taxes	3,116	2,134
Reserve of bonuses	1,696	1,726
Allowance for early subscription cancellations	179	128
Others	505	490
Total current liabilities	32,955	29,927
Long-term liabilities		
Long-term borrowings	14,747	11,558
Retirement benefit liabilities	384	378
Asset retirement obligations	1,308	1,324
Others	515	454
Total long-term liabilities	16,956	13,715
Total liabilities	49,911	43,643
Net Assets		
Shareholders' equity		
Capital stock	3,154	3,154
Capital surplus	5,640	5,640
Retained earnings	35,534	37,990
Acquisition of own stock	(8,755)	(21,526)
Total shareholders' equity	35,573	25,258
Accumulated other comprehensive income		
Net unrealized holding gain on securities	110	266
Foreign currency translation adjustment	133	98
Total accumulated other comprehensive income	243	364
Non-controlling interests	201	172
Total net assets	36,018	25,795
Total Liabilities and Net Assets	85,930	69,438

(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 FY 2016 (from April 1, 2015 to September 30, 2015)	1H FY 2017 (from April 1, 2016 to September 30, 2016)
Net Sales	284,994	256,355
Cost of Sales	255,175	227,194
Gross Profit	29,818	29,160
Selling, General and Administrative Expenses	23,304	23,171
Operating Income	6,514	5,989
Non-operating Income		
Interest income	1	0
Dividend income	2	4
Equity in earnings of affiliates	—	20
Insurance income	27	18
Income from indemnity	0	3
Others	39	22
Total non-operating income	72	70
Non-operating Expenses		
Interest expenses	69	33
Others	4	12
Total non-operating expenses	73	46
Ordinary Income	6,513	6,014
Extraordinary Gains		
Gain on sales of fixed assets	4	2
Gain on sales of investment securities	—	118
Total extraordinary gains	4	121
Extraordinary Losses		
Loss on removal of fixed assets	22	16
Loss on sales of fixed assets	—	0
Loss on revaluation of investments in securities	184	—
Loss on valuation of golf club memberships	4	—
Total extraordinary losses	211	16
Net income before income taxes	6,306	6,119
Income Taxes – Current	2,331	1,971
Income Taxes – Deferred	133	106
Total Income Taxes	2,464	2,077
Net Income for the Period	3,841	4,041
Net Income Attributable to Non-controlling Interests	34	37
Net Income Attributable to Shareholders of the Parent Company	3,807	4,003

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

(Millions of yen)

	1H FY 2016 (from April 1, 2015 to September 30, 2015)	1H FY 2017 (from April 1, 2016 to September 30, 2016)
Net Income for the Period	3,841	4,041
Other Comprehensive Income		
Net unrealized holding gain on securities	(5)	156
Foreign currency translation adjustment	7	(35)
Total other comprehensive income	2	121
Quarterly Comprehensive Income	3,844	4,162
(Breakdown)		
Comprehensive income attributable to shareholders of the parent	3,810	4,124
Comprehensive income attributable to non-controlling interests	34	37

(3) Quarterly consolidated statements of cash flows

(Million yen)

	1H FY 2016 (from April 1, 2015 to September 30, 2015)	1H FY 2017 (from April 1, 2016 to September 30, 2016)
Cash Flows from Operating Activities		
Income for the period before income taxes	6,306	6,119
Depreciation	726	774
Amortization of goodwill	860	331
Increase (decrease) in allowance for doubtful accounts	(8)	(3)
Increase (decrease) in reserve for employees' bonuses	(410)	30
Increase (decrease) in allowance for early subscription cancellations	(12)	(51)
Increase (decrease) in pension obligation liabilities	(9)	(6)
Interest and dividend income	(3)	(5)
Interest expenses	69	33
Equity in (earnings) losses of affiliates	—	(20)
Loss (gain) on sales of fixed assets	(4)	(2)
Loss on removal of fixed assets	22	16
Loss (gain) on sales of investment securities	—	(118)
Loss (gain) on valuation of investment securities	184	—
Loss on valuation of golf club memberships	4	—
Decrease (increase) in accounts receivable	13,276	10,431
Decrease (increase) in accounts receivable – other	298	1,043
Decrease (increase) in inventories	(464)	3,061
Increase (decrease) in accounts payable	(1,853)	(1,239)
Change in other accounts payable	(9)	(2,158)
Others	433	(269)
Subtotal	19,405	17,967
Interests and dividends received	3	13
Interests paid	(70)	(34)
Income taxes paid	(3,110)	(2,987)
Net cash provided by operating activities	16,227	14,957
Cash Flows from Investing Activities		
Payment for purchase of property, plant and equipment	(461)	(542)
Proceeds from sales of property, plant and equipment	5	2
Payment for purchase of software	(22)	(152)
Payment for purchase of investment securities	(0)	(8)
Proceeds from sales of investment securities	—	126
Payment for loans receivable	(2)	(2)
Proceeds from collection of loans receivable	2	2
Payment for leasehold deposits	(50)	(157)
Proceeds from return of leasehold deposits	188	80
Others	(444)	(76)
Net cash used in investing activities	(785)	(728)
Cash Flows from Financing Activities		
Increase (decrease) in short term borrowings	(7,439)	2,350
Decrease in long-term borrowings	(6,018)	(4,064)
Proceeds from share issuance to non-controlling shareholders	16	—
Payments for purchase of treasury stock	(0)	(12,771)
Cash dividends paid	(1,375)	(1,546)
Dividend paid to non-controlling interests	(62)	(67)
Net cash used in financing activities	(14,879)	(16,099)
Effect of exchange rate changes on Cash and Cash Equivalents	5	(24)
Increase (Decrease) in Cash and Cash Equivalents	567	(1,893)
Cash and Cash Equivalents at Beginning of Period	2,085	3,314
Cash and Cash Equivalents at End of Period	2,653	1,420

(4) Notes to quarterly consolidated financial statements

(Notes on the going-concern assumption)

Not applicable.

(Notes on significant changes in shareholders' equity)

Based on the resolution of the board of directors' meeting convened on February 22, 2016, dated April 13, 2016, the Company acquired by public tender 13,045,400 shares of own stock. As a result, in the first quarter of the current fiscal year shares of own stock increased 12,771 million yen in value. Total shares of own stock held by the Company at the end of the period under review valued 21,526 million yen.

(Segment information)

Segment Information

I. 1H FY 2016 (from April 1, 2015 to September 30, 2015)

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	234,411	13,533	37,050	284,994
Segment Income (Operating Income)	4,439	1,377	697	6,514

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. 1H FY 2017 (from April 1, 2016 to September 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	213,740	10,416	32,198	256,355
Segment Income (Operating Income)	4,465	829	694	5,989

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.