Consolidated Financial Results for the Third Quarter of Fiscal Year Ending March 31, 2013 (Nine Months Ended December 31, 2012) (Based on J-GAAP)

February 8, 2013

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 Quarterly Securities Report: February14, 2013
Scheduled commencement date of dividend payout: —
Quarterly earnings supplementary explanatory documents: Yes
Quarterly earnings presentation: None

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

1. Consolidated Financial Results for the Third Quarter of Fiscal Year Ending March 31, 2013 (April 1, 2012 – December 31, 2012)

(1) Consolidated results of operations (nine months) (Percentages represent year-over-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
3Q FY 2013	543,819	6.8	8,101	(11.6)	7,995	(12.4)	4,410	(5.7)
3Q FY 2012	508,971	—	9,160	—	9,127	—	4,677	—

(Note) Comprehensive income (million yen): 3Q FY 2013: 4,374 (-6.4%) 3Q FY 2012: 4,671 (—%)

	Net income per share	Diluted net income per share
	Yen	Yen
3Q FY 2013	55.27	55.24
3Q FY 2012	54.43	54.39

(Note 1) Since consolidated financial statements for the third quarter of fiscal year ended March 31, 2011 was not created, year-over-year changes as of the third quarter of fiscal year ended March 31, 2012 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	%
3Q FY 2013	200,946	25,932	12.9
FY 2012	208,233	28,050	13.5

Reference: Shareholders' equity (million yen): 3Q FY 2013: 25,932 FY 2012: 28,050

2. Dividends

	Annual dividends				
	1Q-end	Interim	3Q-end	Yearend	Annual
	Yen	Yen	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 amount after the stock split is stated. Details are stated in the "Cautionary statement with respect to forward-looking statements."

***Notes**

(1) Changes in significant subsidiaries during the consolidated period (nine 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	3Q FY 2013	78,892,400 shares	FY 2012	102,483,800 shares
2) Number of treasury stock at end of period	3Q FY 2013	43 shares	FY 2012	18,200,000 shares
3) Average number of shares outstanding during the period (nine months)	3Q FY 2013	79,790,456 shares	3Q FY 2012	85,938,345 shares

(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 Third Quarter 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 Third Quarter Financial Results

(1) Qualitative information concerning the consolidated operating results

The Japanese economy in the period under review (April - December 2012) displayed a moderate recovery trend mainly aided by reconstruction demand after the Great East Japan Earthquake, but with fiscal dislocation in Europe and the U.S. causing global economic deceleration the outlook remains uncertain. Nonetheless, following the change of government in Japan in December 2012, the weaker yen and rising share prices along with expectations for active economic stimulus measures and structural reform are holding our brightening prospects for economic recovery.

In the market for mobile phone handsets, the core business field of the Group (the Company and its consolidated subsidiaries), brisk sales continued, fueled mainly by a string of new model launches of attractive smart phones and tablet terminals as well as the progressing diffusion of LTE (next-generation high speed telecommunications) service offerings.

In this business environment, activities at the Group have been concentrating on expanding sales of smart phones. As a result, while unit sales of hand sets at 4.64 million units were largely unchanged from the same period of the year earlier, the percentage weight of smart phone sales rose to the mid-60 percent of the total.

In the Mobile Telecommunications Business, in order to expand revenues and earnings, the Group worked to further increase sales of smart phones and tablet terminals and stepped up sales efforts in peripheral products. However, operating income declined, mainly due to factors that included an additional burden on operations from the increased time required for in-store product explanations, higher selling costs in the mass retailer channel, and the cost of investment for instruction and training sessions to upgrade the quality of sales.

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. Earnings declined, however, mainly due to the approaching end of new sales of MYLINE Services.

Settlement Services Business and Other Businesses saw expanded sales routes for gift cards and growth in merchandise offerings as well as sustained favorable sales of merchandise with payment settlement enabled using electronic money through EC (Electronic Commerce) and SNS (Social Networking Service). Operating income declined, reflecting the cost of forward strategic investment in sales route expansion with a view to increasing revenues and earnings from gift cards.

As a result, for the period under review (April - December 2012), net sales totaled 543,819 million yen (+6.8% compared with the year-earlier period), with operating income of 8,101 million yen (-11.6% compared with the year-earlier period), ordinary income of 7,995 million yen (-12.4% compared with the year-earlier period).Net income for the period, taking into account reduced income tax due to the lowering of the income tax rate, posted 4,410 million yen (-5.5% compared with the year-earlier period).

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 - December 2012) the market for mobile phone handset sales was buoyed by a string of attractive new product releases as well as the diffusion of LTE (next-generation high speed telecommunications) service offerings. In this environment, the Group strengthened sales staff training to further raise the degree of customer satisfaction, worked to expand stores and sales frameworks, and initiated the deployment of "Smart Labo" accessory specialty shops. Based on these measures, efforts to increase revenues and earnings from expanded sales of smart phones and tablet terminals as well as strengthening peripheral products raised sales revenue to 431,220 million yen (+6.8% compared with the year-earlier period). Additionally, efforts involving the entire company were made to lift profitability. However, despite first effects beginning to show, operating income fell to 5,470 million yen (-8.3% compared with the year-earlier period), mainly due to factors that included an additional burden on operations from the increased time required for in-store product explanations, higher selling costs in the mass retailer channel, and the cost of investment for instruction and training sessions to upgrade the quality of sales.

(Solutions Business)

In the period under review (April - December 2012), 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 developed favorably. In fixed line products, on the other hand, sales of optical communication line services such as FTTH performed well, but new sales of MYLINE services approached the end, consistent with initial expectations. As a result, sales posted 20,385 million yen (+0.7% compared with the year-earlier period) but with lower operating income of 1,879 million yen (-17.2% compared with the year-earlier period).

(Settlement Services Business and Other Business)

In the period under review (April - December 2012), sales marked 92,213 million yen (+8.5% compared with the year-earlier period) thanks to expanded sales routes for gift cards and a widened scope of merchandise, as well as sustained favorable sales of merchandise with payment settlement enabled using electronic money through EC and SNS. Operating income totaled 751 million yen (-18.7% compared with the year-earlier period) reflecting the cost of forward strategic investment in sales route expansion with a view to increasing revenues and earnings from gift cards.

(2) Qualitative information concerning the consolidated financial position

(Assets)

Consolidated current assets at the end of the period under review totaled 184,267 million yen, which was 2.9% lower than at the end of the previous fiscal year. Main factors included a 14,904 million yen drop in trade accounts receivable, a 3,587 million yen increase in merchandise, and a 6,483 million yen rise in accrued revenue.
Non-current assets totaled 16,679 million yen (-9.2%) with the main factor being a 1,194 million yen drop in goodwill.
As a result, consolidated total assets decreased 3.5% compared with the end of the previous fiscal year to 200,946 million yen.

(Liabilities)

Consolidated current liabilities at the end of the period under review totaled 156,008 million yen, which was 5.9% lower compared with the end of the previous fiscal year. Main factors included a 16,551 million yen and a 3,442 million yen drop in trade accounts payable and accrued income tax, respectively, and a 8,106 million yen increase in accrued expenses. Non-current liabilities totaled 19,006 million yen, which was 32.8% higher than at the end of the previous fiscal year. Main factors included a 4,689 million yen increase in long-term debt.
As a result, total liabilities were 175,014 million yen, which was 2.9% lower than at the end of the previous fiscal year.

(Net assets)

Consolidated net assets at the end of the period under review totaled 25,932 million yen, which was 7.6% lower than at the end of the previous fiscal year. Main factors included an increase in retained earnings due to 4,410 million yen in net income for the period, and a reduction in retained earnings due to 2,750 million yen in dividends of retained earnings and a 3,680 million yen acquisition of own stock.

(3) Qualitative information concerning the consolidated financial forecasts

The earning estimates for full-year, released on May 14, 2012, remain unchanged.
Nine months (April - December 2012) sales represent 71.6 percent of the full-year estimate released on May 14, 2012, with percentages for operating income, ordinary income, and net income at 52.9 percent, 53.3 percent, and 51.3 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)	3Q FY 2013 (As of December 31, 2012)
Assets		
Current assets		
Cash and deposits	1,766	1,534
Notes and accounts receivable – trade	106,482	91,587
Products	54,304	57,891
Inventories	350	222
Other accounts receivable	25,103	31,587
Other current assets	1,878	1,460
Allowance for doubtful accounts	(17)	(16)
Total current assets	189,867	184,267
Fixed assets		
Tangible fixed assets	3,171	3,017
Intangible assets		
Goodwill	7,135	5,941
Others	863	873
Total intangible assets	7,999	6,815
Investments and other assets		
Investments in affiliates	308	—
Leasehold deposits	4,234	4,328
Others	2,671	2,530
Allowance for doubtful accounts	(18)	(11)
Total investments and other assets	7,195	6,846
Total fixed assets	18,366	16,679
Total assets	208,233	200,946
Liabilities		
Current liabilities		
Accounts payable – trade	90,628	74,077
Short-term borrowings	35,100	37,907
Long-term borrowings payable within one year	3,264	2,768
Accounts payable – other	31,458	39,564
Unpaid taxes	3,442	0
Reserve of bonuses	1,344	861
Allowance for early subscription cancellations	137	140
Others	496	688
Total current liabilities	165,871	156,008
Long-term liabilities		
Long-term borrowings	12,159	16,848
Accrued employees' retirement benefits	428	424
Asset Retirement Obligations	1,048	1,087
Others	675	646
Total long-term liabilities	14,311	19,006
Total liabilities	180,183	175,014

(Millions of yen)

	FY 2012 (As of March 31, 2012)	3Q FY 2013 (As of December 31, 2012)
Net Assets		
Shareholders' equity		
Capital stock	3,098	3,099
Capital surplus	5,585	5,585
Retained earnings	32,052	17,229
Acquisition of own stock	(12,740)	(0)
Total shareholders' equity	27,997	25,915
Accumulated other comprehensive income		
Net unrealized holding gain on securities	52	16
Foreign currency translation adjustment	—	(1)
Total accumulated other comprehensive income	52	16
Total net assets	28,050	25,932
Total Liabilities and Net Assets	208,233	200,946

(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)

	3Q FY2012 (from April 1, 2011 to December 31, 2011)	3Q FY2013 (from April 1, 2012 to December 31, 2012)
Net Sales	508,971	543,819
Cost of Sales	463,145	494,568
Gross Profit	45,825	49,250
Selling, General and Administrative Expenses	36,665	41,149
Operating Income	9,160	8,101
Non-operating Income		
Interest income	3	4
Dividend income	3	3
Insurance reimbursement	54	24
Others	55	39
Total non-operating income	116	71
Non-operating Expenses		
Interest expenses	143	166
Others	6	10
Total non-operating expenses	149	177
Ordinary Income	9,127	7,995
Extraordinary Gains		
Gain on sales of fixed assets	0	6
Income from relief money	9	—
Others	1	—
Total extraordinary gains	10	6
Extraordinary Losses		
Loss on sales of fixed assets	0	0
Loss on removal of fixed assets	28	51
Loss on valuation of golf club membership	5	30
Others	—	0
Total extraordinary losses	34	82
Net income before income taxes	9,103	7,919
Income Taxes – Current	3,733	3,144
Income Taxes – Deferred	692	364
Total Income Taxes	4,426	3,508
Net Income before Minority Interest	4,677	4,410
Net Income	4,677	4,410

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

(Millions of yen)

	3Q FY2012 (from April 1, 2011 to December 31, 2011)	3Q FY2013 (from April 1, 2012 to December 31 2012)
Net Income before Minority Interest	4,677	4,410
Other Comprehensive Income		
Net unrealized holding gain on securities	(5)	(34)
Foreign currency translation adjustment	—	(1)
Total other comprehensive income	(5)	(35)
Quarterly Comprehensive Income	4,671	4,374
(Breakdown)		
Comprehensive income attributable to shareholders of the parent	4,671	4,374

(3) Notes on the going-concern assumption

Not applicable.

(4) 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

(5) Segment information

I. 3Q FY 2012 (from April 1, 2011to December 31, 2011)

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	403,701	20,252	85,017	508,971
Segment Income (Operating Income)	5,965	2,269	925	9,160

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. Information by reportable segment on impairment losses on fixed assets or information on goodwill, etc.

   (Material change in goodwill)

   In the Mobile Telecommunications Business segment, the acquisition of the entire share capital of TG Miyazaki Co., Ltd as of December 1, 2011, rendering the entity a consolidated subsidiary, involved the accounting recognition of goodwill.

   The resulting increase in goodwill in the period under review amounts to 1,377 million yen.

II. 3Q FY 2013 (from April 1, 2012 to December 31, 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	431,220	20,385	92,213	543,819
Segment Income (Operating Income)	5,470	1,879	751	8,101

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."

   Notably, the segment information for the year-earlier period has been prepared and stated based on the categorization of reportable segments for the period under review.

4. Information by reportable segment on impairment losses on fixed assets or information on goodwill, etc.

   Not applicable.