

Consolidated Financial Results for the Third Quarter of Fiscal Year Ending March 31, 2015 (Nine Months Ended December 31, 2014) (Based on J-GAAP)

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 Financial results presentation: No

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

1. Consolidated Financial Results for the Third Quarter of Fiscal Year Ending March 31, 2015 (April 1, 2014 – Dec. 31, 2014)

(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	%
3Q FY 2015	464,092	(8.9)	9,693	15.4	9,637	15.5	5,333	16.1
3Q FY 2014	509,425	(6.3)	8,396	3.6	8,345	4.4	4,593	4.1

(Note) Comprehensive income (million yen): 3Q FY 2015:5,410 (16.2%) 3Q FY 2014:4,656 (6.4%)

	Net income per share	Diluted net income per share
	Yen	Yen
3Q FY 2015	77.56	-
3Q FY 2014	58.17	58.12

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
3Q FY 2015	165,542	26,772	16.1
FY 2014	199,631	23,713	11.8

Reference: Shareholders' equity (million yen): 3Q FY 2015:26,608 FY 2014:23,594

2. Dividends

	Annual dividends				
	1Q-end	Interim	3Q-end	Yearend	Annual
	Yen	Yen	Yen	Yen	Yen
FY 2014	—	17.50	—	17.50	35.00
FY 2015	—	17.50	—	—	—
FY 2015 (forecasts)				17.50	35.00

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

3. Consolidated forecasts for the Fiscal Year Ending March 31, 2015 (April 1, 2014 – March 31, 2015)

(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	720,000	1.8	13,000	1.9	12,800	1.1	7,250	6.1	105.52

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

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 2015	79,074,000 shares	FY 2014	79,005,600 shares
2) Number of treasury stock at end of period	3Q FY 2015	10,300,336 shares	FY 2014	10,300,336 shares
3) Average number of shares outstanding during the period (nine months)	3Q FY 2015	68,756,273 shares	3Q FY 2014	78,965,838 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 Third Quarter Financial Results” on page 3 of the Attachment to the summary of quarterly financial statement.

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1. Qualitative Information Concerning the Third Quarter Financial Results

(1) Explanation of operating performance

The Japanese economy in the period under review (April - December 2014) experienced a moderate rebound accompanied by improving corporate earnings thanks to the government's monetary and economic policy measures. The further outlook remains uncertain, however, due to concerns over weak consumer spending in the wake of rising consumer prices after the consumption tax rate increase and the rapid depreciation of the yen.

The market for mobile phone handset sales, which forms the business mainstay of the Group (the Company and its consolidated subsidiaries), saw sales rebound from initial weakness at the start of this fiscal year caused by the backlash from the demand rush at the previous fiscal-year end. The recovery has been aided by new charge plans released by the major three telecommunications carriers and the sales launch of attractive new models, among other factors.

In this operating environment, Group sales of mobile phone handsets, etc., totaled 3.71 million units, with the percentage of smartphone sales a little over 70% of the total.

In the Mobile Telecommunications Business, efforts to enhance productivity and service quality were made such as structural reforms to increase the efficiency of store management and raise operational efficiency at the Company-level. Additionally, occasioned by the rise in the smartphone diffusion ratio and with a view to promoting smartphone ubiquity, measures have been stepped-up to increase sales of smartphone accessories and other related merchandise and services while strengthening proposal-based sales of tablets.

In the Solutions Business, sales of the various support services developed favorably and revenues from sales of mobile solutions to corporate clients maintained the level of the year-earlier period, but fixed-line related merchandise fared poorly.

Settlement Services Business and Other Business saw continued efforts surrounding the development of new merchandise accompanied by capital expenditure for proactive investments in the development of overseas operations. As a result, for the period under review, net sales totaled ¥464,092 million (-8.9% compared with the year-earlier period), with operating income of ¥9,693 million (+15.4% compared with the year-earlier period), ordinary income of ¥9,637 million (+15.5% compared with the year-earlier period), and net income for the period of ¥5,333 million (+16.1% compared with the year-earlier period), marking a turnaround to income growth compared with the year-earlier period.

Results by business segment are described below.

(Mobile Telecommunications Business)

In the period under review, sales revenues posted ¥381,899 million (-6.6% compared with the year-earlier period), partly due to unit sales in the first quarter being sapped by the backlash from the demand rush at the previous fiscal year-end. Sales revenues subsequently rebounded, however, thanks to solid end-user sales, starting in the second quarter, buoyed by new charge plans introduced by telecommunications carriers and market introductions of new iPhones and other attractive models.

Earnings marked operating income of ¥7,393 million (+33.8% compared with the year-earlier period). This was due to efforts to enhance productivity and service quality being made including the realization of efficient store management through personnel deployment appropriately aligned with customer traffic and reviews of shift work regulations, as well as the implementation of structural reform measures surrounding Company-level operational efficiency. Moreover, the promotion of propositions for tablets were strengthened by taking steps to upgrade the service skills of sales staff which was achieved through training classes mainly held at the "TG Academy," an in-house educational and training institution. Furthermore, to help customers make the most of their smartphones, propositions for smartphone related merchandise and services were proactively promoted by strengthening smartphone accessory shops and expanding merchandise line-ups.

(Solutions Business)

In the period under review, corporate clients continued to introduce smartphones and tablets to their operations, with buoyant sales of various kinds of support services such as mobile device management (MDM) services and kitting services, connecting to earnings from corporate-client mobile solutions in step with the year-earlier period. In contrast, sales of fixed-line related products fared poorly in the intense competition with mobile broadband. As a result, sales revenues posted ¥19,266 million (-8.1% compared with the year-earlier period) with operating income of ¥1,846 million (-15.5% compared with the year-earlier period).

(Settlement Services Business and Other Business)

In the period under review, the merchandise composition changed from electronic-money based merchandise (with face value amounts equaling sales revenue) to gift cards (with received commissions as the sole revenue source). As a result, sales fell to ¥62,925 million (-20.8% compared with the year-earlier period).

Earnings reflect growth in gift-card merchandise but also lower sales of merchandise payable with electronic money using PIN sales systems through e-commerce (EC) and social networking services (SNS), as well as capital expenditure for proactive investment in the development of overseas operations in China and Singapore, leaving operating income at ¥452 million (-34.0% compared with the year-earlier period).

(2) Explanation of financial position

(Assets)

Current assets at the end of the period under review decreased 18.0% compared with the end of the previous fiscal year to 150,295 million yen. This was mainly due to a drop in trade accounts receivables, down 30,117 million yen, and a drop in other accounts receivable, down 4,085 million yen. Fixed assets fell 6.8% compared with the end of the previous fiscal year to 15,246 million yen. This was mainly due to a drop in goodwill, down 1,233 million yen. As a result, consolidated total assets posted 165,542 million yen, which was 17.1% lower than at the end of the previous fiscal year.

(Liabilities)

Consolidated current liabilities at the end of the period under review decreased 23.3% compared with the end of the previous fiscal year to 125,321 million yen. This was mainly due to lower trade accounts payable, short-term borrowings, and other accounts payable, which respectively decreased 16,731 million yen, 11,431 million yen, and 3,282 million yen. Non-current liabilities increased 8.0% compared with the end of the previous fiscal year to 13,448 million yen. This was mainly due to a 982 million yen increase in long-term borrowings.

As a result, consolidated total liabilities posted 138,770 million yen, which was 21.1% lower than at the end of the previous fiscal year.

(Net assets)

Consolidated net assets increased 12.9% compared with the end of the previous fiscal year to 26,772 million yen. This was mainly due to an increase in retained earnings from 5,333 million yen in net income for the period and a 2,405 million yen reduction in retained earnings due to the payment of dividends.

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

The earnings estimates for the full year to March 2015 released on May 15, 2014, remain the same.

Nine months (April - December 2014) sales represent 64.5 percent of the full-year estimate released on May 15, 2014, with percentages for operating income, ordinary income, and net income at 74.6 percent, 75.3 percent, and 73.6 percent, respectively.

2. Summary (Notes) Information

Not applicable.

3. Quarterly Consolidated Financial Statements

(1) Quarterly consolidated balance sheets

(Millions of yen)

	FY 2014 (As of March 31, 2014)	3Q FY 2015 (As of December 31, 2014)
Assets		
Current assets		
Cash and deposits	3,490	2,358
Accounts receivable – trade	97,706	67,589
Products	45,146	47,855
Inventories	131	73
Other accounts receivable	34,874	30,789
Other current assets	1,933	1,641
Allowance for doubtful accounts	(16)	(11)
Total current assets	183,266	150,295
Fixed assets		
Tangible fixed assets	3,152	3,104
Intangible fixed assets		
Goodwill	5,365	4,131
Others	973	948
Total intangible fixed assets	6,339	5,080
Investments and other assets		
Leasehold deposits	4,319	4,330
Others	2,561	2,736
Allowance for doubtful accounts	(8)	(4)
Total investments and other assets	6,872	7,061
Total fixed assets	16,364	15,246
Total assets	199,631	165,542
Liabilities		
Current liabilities		
Accounts payable – trade	82,187	65,456
Short-term borrowings	28,566	17,135
Long-term borrowings payable within one year	12,100	8,080
Accounts payable – other	35,120	31,837
Unpaid taxes	3,286	849
Reserve for bonuses	1,427	844
Allowance for early subscription cancellations	218	142
Others	560	976
Total current liabilities	163,466	125,321
Non-current liabilities		
Long-term borrowings	10,268	11,250
Retirement benefit liabilities	389	402
Asset retirement obligations	1,178	1,229
Others	614	566
Total non-current liabilities	12,450	13,448
Total liabilities	175,917	138,770
Net Assets		
Shareholders' equity		
Capital stock	3,127	3,154
Capital surplus	5,613	5,640
Retained earnings	23,478	26,405
Acquisition of own stock	(8,755)	(8,755)
Total shareholders' equity	23,464	26,445
Accumulated other comprehensive income		
Net unrealized holding gain on securities	57	68
Foreign currency translation adjustment	73	94
Total accumulated other comprehensive income	130	162
Minority interests	119	164
Total net assets	23,713	26,772
Total Liabilities and Net Assets	199,631	165,542

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

	3Q FY2014 (from April 1, 2013 to December 31, 2013)	3Q FY2015 (from April 1, 2014 to December 31, 2014)
Net Sales	509,425	464,092
Cost of Sales	463,702	419,315
Gross Profit	45,722	44,776
Selling, General and Administrative Expenses	37,326	35,082
Operating Income	8,396	9,693
Non-operating Income		
Interest income	3	2
Dividend income	3	3
Insurance income	17	20
Income from indemnity	32	29
Others	43	28
Total non-operating income	99	84
Non-operating Expenses		
Interest expenses	141	125
Others	8	15
Total non-operating expenses	150	140
Ordinary Income	8,345	9,637
Extraordinary Gains		
Gain on sales of fixed assets	1	0
Gain from disposal of golf club membership	—	6
Total extraordinary gains	1	6
Extraordinary Losses		
Loss on removal of fixed assets	36	46
Loss on revaluation of investments in securities	24	197
Total extraordinary losses	61	244
Net Income before Income Taxes	8,285	9,400
Income Taxes – Current	3,309	3,851
Income Taxes – Deferred	383	170
Total Income Taxes	3,692	4,021
Net Income before Minority Interest	4,593	5,378
Minority Interest in Income	—	45
Net Income	4,593	5,333

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

(Millions of yen)

	3Q FY2014 (from April 1, 2013 to December 31, 2013)	3Q FY2015 (from April 1, 2014 to December 31, 2014)
Net Income before Minority Interest	4,593	5,378
Other Comprehensive Income		
Net unrealized holding gain on securities	43	11
Foreign currency translation adjustment	19	21
Total other comprehensive income	63	32
Quarterly Comprehensive Income	4,656	5,410
(Breakdown)		
Comprehensive income attributable to shareholders of the parent	4,656	5,365
Minority interest in comprehensive income for the quarter	—	45

(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. 3Q FY 2014 (from April 1, 2013 to December 31, 2013)

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	409,041	20,962	79,421	509,425
Segment Income (Operating Income)	5,526	2,184	685	8,396

2. Total income or loss of reportable segments, difference to income or loss reported in the consolidated statements 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 statements of income.

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

Not applicable.

II. 3Q FY 2015 (from April 1, 2014 to December 31, 2014)

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	381,899	19,266	62,925	464,092
Segment Income (Operating Income)	7,393	1,846	452	9,693

2. Total income or loss of reportable segments, difference to income or loss reported in the consolidated statements 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 statements of income.

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

Not applicable.