



T·GAIA

**Consolidated Interim (1H)
Financial Results for the
Fiscal Year ending March 2018**

(Six months ended Sep. 30, 2017)

November 8, 2017

T-Gaia Corporation /TSE 3738

Disclaimer

This material contains statements about the future performance of T-Gaia Corp., which are based on management's assumptions and beliefs taking information currently available into consideration. Therefore, please be advised that T-Gaia's actual results could differ materially from those described in these forward-looking statements as a result of numerous factors, including general economic conditions in T-Gaia's principal markets as well as other factors detailed from time to time.

Outline of Consolidated Interim (1H) Financial Results for the Fiscal Year ending March 2018



Summary of 1H Consolidated Financial Results

(Unit : billion yen)	17/3 1H	18/3 1H	y/y Change	18/3 Full-year Forecasts	Achievement Ratio
Net Sales	256.35	248.91	97.1%	565.0	44.1%
Gross Margin (to Net Sales)	29.16 (11.4%)	30.00 (12.1%)	102.9% (+0.7 p)	65.6 (11.6%)	45.7% —
SGA Expenses	23.17	24.05	103.8%	50.4	47.7%
Operating Income (to Net Sales)	5.98 (2.3%)	5.94 (2.4%)	99.3% (+0.1 p)	15.2 (2.7%)	39.1% —
Ordinary Income	6.01	6.0	99.8%	15.2	39.5%
Net Income Attributable to shareholders of the parent company	4.0	3.9	97.5%	10.15	38.4%
EBITDA	6.76	6.77	100.2%	—	—
Mobile-phone Sales Unit (million units)	2.04	2.10	103.0%	4.62	45.6%



1H Financial Results by Business Segment

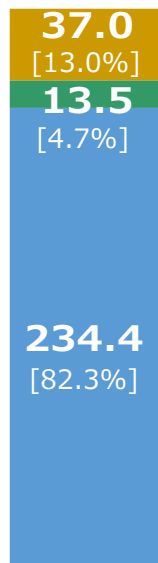
Net Sales

Operating Income

■ Mobile-phone Business
 ■ Enterprise Solution Business
 ■ Settlement Service & Other Business

(billion yen)

284.9



16/3 1H

256.3



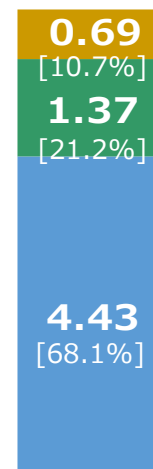
17/3 1H

248.9



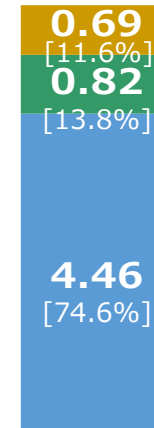
18/3 1H

6.51



16/3 1H

5.98



17/3 1H

5.94



18/3 1H

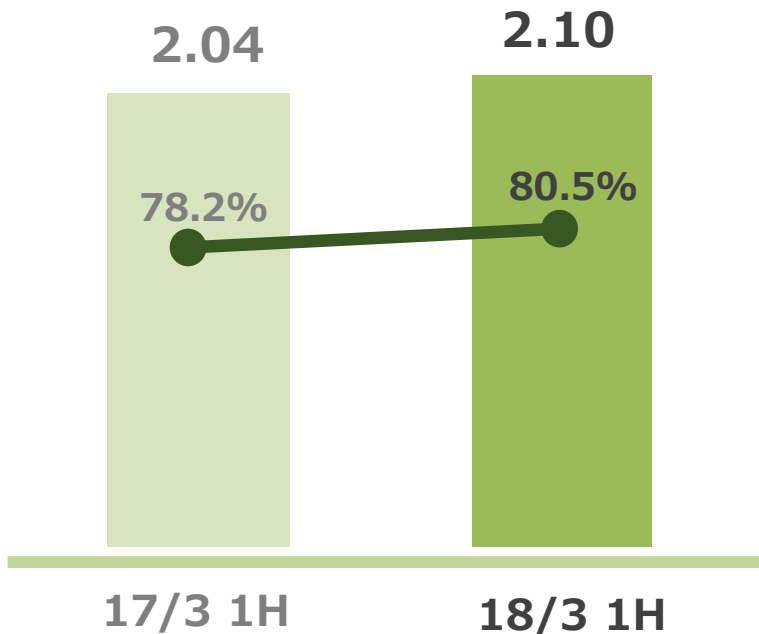
※ [Ratio of Each Segment to Consolidated Net Sales / Operating Income]



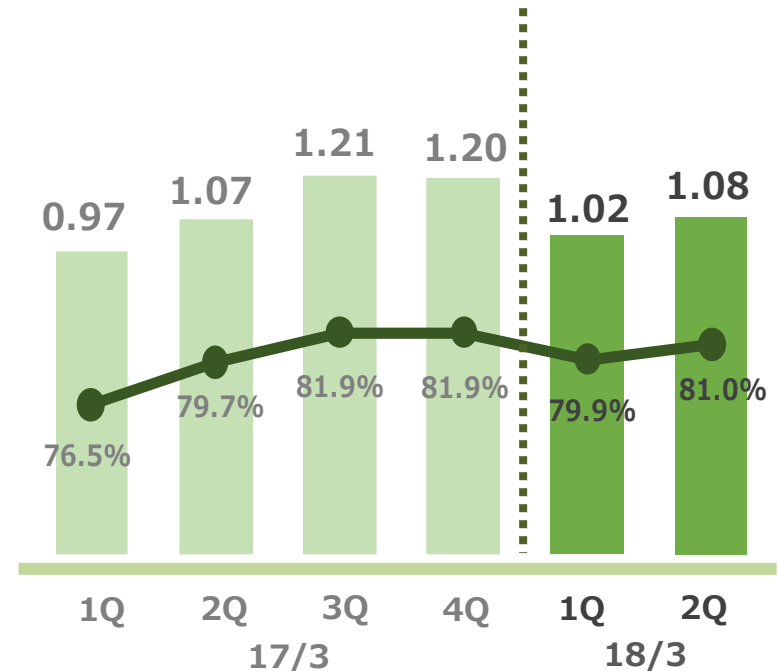
Company-wide Unit Sales

Mobile-phone Unit Sales

■ Unit Sales (million units) ● Ratio of Smartphone & Tablets to Unit Sales



Unit Sales on a Quarterly basis



With the introduction of new models & new billing plans, unit sales and ratio of smartphones & tablets increased

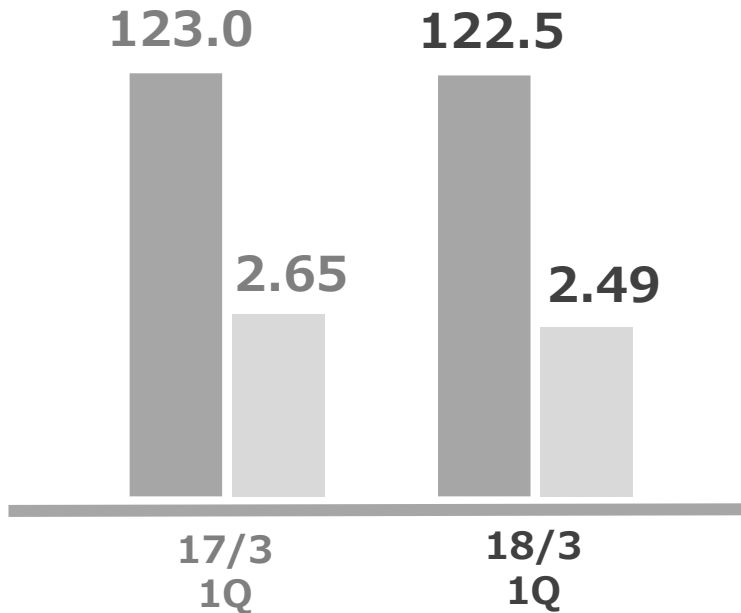
※ Including Wi-Fi models & MVNO-related products



Comparison on an Accounting Period Basis

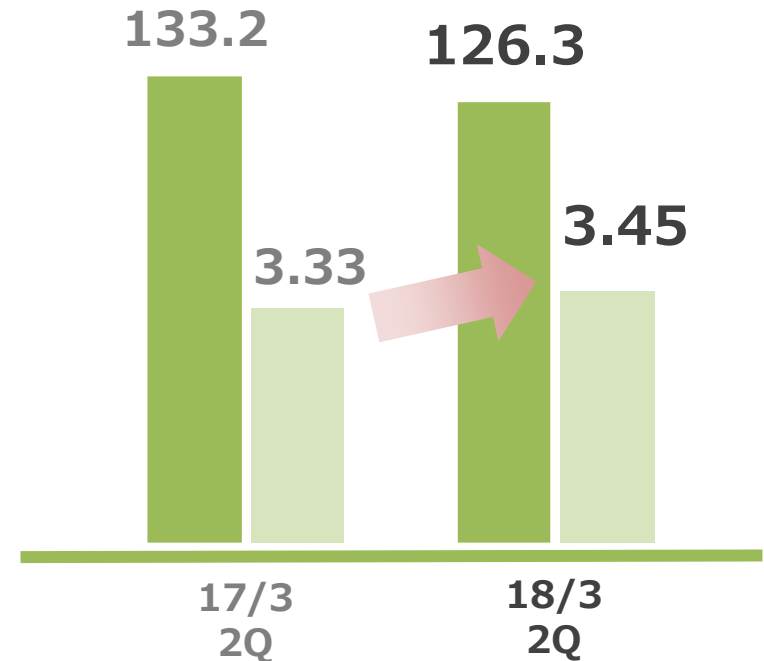
1Q (April - June)

■ Net Sales ■ Operating Income
(billion yen)



2Q (July - Sep.)

■ Net Sales ■ Operating Income
(billion yen)



Operating Income Increased in 2Q
(three months ended Sep. 30, 2017)



Main Action Plans for FY ending March 2018⁸

Establishment of new revenue base

Mobile Telecommunication Business

- ✓ Create new products, services and sales channel via Smart Labo
- ✓ Explore shop solution business

Enterprise Solution Business

- ✓ Strengthen help desk functions
- ✓ Develop solution for specific industry
- ✓ Increase cumulative revenue from "TG Hikari" & "movino star", etc.

Settlement Service Business

- ✓ Strengthen domestic settlement service
- ✓ Expand business in South-eastern Asia

Create & Grow New Revenue Base

Improvement of company-wide productivity

● Reform of Way of Working

- ✓ Reduce working hours in carrier shops
- ✓ Introduce company-wide flex working hours system

● Retention & Cultivation of Excellent Human Resource

- ✓ Increase No. of permanent employees
- ✓ Strengthen & expand recruitment activity
- ✓ Allocate excellent staff to new business area
- ✓ Continue intensive training for newly-hired staff

● Improvement of Company-wide Efficiency

- ✓ Strengthen company-wide IT infra system
- ✓ Establish & utilize front line IT environment for shops
- ✓ Sophisticate logistics

Achieve No.1 Productivity in the Industry



Action Plans for Improvement of Productivity in Carrier Shops ①

Action Plans Implemented by Specialists

- In the field of shop fixture & interior decorating sourcing



- ✓ Produce shop fixture in China
- ✓ Reduce shop setup expenses through separate order of shop fixture, instrument and construction

- In the field of real estates sourcing



- ✓ Improve ability to collect info. on property
- ✓ Review existing lease agreement
- ✓ Reinforce ability to negotiate terms on new contracts

Strengthening of Carrier Shops and Cost Reduction



Action Plans for Improvement of Productivity in Carrier Shops②

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Introduction of CCTV Camera

- Assess the situation in shops (customers & shop staff)
- Visualize the opportunity loss by analyzing the video



- Enter into business tie-ups with Safie Inc. in order to improve the productivity in carrier shops



safie クラウド映像プラットフォーム



safie 対応カメラ

オンラインバンク同等の
セキュリティ設計

(TLS1.1以上・AES128bit以上・Perfect Forward Secrecy)



safie 専用ビューワーアプリ

スマホ・パソコン・タブレット

Company Name	: Safie Inc.
Date of Establishment	: October 2014
Representative	: Sadojima Ryuhei, President
Capital Fund	: 1,155 million yen
Description of Business	: Operation of "Safie" Platform, cloud type camera solution

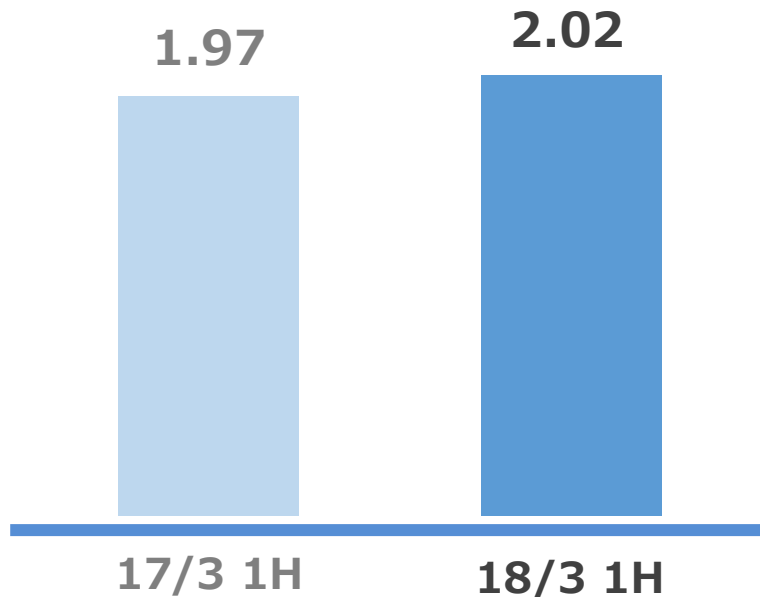
Improvement of Productivity Utilizing IT



1H Financial Results of Mobile Telecommunication Business Segment

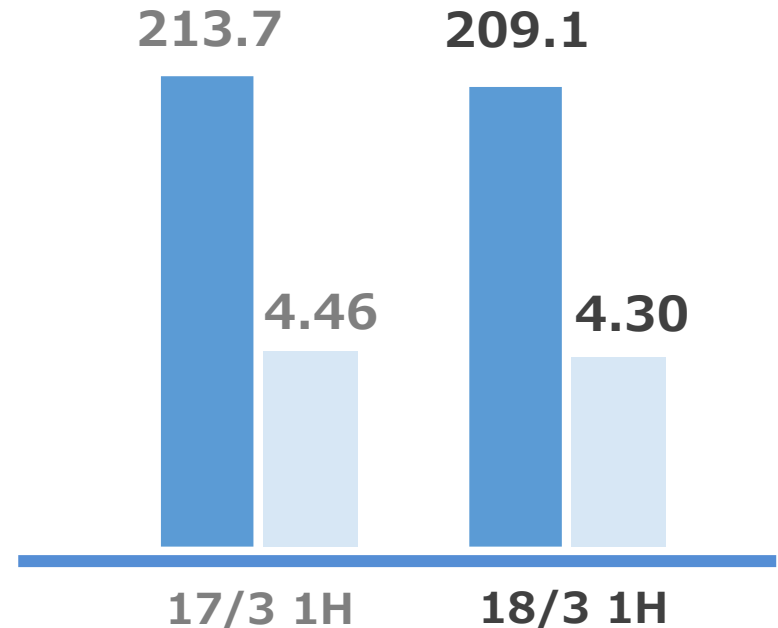
Mobile-phone Unit Sales

(million units)



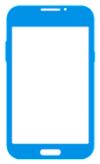
Financial Results Comparison

■ Net Sales ■ Operating Income
(billion yen)



Operating Income Decreased due to Upfront Investment in Carrier Shops & Human Resources though Unit Sales Increased

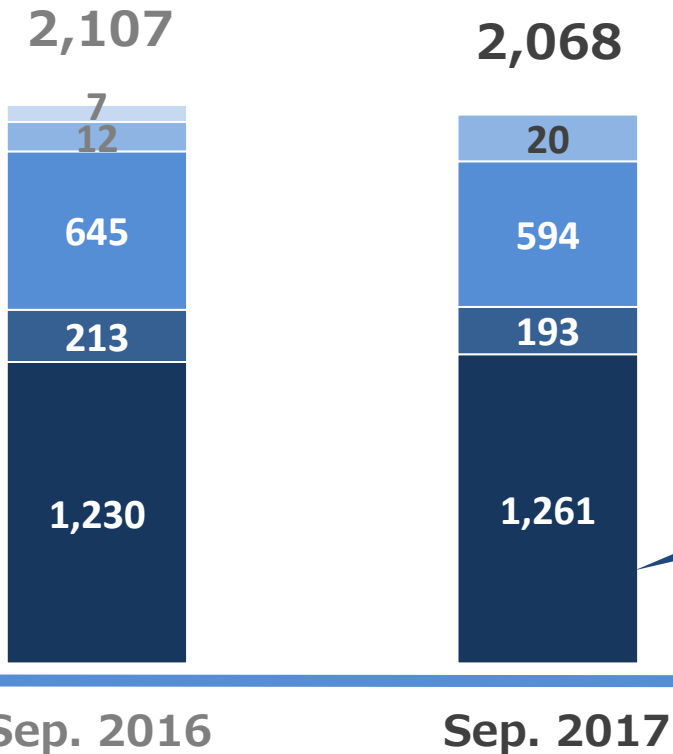
※ Including Wi-Fi models & MvNO-related products



Total No. of Sales Bases for Mobile-phones

Change of Total No. of Sales Bases

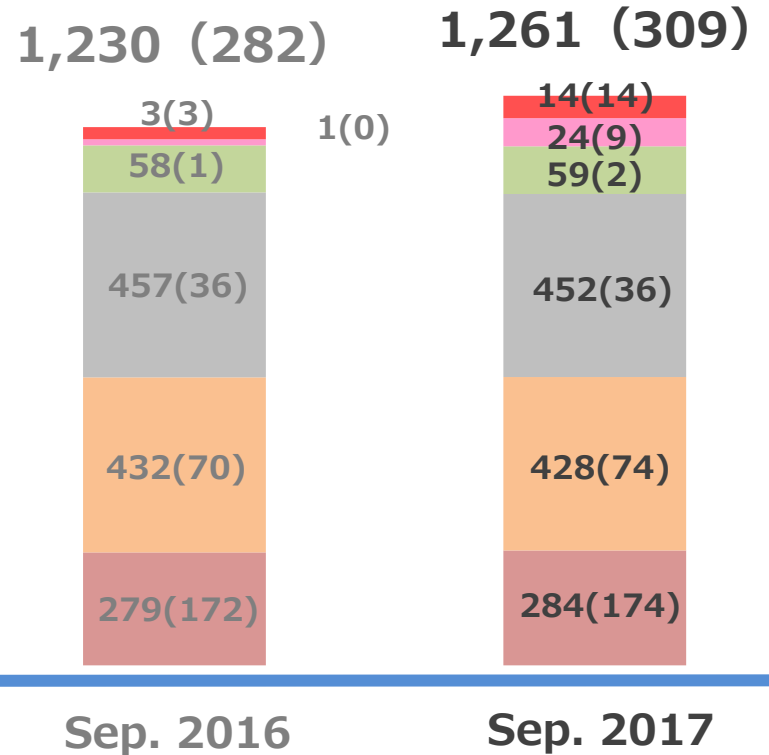
■ Carrier Shop
 ■ Multi-carrier Shop
 ■ Large Retail Store & GMS
■ Accessory Shop ※1
 ■ China Unicom Shop ※2



No. of Carrier Shops

※(): Directly-managed shops

■ docomo
 ■ au
 ■ SB
 ■ YM
 ■ UQ
 ■ Rakuten



※1 Including EC site : Smart Labo Online

※2 Closed as of Dec. 2016



Accessory Shops for Smartphones

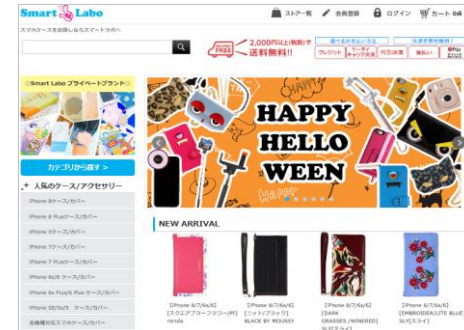


- 18 Real Shops (As of Sep. 2017)



COCOSA Kumamoto Shimodori

- EC site : Smart Labo



URL: <http://smalabo.com/>

- Collaboration Shops



Hankyu Sanbangai

Rakuten Mobile × Smart Labo

- Private Brand



“Étincese” selling well at Smart Labo Shops

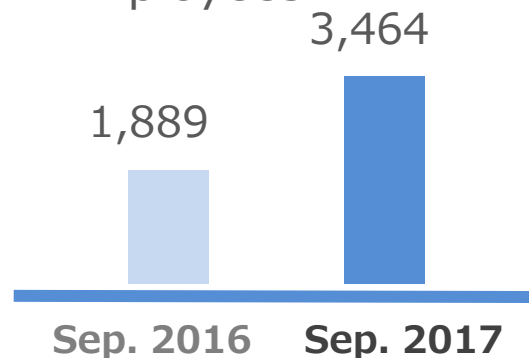


Investments in Human Resource

Increase of Permanent Employees

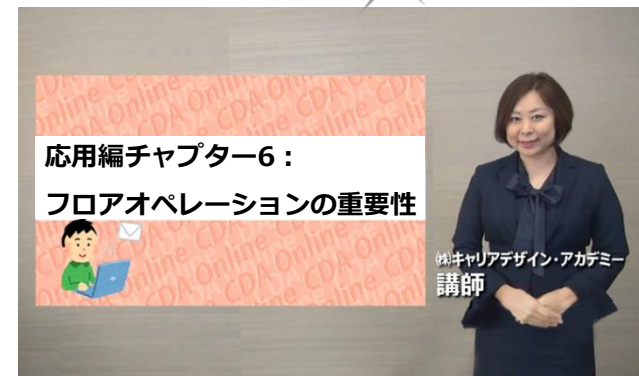


- No. of Permanent Employees



Staff Education

CAREER DESIGN  ACADEMY



“CDA※-ONLINE”

- Share best practices & selling techniques by the use of videos
- Provide more than 120 video contents
- Started to provide educational program by “CDA Online” to our partner distributors

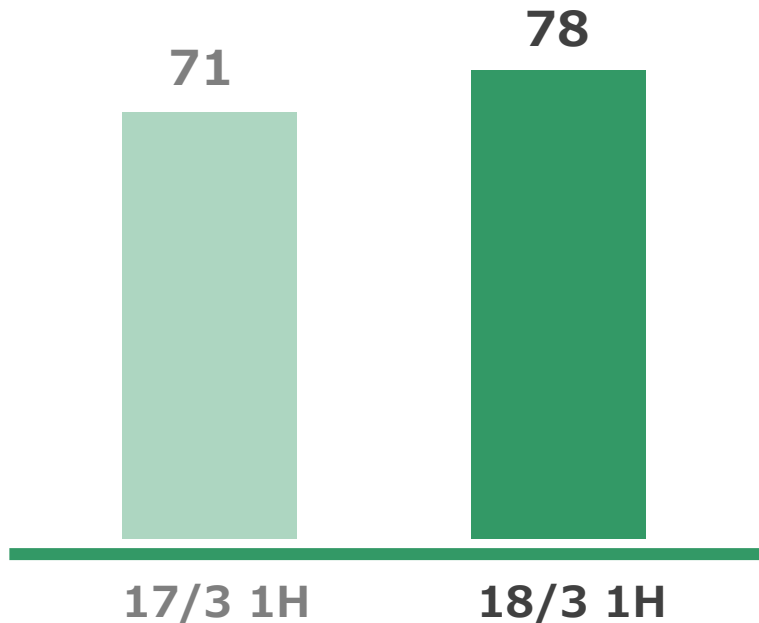


1H Financial Results of Enterprise Solution Business Segment

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Mobile-phone Unit Sales

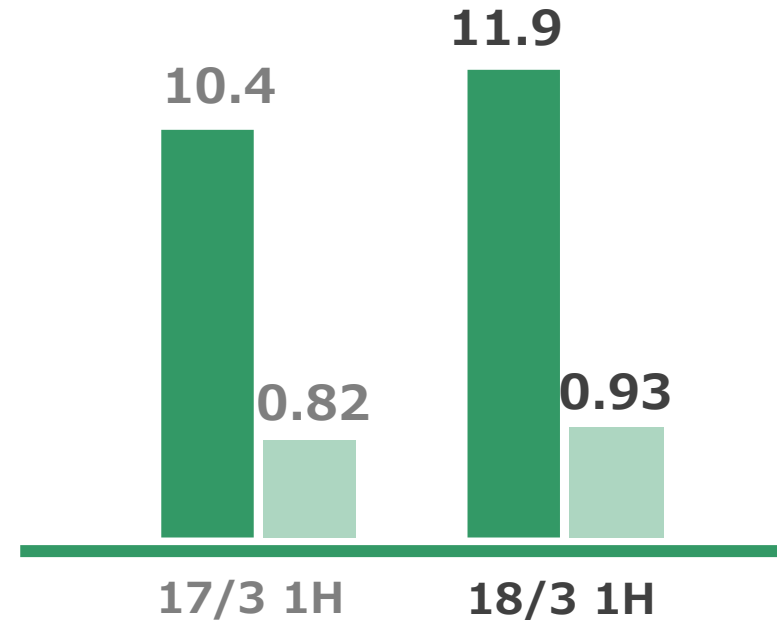
(thousand units)



Financial Results Comparison

■ Net Sales ■ Operating Income

(billion yen)



Mobile-phone Sales & Solution Service incl. Help Desk Service
Contributed to Increase of Net Sales & Operating Income

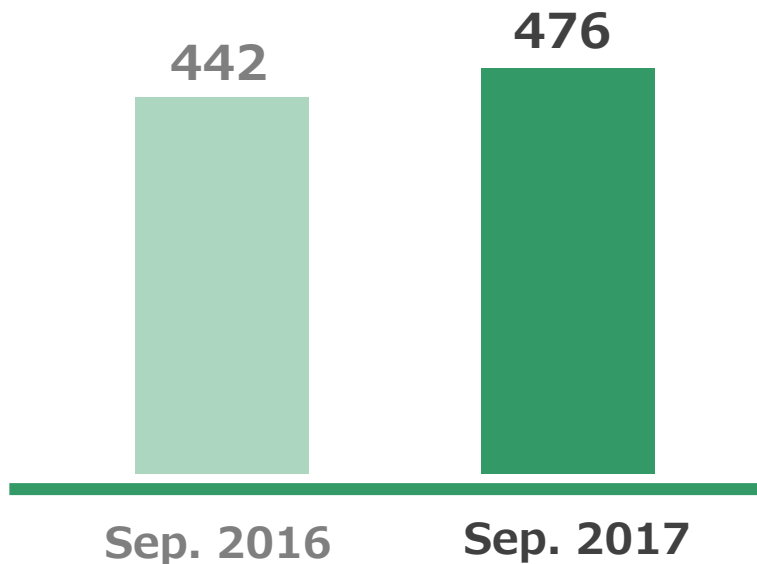


Enterprise Solution Business: Based on Cumulative Commissions

16

Total No. of ID Subscribing
to movino star Service

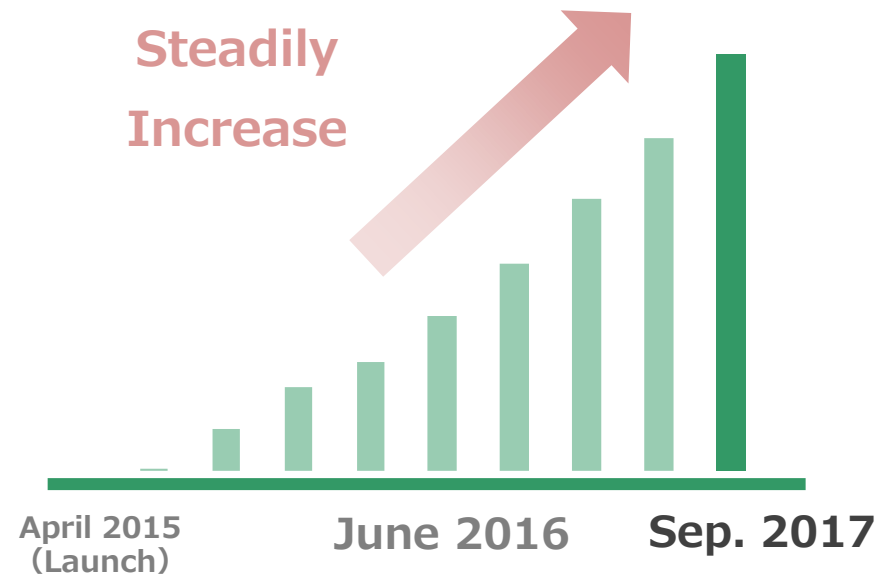
(thousand ID)



Cumulative No. of TG Hikari
Subscribers (incl. Resale)



Steadily
Increase



Cumulative Commissions Increasing Steadily



Strengthening of Solution Service

Help Deck



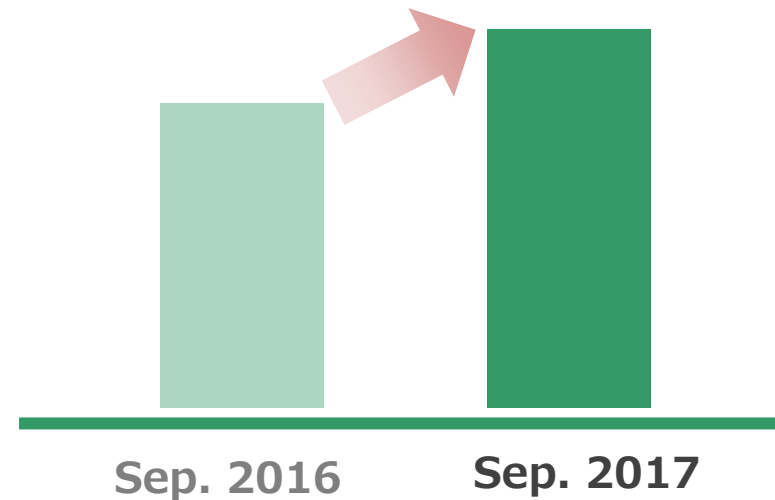
- Strengthen our Help Deck Service through Investment in PC TECHNOLOGY Co., Ltd.



PCテクノロジー

Total No. of ID Subscribing to Help Deck Service

Steadily Increase



No. of Corporate Clients Subscribing to Solution Service such as Help Desk & Kitting Service has been Increasing



Enterprise Solution Business Intended for Specific Industry

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For Education Industry

- Promote tablet sales & establishment of communication environment incl. WiFi for education industry
(Already introduced by more than 100 cram schools)
- Offer mgmt. & maintenance service for tablet & communication environment after the introduction of the solution services
(Already introduced to approx. 10 thousand tablets)
- Apply know-how on creation of communication environment & network monitoring service to other industries



Promotion of Enterprise Solution
Business Intended for Specific Industry

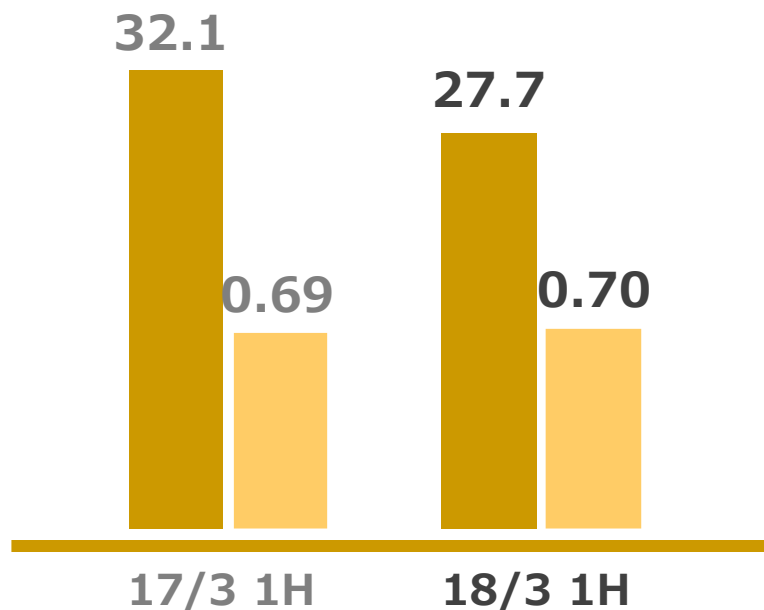
1H Financial Results of Settlement Service & Other Business Segment

19

Financial Results Comparison

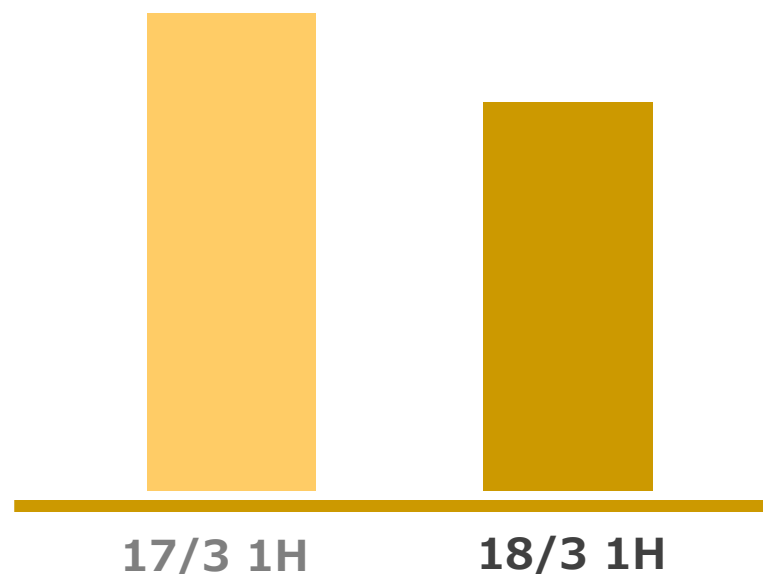
■ Net Sales ■ Operating Income

(billion yen)



Gross Sales of PIN & Gift Cards

Decreased by 18.6%



- Net income decreased due to weak sales of PIN product
- Improvement of productivity in overseas business contributed to increase of operating income

※ Gross Sales : Total amount of face value

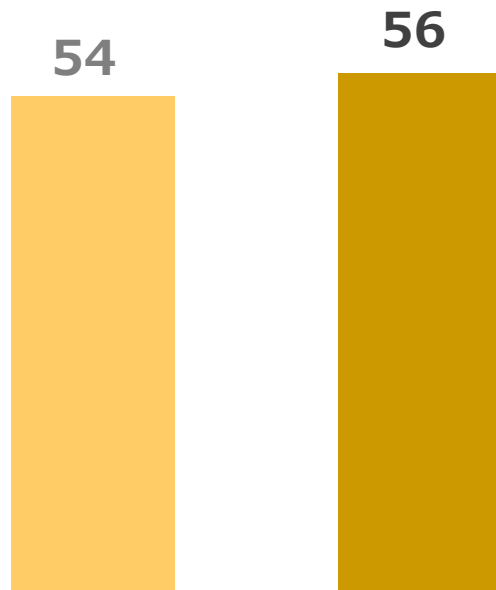


Settlement Service & Other Business: Sales Channels

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Total No. of Convenience Stores, etc. Dealing PIN

(thousand)

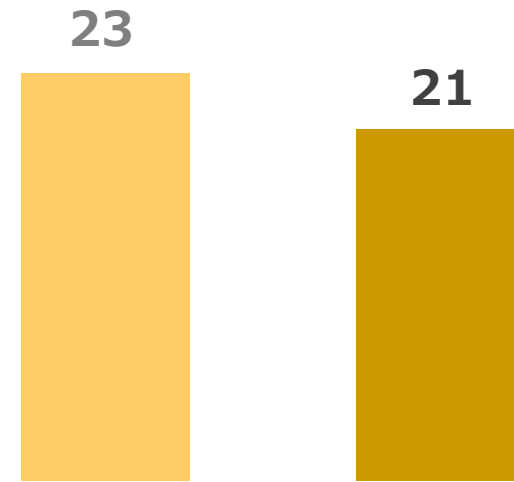


Sep. 2016

Sep. 2017

Total No. of Convenience Stores, etc. Dealing Gift Cards

(thousand)



Sep. 2016

Sep. 2017

- Stores dealing PIN product increased
- Stores dealing Gift Cards decreased due to the reorganization among convenience store industry

Settlement Service & Other Business: Overseas Business

Expansion of Business in South-eastern Asia

valuedesign

Company Name : Valuedesign Inc.
Establishment : July 2006
Representative : Toru Onoe
Business Line : House card processing business
Brand prepaid card business

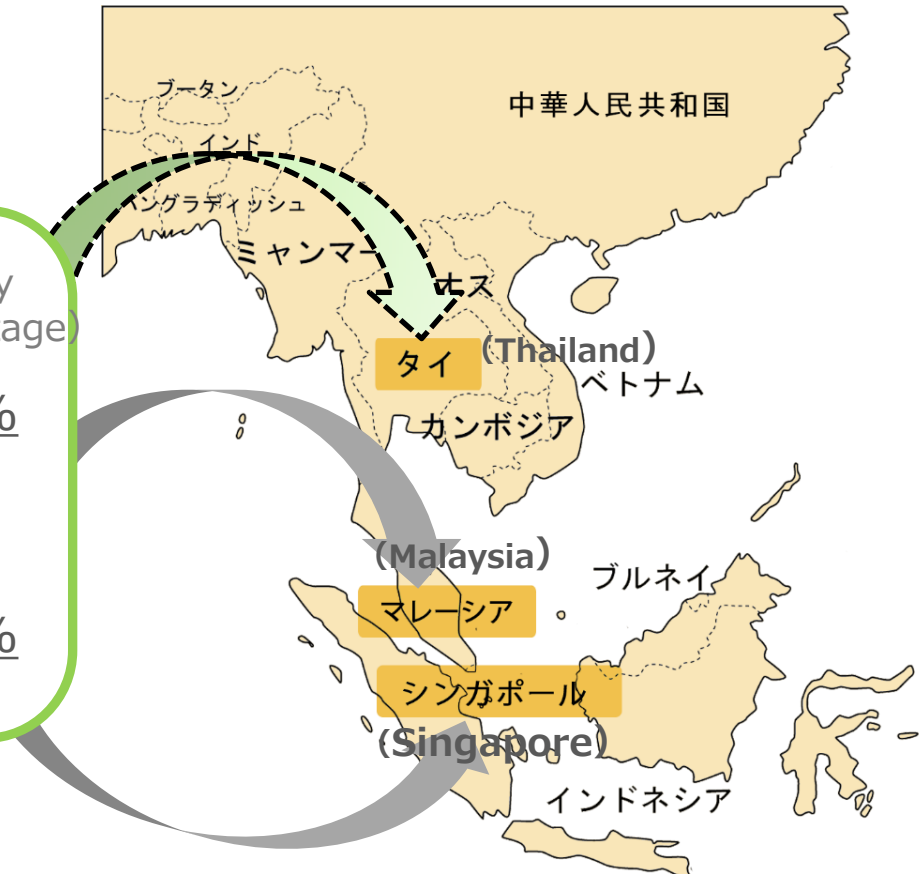


T-GAIA Settlement Service Business

(Equity percentage)

75%

25%



Preparing for Capital Investment in Thailand in addition to Singapore & Malaysia

※House card processing business : Business of providing systems, etc. for the issuance or operations of customer-branded prepaid cards used by retail and food service chain stores such as convenience stores and restaurants.

Consolidated Forecasts for FY ending March 2018 & Future Development



Medium-term Goal

Toward the FY 2020 (FY ending March 2021), T-Gaia set a medium-term goal to realize sustainable growth and to respond to the expectations of all stakeholders including shareholders and employees by achieving the following objectives based on the Corporate Philosophy released April 2014.

- Firmly maintain the position as the leading company in the core business of mobile-phone distribution
- Grow solution business for corporate clients, settlement service and overseas business as the strong core business
- Create & explore new business opportunities in the mobile & Internet industries
- Maintain the dividend payout ratio over 30%

In order to realize the objectives noted above, T-Gaia are taking concrete measures every day setting the following points as the company-wide strategy

- Cultivate, recruit, utilize and retain human resources to realize maximization & optimization of achievement of respective employees
- Conduct strategic & continuous cost management to transform the cost structure into one that can respond to change of the market environment
- Maximize the corporate-wide achievement by optimizing the organization as well as the corporate system

Based on the above medium-term goal & company-wide strategy, develop the business strategy for each business line and make every effort to realize them through the concrete action plan in each business dept.



Consolidated Forecasts for FY ending March 2018

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(Unit : billion yen)	2017/3 Full-year Results	2018/3 Full-year Forecasts	Year-on-Year basis (%)	
Net Sales	551.59	565.00	+13.41	+2.4%
Gross Margin	61.73	65.60	+3.87	+6.3%
SGA Expense	47.46	50.40	+2.94	+6.2%
Operating Income	14.27	15.20	+0.93	+6.5%
Ordinary Income	14.28	15.20	+0.92	+6.4%
Net Income Attributable to Shareholders of the Parent Company	9.69	10.15	+0.46	+4.7%
Mobile-phone Unit Sales (million units)	4.47	4.62	+0.15	+3.4%



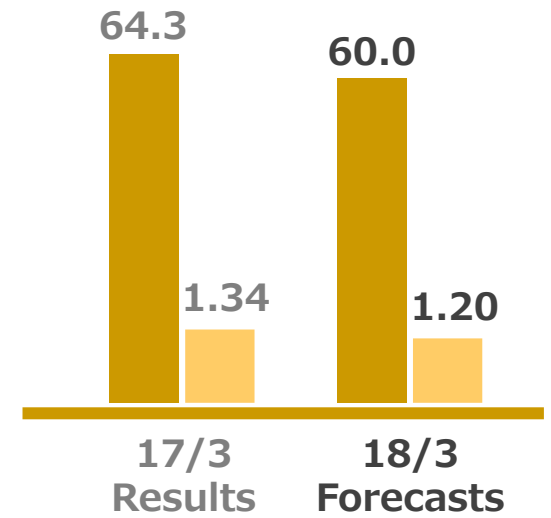
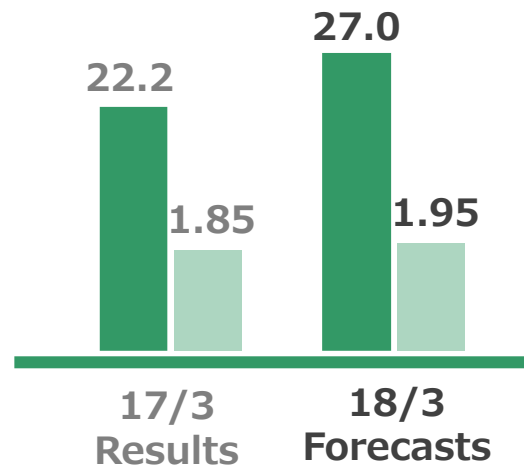
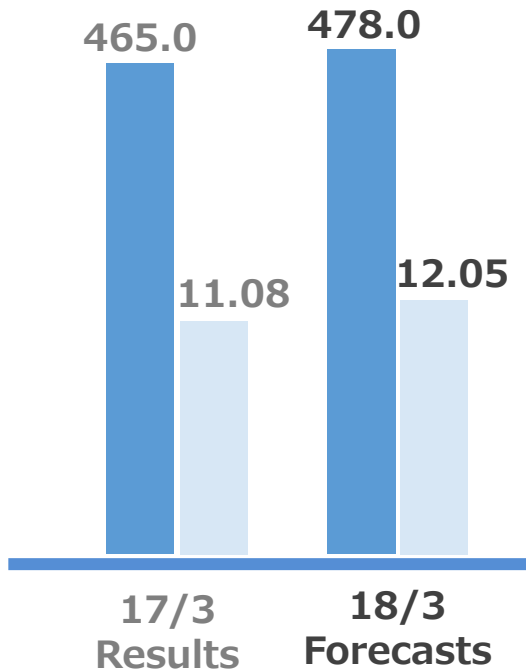
Consolidated Forecasts for FY ending 25 March 2018 by Business Segment

Net Sales Operating Income (billion yen)

Mobile-phone Business

Enterprise Solution Business

Settlement Service & Other Business



Unit Sales Forecasts

4.45 million units

Unit Sales Forecasts

0.167 million units

Acquisition of QUO CARD Co., Ltd. 26

- Acquire 100% ownership of QUO CARD Co., Ltd. as of Dec. 1, 2017
- QUO CARD Co., Ltd. has been issuing PET type prepaid card “QUO CARD” equivalent to **approx. 60 billion yen per year & more than 1 trillion yen** in total for 30 years since the launch



Outline of the company

Company Name: QUO CARD Co., Ltd.

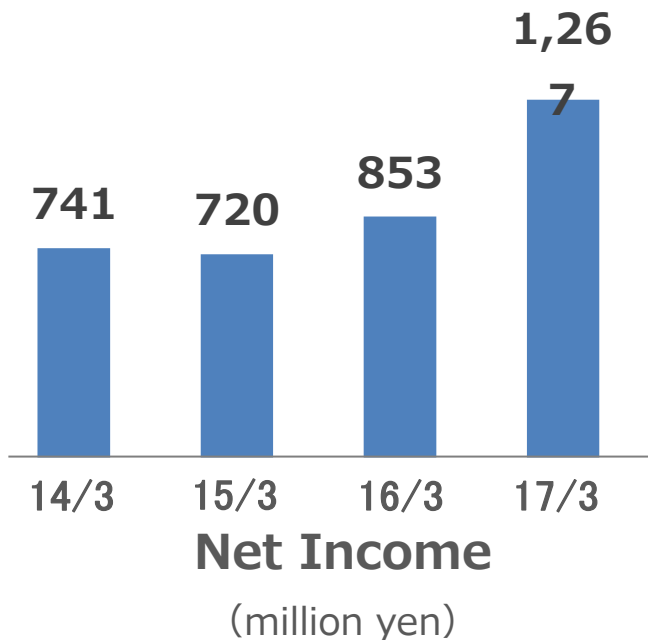
Establishment Date: Dec. 1987

Capital Fund: 1,810 million yen

- **Affiliated stores more than 57 thousand** such as convenience stores & bookshops nationwide

- **High popularity & demand in gift market for corporate clients**

- **Extremely high recognition ratio exceeding 90%**



History of Settlement Service Business of T-Gaia

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Start selling real cards in 2000



- Recharge card for prepaid mobile-phone
- Prepaid card for overseas call
- iTunesMusicCard (since 2005)

Start selling PIN code in 2005



- System connection info. Terminal in convenience stores
- Prepaid No. for games on PC & feature phones

Start selling GIFT Card in 2011



- System connection to POS register
- Gift Card for free-to-play games on smartphone games
- Gift Card for online shopping & game console

Start selling Digital Code in 2014



- System connection to sites of Telecom carriers
- Digital Code for free-to-play games on smartphone games
- Digital Code for corporate clients

※The Amazon.co.jp and its logo are trademark of Amazon com, Inc. and its associated companies.

※BitCash is a registered trademark of BitCash Inc.

Synergy Effect between T-Gaia & QUO CARD



- Long-term know-how on e-money managed on a server
- Large-scale sales channel for mobile-phone & corporate client base

Common Points

- Common distribution channel centered on convenience stores
 - Promotion of digitalization

- Extreme high recognition of "QUO CARD" brand & trust in the market
- High demand among the gift market for corporate clients

Expansion of existing QUO CARD utilizing the client base

Creation of "Digital QUO CARD"



Expand existing QUO CARD business more aggressively utilizing T-Gaia's corporate client base or through promotion in carrier shops



Intend to create "Digital QUO CARD" utilizable in real shops mainly in convenience stores

Transition of Gross Sales in Settlement Service Business in T-Gaia Group

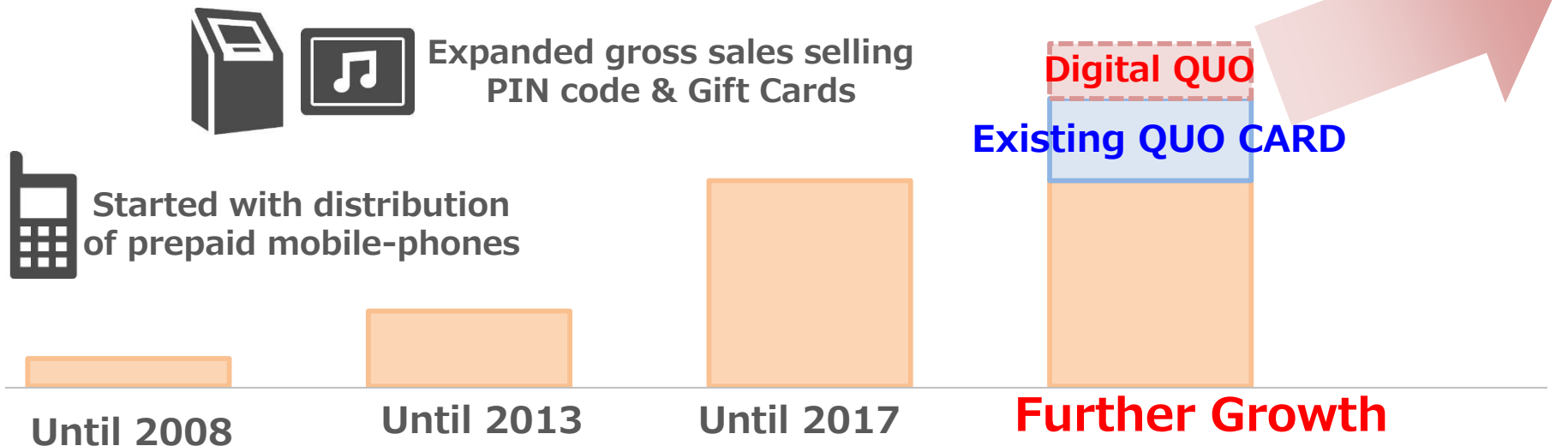
29

Intend to achieve further growth & expansion of settlement service business, at which we work since 2000 as a core business second to mobile-phone business

Transition of Gross Sales

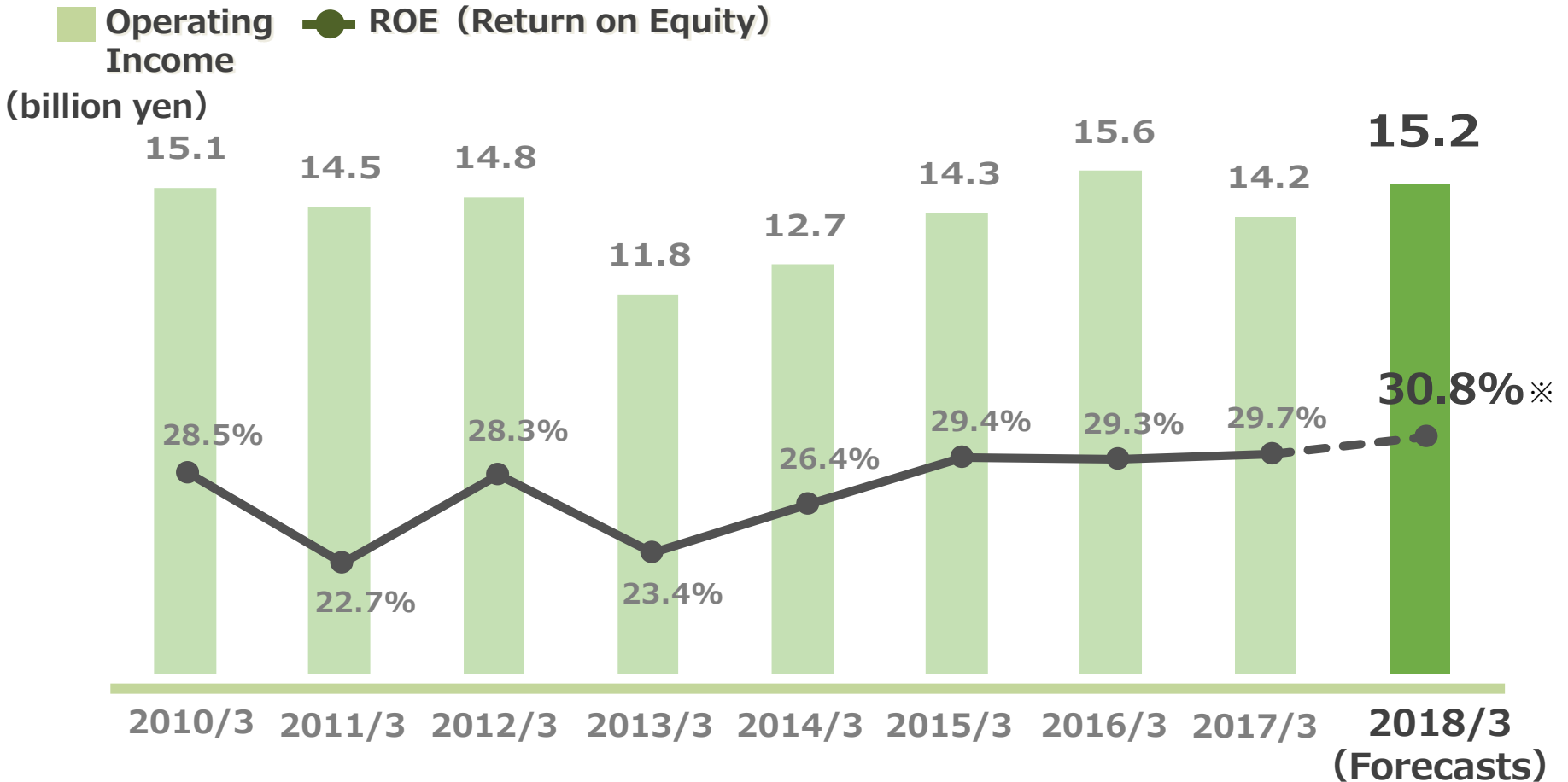


Aim to expand gross sales of both real cards & digital code more aggressively through acquisition of QUO CARD Co., Ltd.





Transition of ROE & Operating Income



Has been selected as “**JPX Nikkei Index**” for four consecutive years by maintaining high level of ROE



Return to Shareholders : Dividend Policy

Return to Shareholders in FY ending March 2018

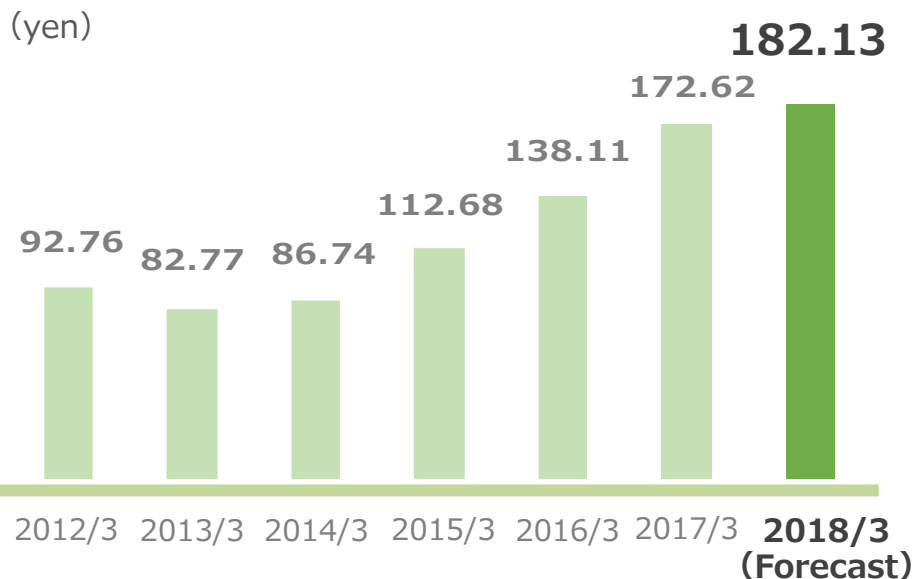
Forecast dividend increase of 3 yen/share:
Dividend increase for four consecutive year

- Annual Dividend : 55 yen/share (Interim : 27.5 yen/share & Yearend : 27.5 yen/share)

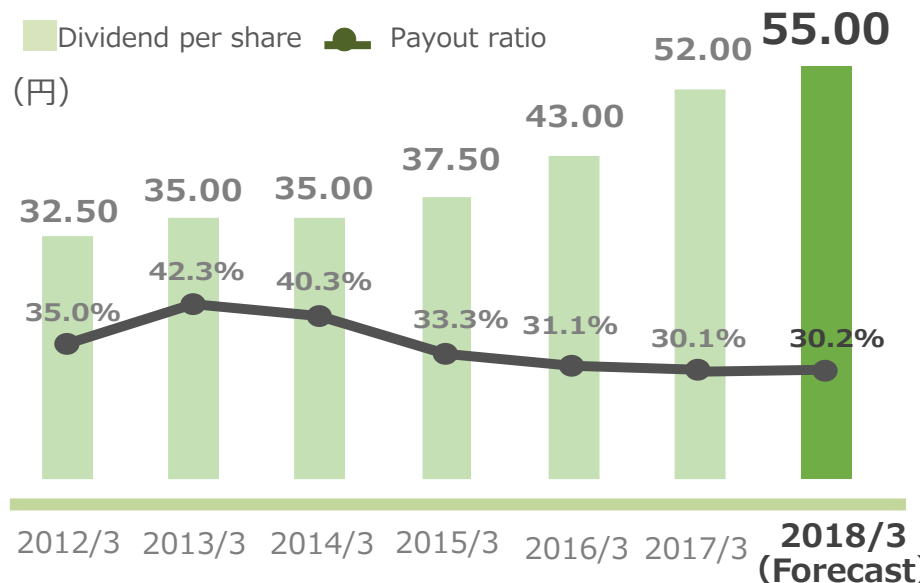
Basic Dividend Policy

Targeting & maintaining Dividend payout ratio of more than 30%

- Net Income per share



- Dividend per share & Payout ratio





Action Plan for Improvement of Corporate-wide Productivity

Total Working Hours Reduction Campaign

- Set up corporate-wide campaign to reduce total working hours from Nov. 2017 to March 2018

Reduce overtime hours & promote to take paid holidays

Aim to reduce total working hours by 5% YoY

Give back total amount equivalent to reduced overtime hours to employees

Establishment of Favorable Workplace Environment



- Penetration of variable work hours system
- Introduction of shop one-a-month holiday
- Shortening of business hours

Achieving the “Improvement of Productivity”
by enhancing the quality of work & ES



Promotion of the Empowerment of Women

Acquired Top Grade in “Eruboshi”

Acquired the top grade (Three Stars) in “Eruboshi” as a result of high evaluation in all category to promote the empowerment of women



“Eruboshi”
certification mark
<Three Stars>

What is “Eruboshi” ?

Award certified by Ministry of Health, Labour and Welfare based on “Promotion of Empowerment of Women Law”



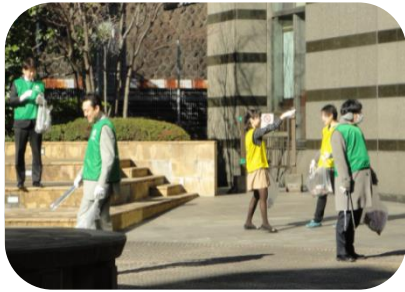
Promote to create a workplace environment , in which diverse employees can participate actively



CSR Activities

Volunteer Activities by Employees

- Conducted cleaning activities in the area surrounding our Head Office building in Ebisu, Tokyo



- Actively conduct blood donation activities in response to the Japanese Red Cross Society's Blood Program



- Sort out used stamps and make a donation to support developing countries

Major Organizations co-sponsored by T-Gaia Corp.



Sponsor the Eye Mate Inc. as Support Member

【By courtesy of the Eye Mate Inc.】



Promote "the CUP FOR TWO" Program in support of the activities of TABLE FOR TWO International

【By courtesy of TABLE FOR TWO International】



As part of mecenat activities, sponsor the Japan Philharmonic Orchestra

【By courtesy of Japan Philharmonic Orchestra】



Sponsor Japanese Paralympics Committee, Japanese Para-Sports Association
 【JPC Official Supporter by courtesy of Japanese Para-Sports Association】



Ms. Madoka Masumoto

- Won the Bronze medal in "7th Sharjah International Open Athletic Meeting"
100m 19"49 (+2.0)



Ms. Yukari Minohara

- Won the Bronze medal in "23th Summer Deaf-lympic Samsung 2017"
Road bicycle for female 30km time trial