



T·GAIA

**Consolidated 3Q Financial
Results for the Fiscal Year
ending March 2018**
(Nine months ended Dec. 31, 2017)

February 6, 2018

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 3Q Financial Results for the FY ending March 2018



Summary of Consolidated 3Q Financial Results

(Unit: billion yen)	17/3 3Q	18/3 3Q	y/y Change	18/3 Full-year Forecasts	Achievement Ratio
Net Sales	406.03	400.85	98.7%	565.00	70.9%
Gross Margin (to Net Sales)	44.36 (10.9%)	45.98 (11.5%)	103.7% (+0.6 p)	65.60 (11.6%)	70.1% —
SGA Expenses	35.00	36.00	102.9%	50.40	71.4%
Operating Income (to Net Sales)	9.35 (2.3%)	9.98 (2.5%)	106.7% (+0.2 p)	15.20 (2.7%)	65.7% —
Ordinary Income	9.38	10.04	107.1%	15.20	66.1%
Net Income attributable to shareholders of the parent company	6.50	6.62	101.9%	10.15	65.3%
Mobile-phone Sales Unit (million units)	3.26	3.32	101.8%	4.62	71.9%



3Q Financial Results by Business Segment

(billion yen)

Year-to-date (YTD) Net Sales

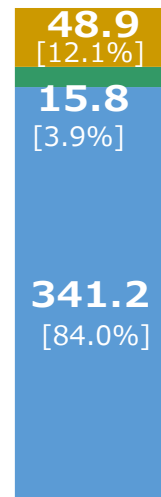
YTD Operating Income

■ Mobile Telecom Business
 ■ Enterprise Solution Business
 ■ Settlement Service & Other Business

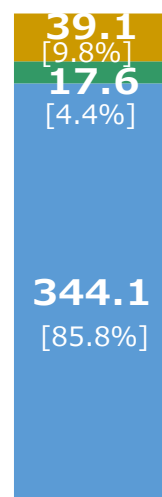
453.2



406.0



400.8



9.80



9.35



9.98



2016/3 3Q

2017/3 3Q

2018/3 3Q

2016/3 3Q

2017/3 3Q

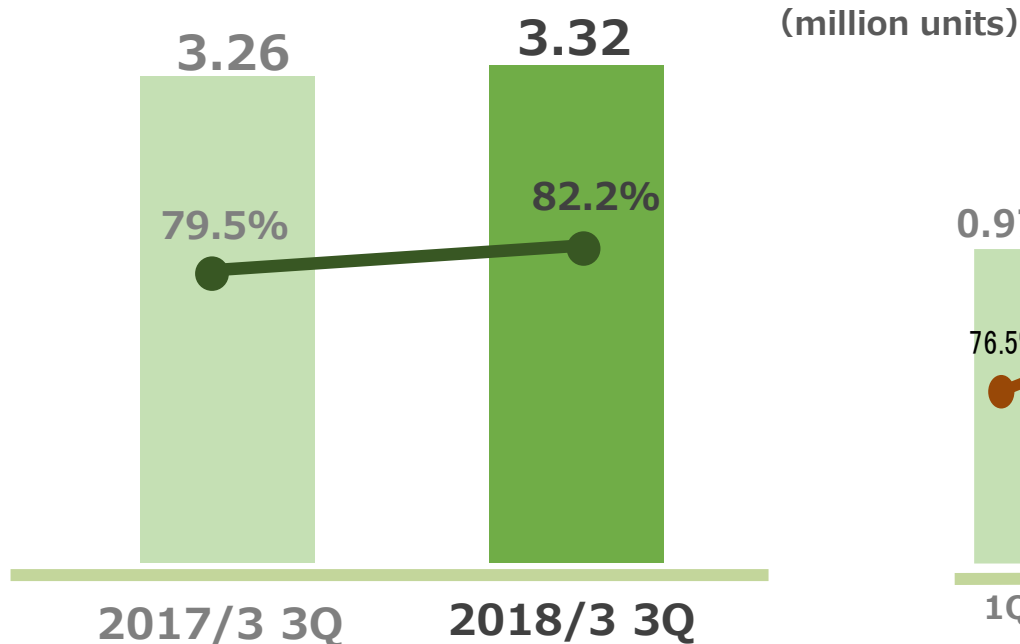
2018/3 3Q



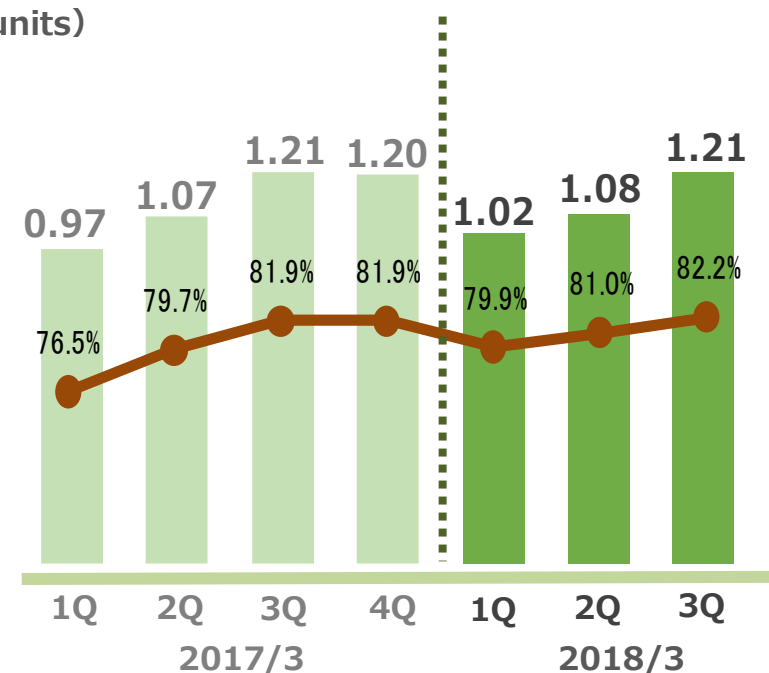
Company-wide Unit Sales

YTD Mobile-phone & Tablet Unit Sales

■ Unit Sales ● Ratio of Smartphone & Tablets to Unit Sales



Unit Sales on 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

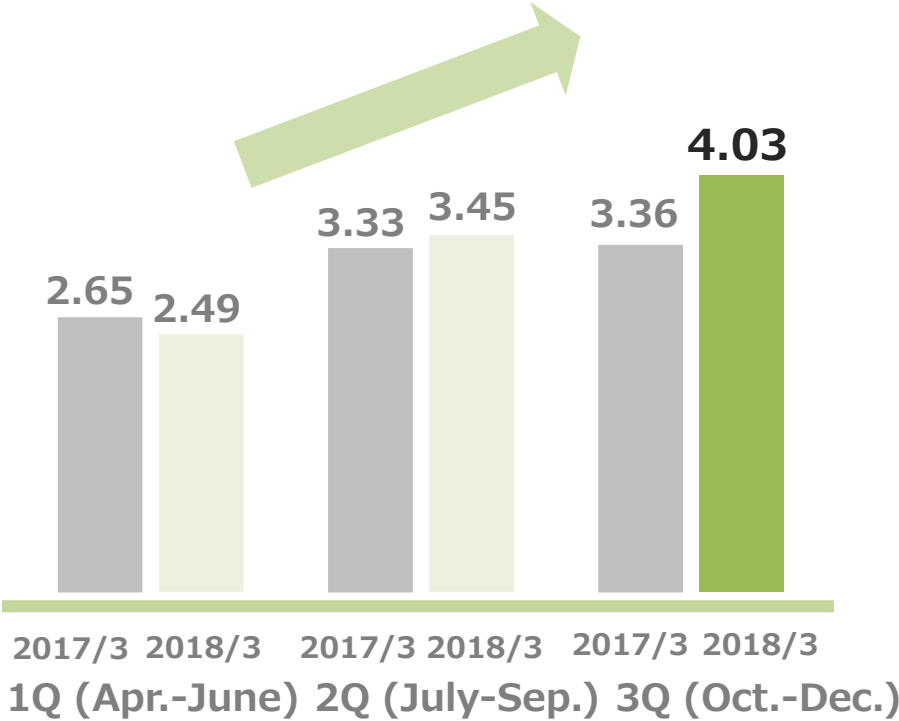
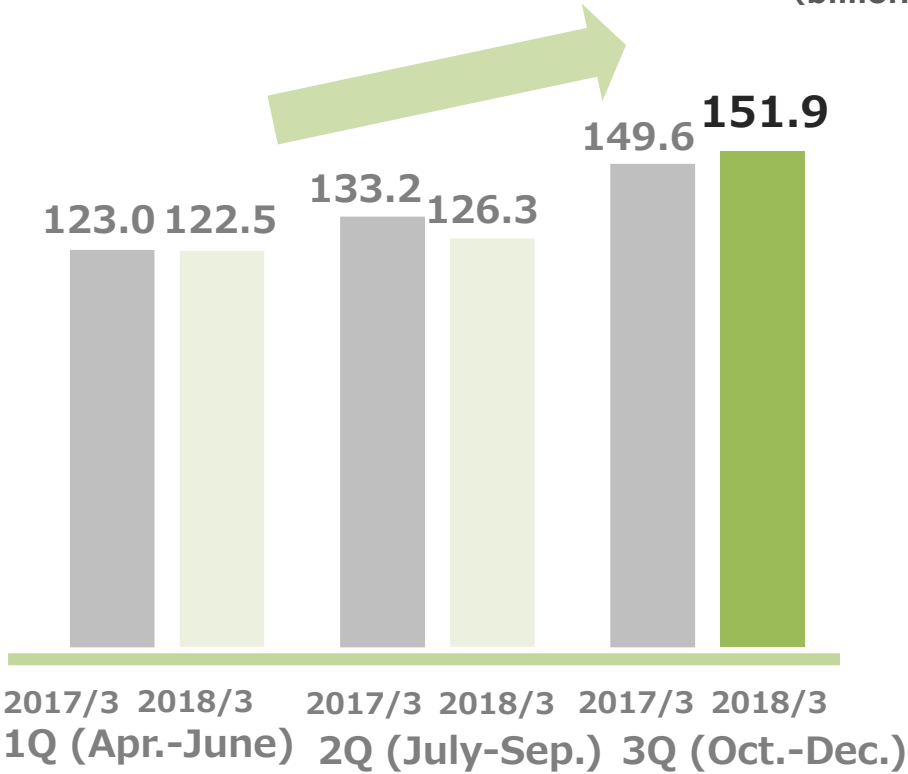


Comparison on an Accounting Period Basis

Net Sales

Operating Income

(billion yen)



Both Net Sales & Operating Income are Steadily Increasing



Main Action Plans for FY ending March 2018

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 and utilize front line IT environment for shops
 - ✓ Sophisticate logistics

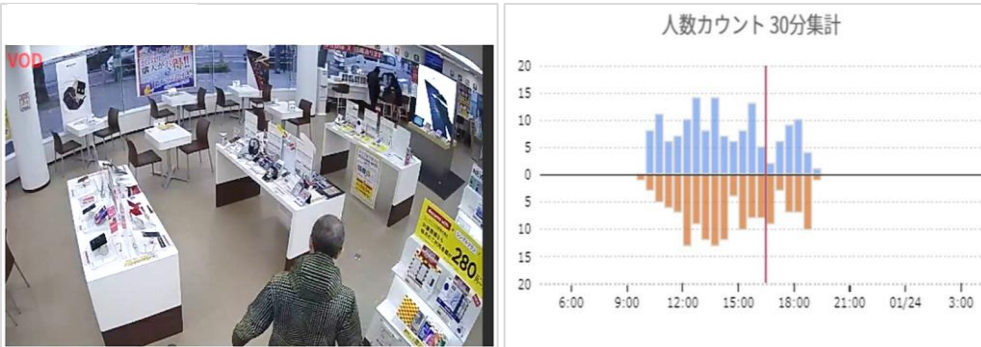
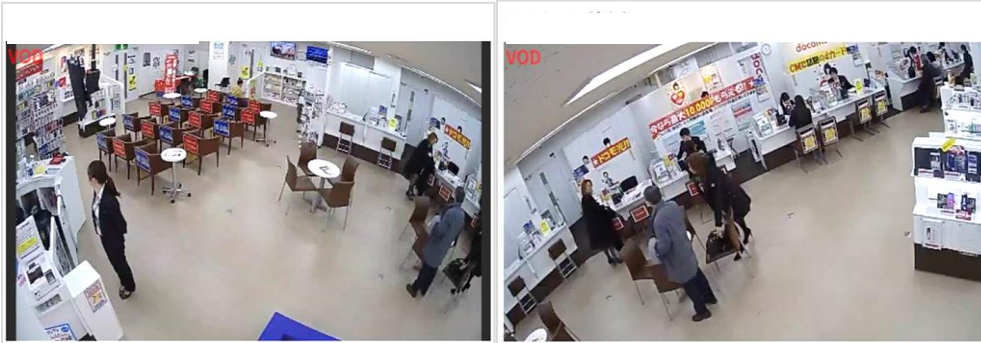
Achieved No.1 Productivity within the Industry



Action Plans for Improvement of Productivity in Carrier Shops

9

Introduction of Camera Solution



Before the Introduction

- No. of Customers = No. of persons used ticketing device
- Customers who did not use ticketing device are uncountable

After the Introduction

- Know the exact number of customers by analyzing motion pictures
- Visualize sales opportunity loss and utilize to improve productivity

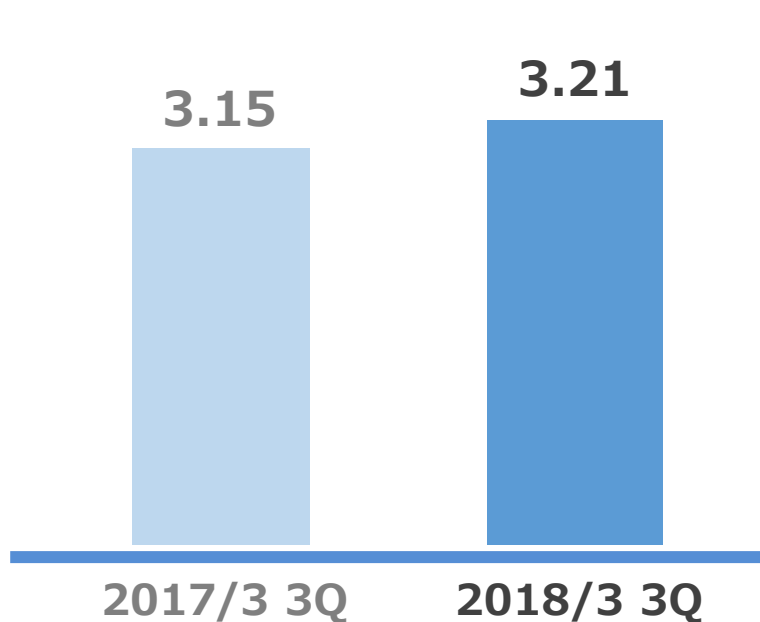
Know the exact customer traffic to prevent sales opportunity loss from occurring & to improve CS



Mobile Telecommunication Business¹⁰

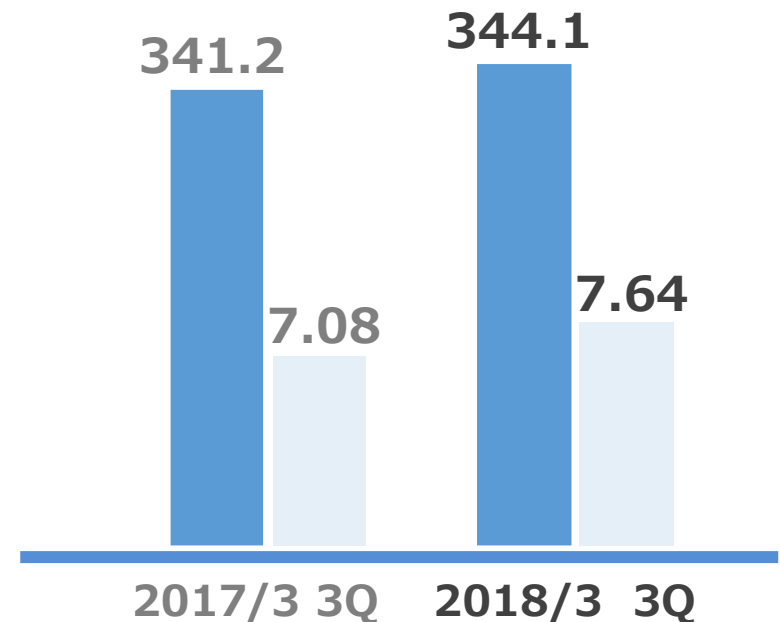
YTD Mobile-phone Sales Units

(million units)



YTD Financial Results Comparison

■ Net Sales ■ Operating Income (billion yen)



Both Net Income and Operating Income Increased due to Increase of Unit Sales & Improvement of Profitability

※ Including Wi-Fi models & MVNO-related products

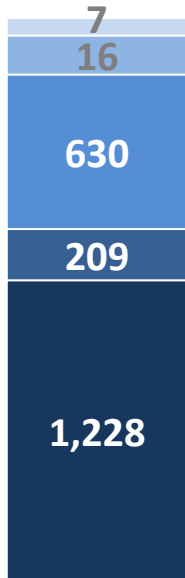


Total No. of Sales Basis for Mobile-phones

Change in Number of Sales Basis

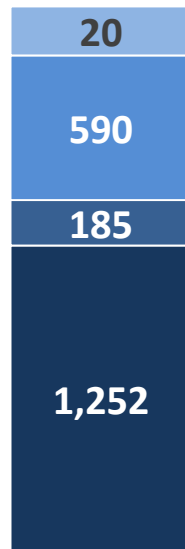
- Carrier shop
- Multi-carrier shop
- Large retail stores & GMS
- Accessory shop ※1
- China Unicom shop ※2

2,090



Dec. 2016

2,047

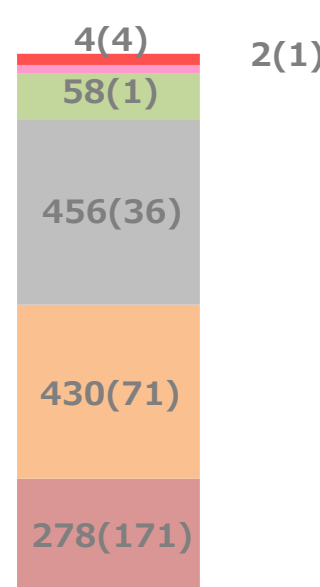


Dec. 2017

No. of Carrier Shops ※(): Directly-managed shops

- docomo
- au
- SB
- YM
- UQ
- Rakuten

1,228 (284)



Dec. 2016

1,252 (308)



Dec. 2017

※1 Including 2 EC sites

※2 Closed as of Dec. 2016



Strategic Investment in Shops ①

Upgrading & Expanding Carrier Shops



Increase Unit Sales & Improve CS by
Upgrading and Expanding Carrier Shops



Strategic Investment in Shops ②

- Development of Rakuten Mobile shops and Accessory shops for Smartphones

No. of shops as of Dec. 2017

14 Rakuten Mobile shops

20 Accessory shops
※Including 2 EC sites

楽天モバイル × Smart Labo



Shinjuku SABNADE



Hankyu Sanbangai

Smart Labo *Smartlabo.style*

3 Collaboration shops
(as of Dec. 2017)

- Promotion of Private Brand Products



Lines of “Étincese” & “Bellezza Calma” are selling well

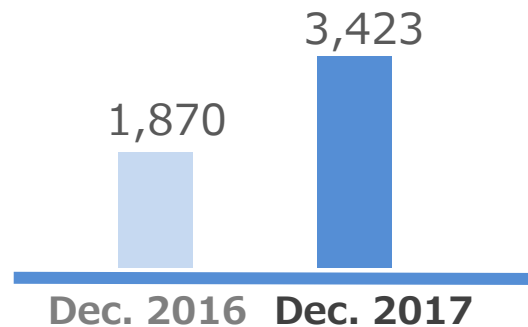


Strategic Investment in Human Resource

Increase in Permanent Employees



- Number of Permanent Employees[※]



※ Non-consolidate basis

- Employee Turnover Reduced

Staff Education

CAREER DESIGN  ACADEMY



“CDA ONLINE” e-learning service for sales staff

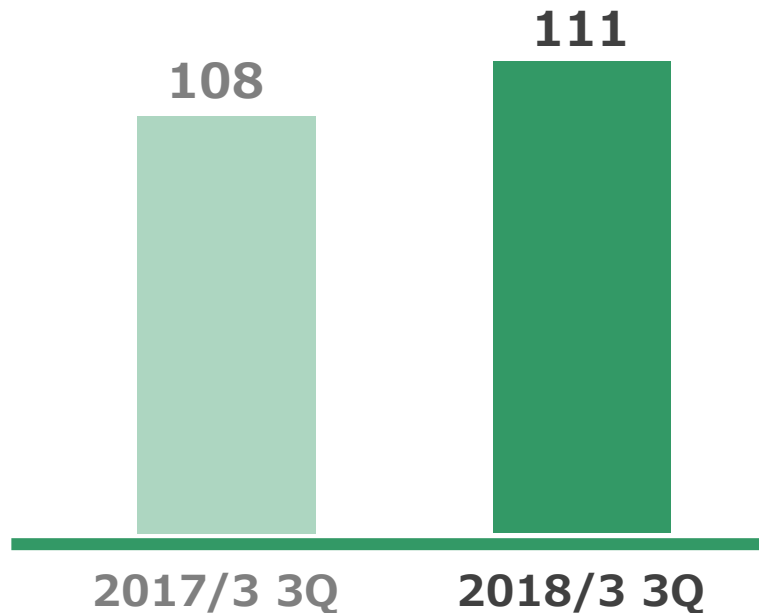
- Share best practices & selling techniques by the use of videos
- Provide contents more than 120
- Provide our partner distributors with the same service



3Q Financial Results of Enterprise Solution Business

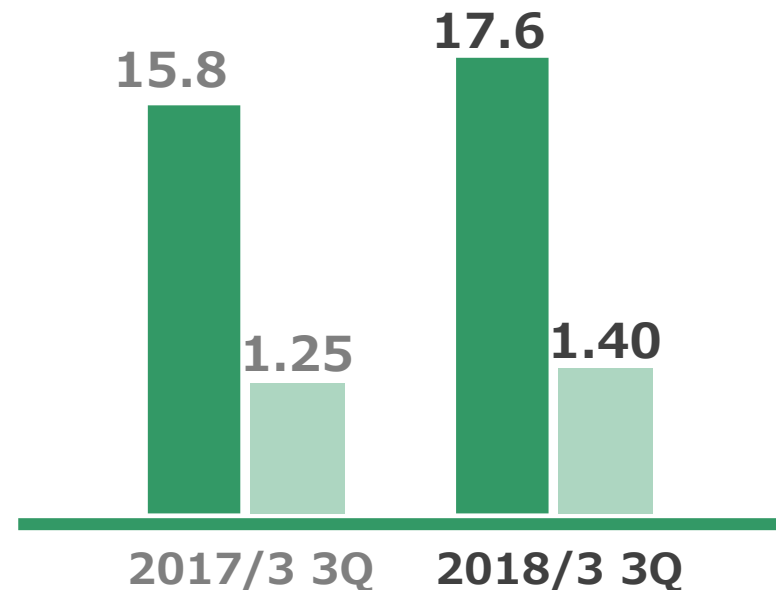
YTD Mobile-phone Sales Units

(thousand ID)



YTD Financial Results Comparison

■ Net Sales ■ Operating Income (billion yen)



Mobile-phone Sales & Solution Service including Help Desk Service Contributed to the Increase of Net Sales and Operating Income

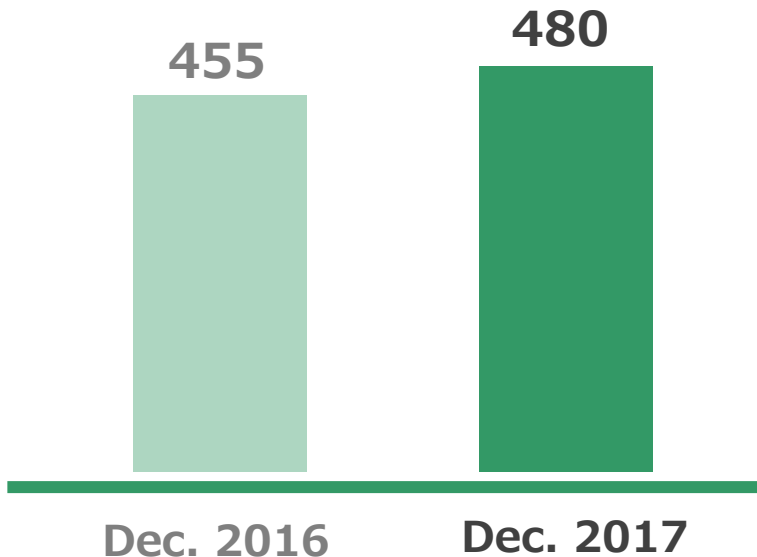
※ Including Wi-Fi models & MVNO-related products



Enterprise Solution Business: Based on Cumulative Commissions

**Total Number of ID
Subscribing to movino star
Service**

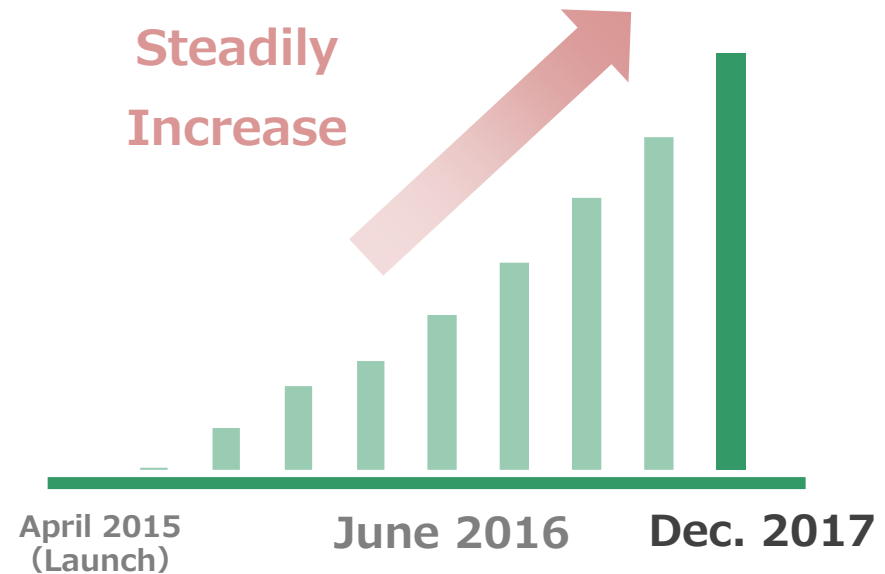
(thousand ID)



**Cumulative Number of
TG Hikari Subscribers
(incl. Resale)**



Steadily
Increase



Cumulative Commissions Increasing Steadily

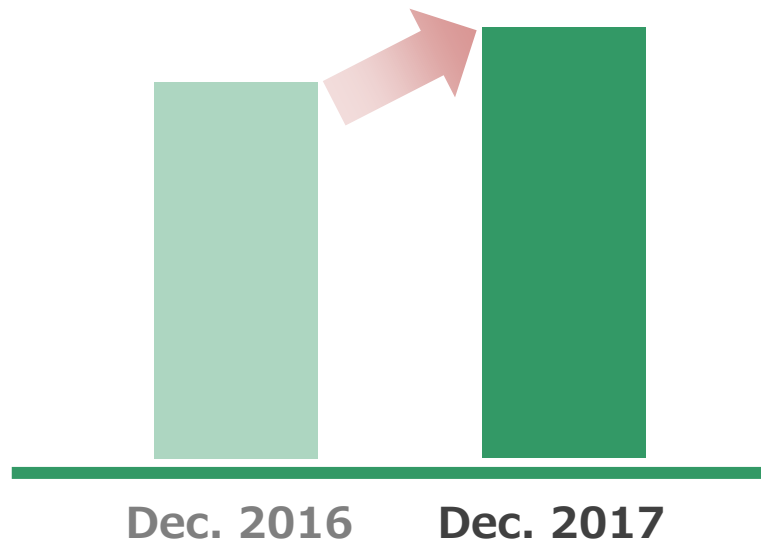


Strengthening of Solution Service

Help Desk Service

- Total Number of ID Subscribing to Help Desk Service

Increasing Steadily with the Sale of Mobile terminals



Transfer our Help Desk Service to PC Technology Co., Ltd. in which we invested

● Strengthen Help Desk Service

- Improve telephone skills
- Raise in a response rate

The number of ID Subscribing to the service without the sale of mobile terminals also increasing

Produce a Synergy Effect utilizing T-Gaia's Sales Capabilities & PC Technology's Knowhow



Solution Service Intended for Specific Industry

Expansion to other Industries



Wi-Fi Infrastructure
Creation Service

Wi-Fi Environment Remote
Monitoring & Maintenance Service



Apply the knowhow
cultivated in the
education industry
to other industries

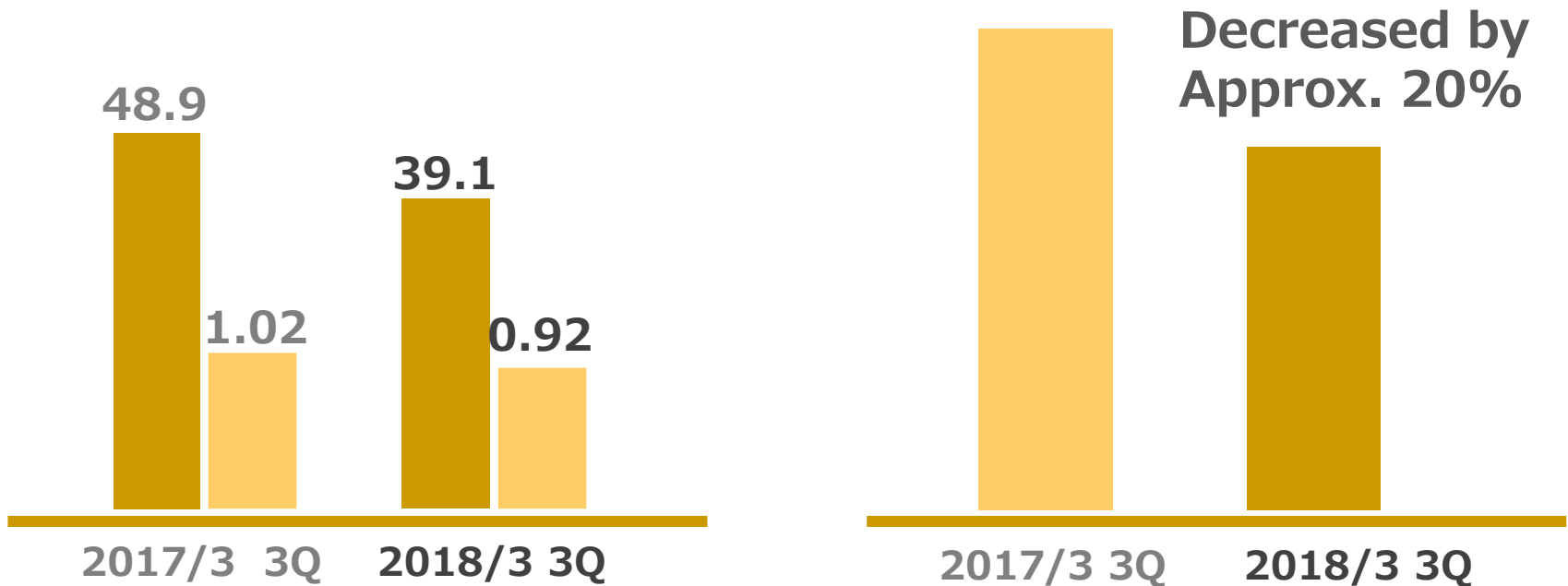


3Q Financial Results of Settlement Service & Other Business Segment

YTD Financial Results Comparison

YTD Gross Sales of PIN & Gift Cards

■ Net Sales ■ Operating Income (billion yen)



Net Sales decreased due to weak sales of PIN product and the reorganization amongst the convenience store industry

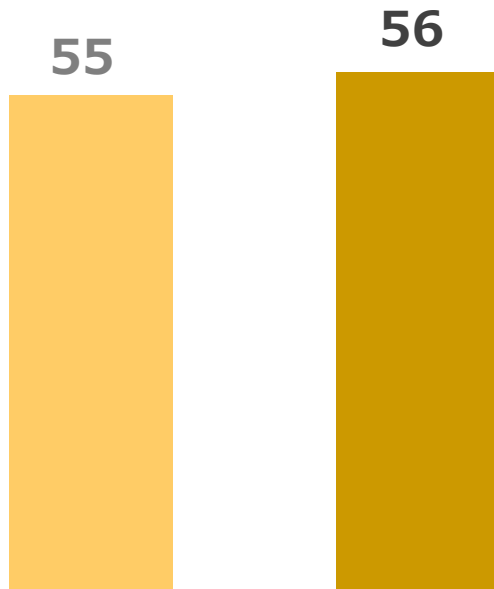
※ Gross Sales : Total amount of face value



Settlement Service & Other Business: Sales Channel

Total No. of Convenience Stores, etc. dealing PIN

(thousand)

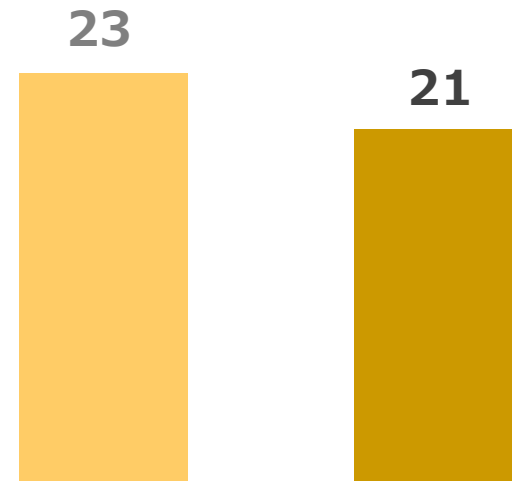


Dec. 2016

Dec. 2017

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

(thousand)



Dec. 2016

Dec. 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



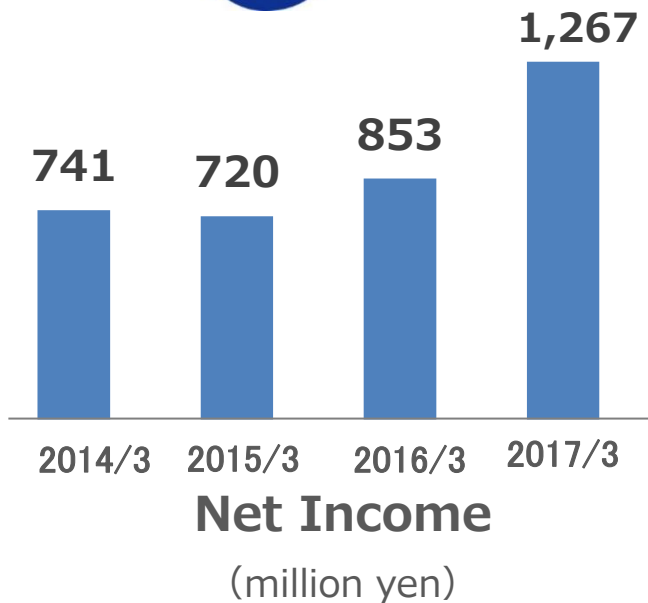
- Entered into the settlement service market in Thailand in following Singapore & Malaysia
- Expand the sale of Gift Cards & Explore the House card processing business among major convenience stores & large supermarkets

Acquisition of QUO CARD Co., Ltd.

- Acquired 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



- **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%**





Synergy Effects between T-Gaia Corp. & QUO CARD Co., Ltd.



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

Common Areas

- Both 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 through T-Gaia's corporate client base or effective use of carrier shops



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

● Effect on Consolidated 3Q Financial Results

- Only the balance sheets have been consolidated

※ The acquisition of 100% of its stock completed as of December 1st 2017, however its financial performance has not been included in the 3Q profit and loss statement of T-Gaia Corp.

● Effect on Consolidated Forecasts for the Fiscal Year ending March 2018

- Forecasting Net Income of Approx. 500 million yen

● Amount, Amortization Method & Amortization Period of Goodwill

- Amount of Goodwill : 913 million yen

※ Amount of Goodwill has been calculated tentatively.

- Amortization Method: Equitable Amortization
- Amortization Period: Five years

Effects of the Acquisition of QUO CARD Co., Ltd.②

● Effects on Consolidated 3Q Balance Sheet

(billion yen)	Main Item	March 2017	Dec. 2017	y/y Change	Reasons for the Change
	Assets	75.28	155.56	+80.28	
	Current Assets	61.64	141.16	+79.52	
	Guarantee deposits	—	55.58	+55.58	Business security deposit of QUO CARD Co., Ltd. (※1)
	Fixed Assets	13.64	14.40	+0.76	
	Goodwill	1.84	2.35	+0.51	Goodwill for QUO CARD Co., Ltd.+0.91 (※2)
	Liabilities	45.89	122.62	+80.73	
	Current Liabilities	34.44	113.33	+78.89	
	Short-term borrowings	8.33	0.03	(8.30)	
	Long-term borrowings payable within one year	5.50	4.62	(0.88)	
	Deposits received of cards	—	81.34	+81.34	Deposits received of QUO Cards on publication (※3)
	Fixed Liabilities	11.44	9.29	(2.15)	
	Long-term borrowings	9.24	5.77	(3.47)	
	Net Assets	29.38	32.94	+3.56	
	Total Liabilities & Net Assets	75.28	155.56	+80.28	

※1 : Publication deposits mainly set aside based on the Low concerning Fund Settlement

※2 : Amount of Goodwill has been calculated tentatively prior to completion of evaluation of intangible assets

※3 : Based on used amount, certain amount has been withdrawn from the gross amount of issued QUO Cards.



Some News Topics from QUO CARD Co., Ltd.

- Celebrated its 30th year of Establishment (Dec. 2017)



(not for sales)

Specially designed QUO Cards

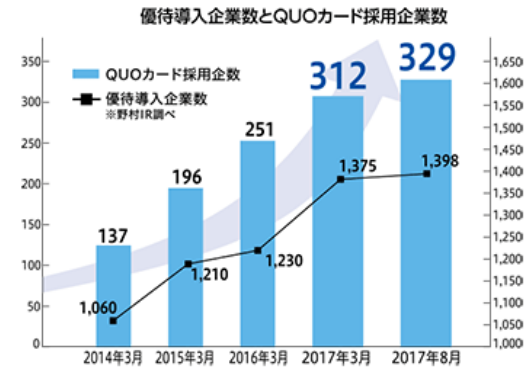


(not for sales)

- Variety of designs available



- Number of companies adopt QUO Card as a part of their Shareholders Incentives Plan has been increasing



329 Companies (as of Aug 2017)

- Founded a Special Team to focus on the Digitalization of QUO Card



The team is called QUO Card Digital Innovation Lab.

Consolidated Forecasts for
FY Ending March 2018
and 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 and explore new business opportunities in the mobile and 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 and optimization of achievement of respective employees**
- **Conduct strategic and 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

(Unit: billion yen)	2017/3 Full-year Result	2018/3 Full-year Forecast	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 March 2018 by Business Segment

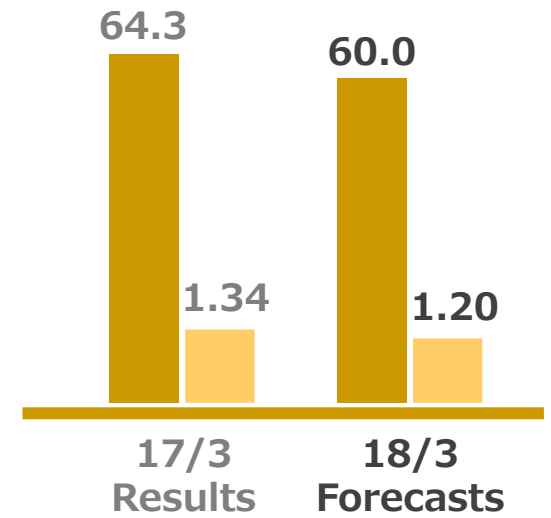
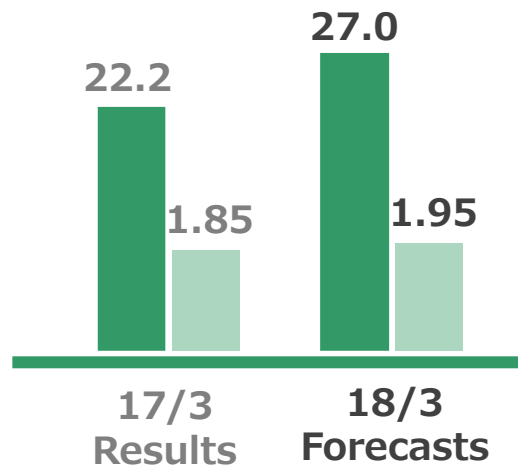
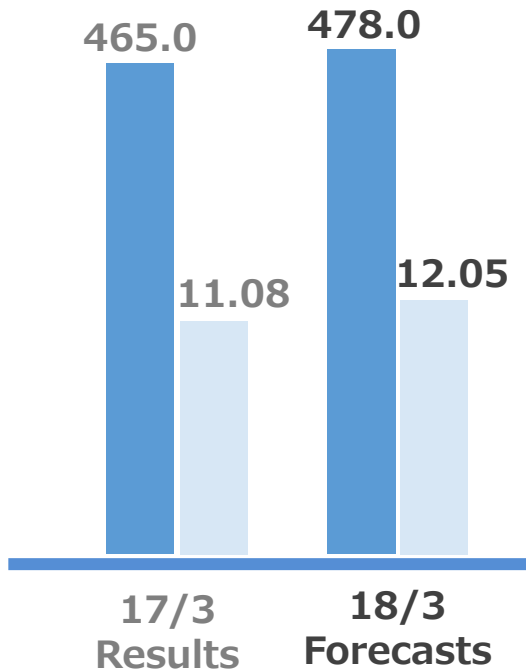
30

Net Sales Operating Income (billion yen)

Mobile-phone Business

Enterprise Solution Business

Settlement Service & Other Business



Unit Sales Forecasts

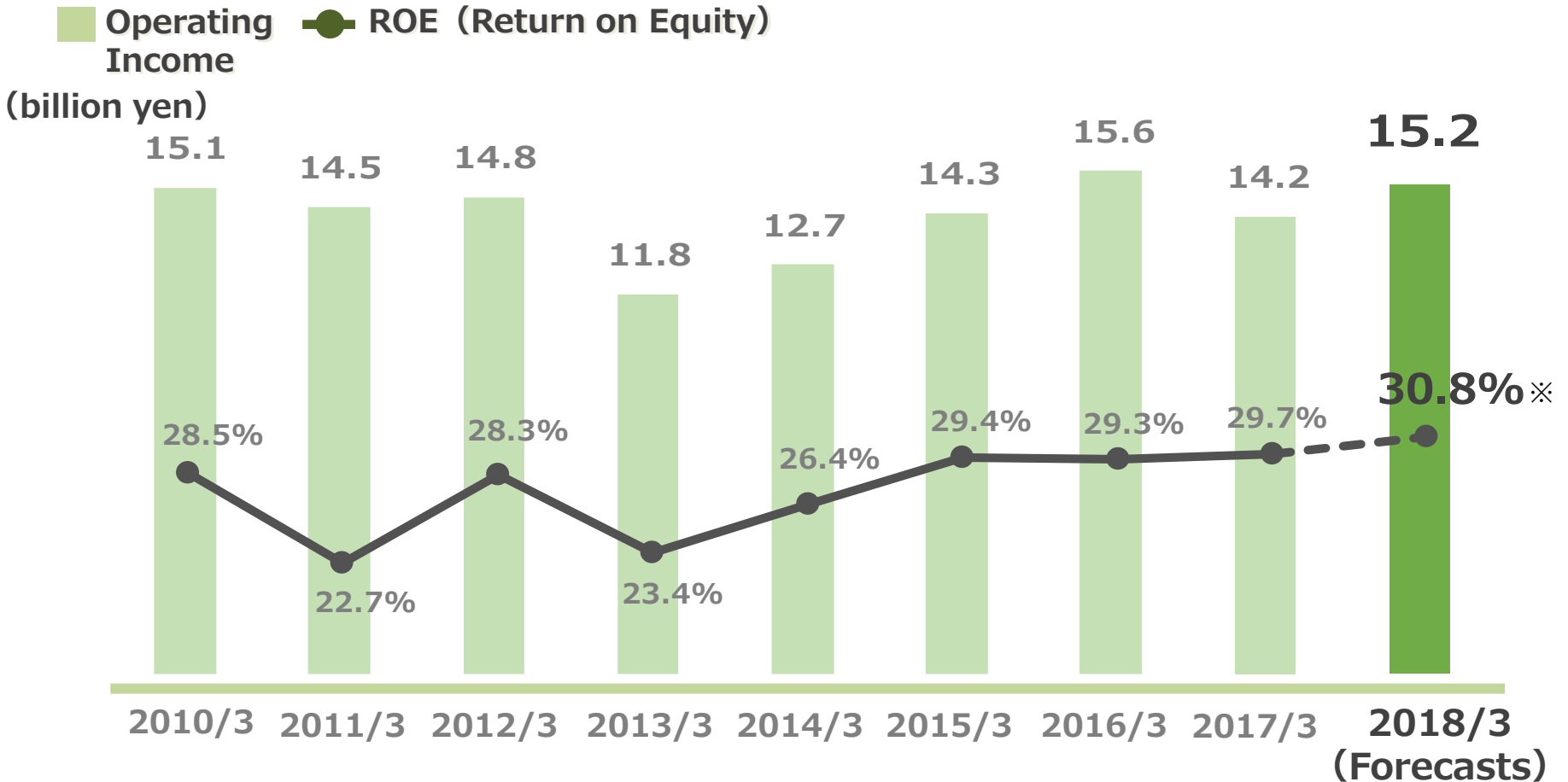
4.45 million units

Unit Sales Forecasts

0.167 million units



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

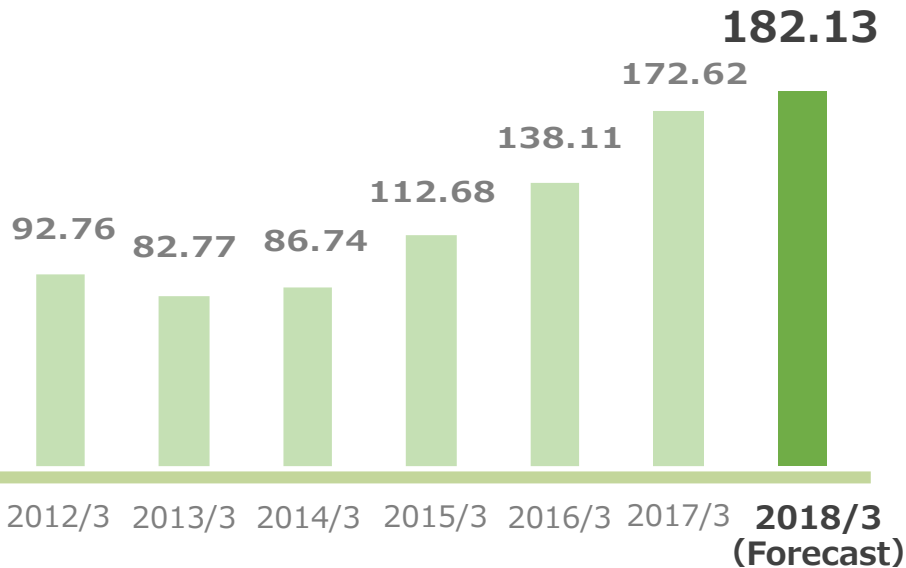
Forecast dividend increase of 3 yen/share:
Dividend increase for four consecutive year

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

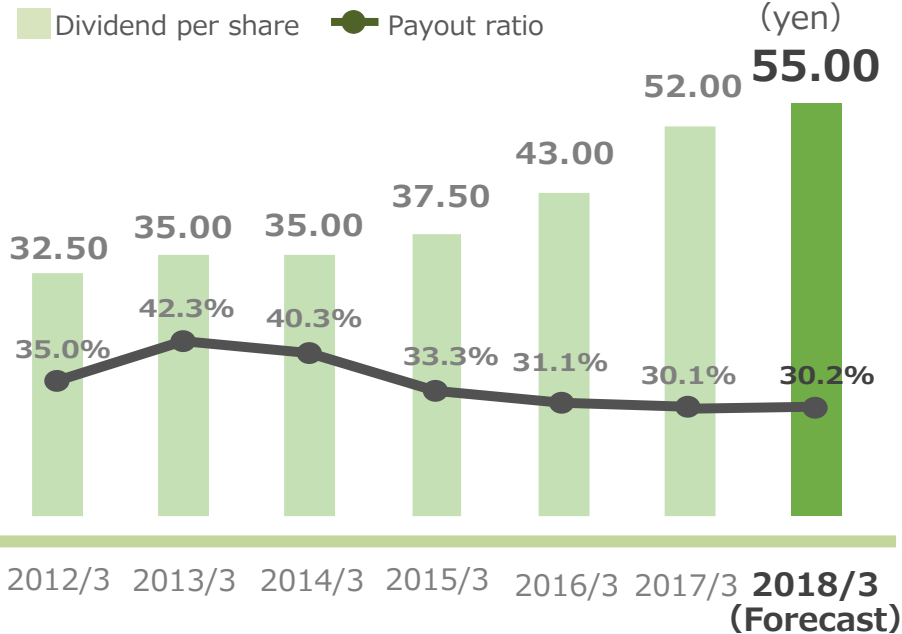
Basic Dividend Policy

Targeting & maintaining
Dividend payout ratio of more than 30%

● Net Income per share (yen)



● Dividend per share & Payout ratio





Action Plan for Better Productivity

For Better Work Environment



- For further improvements in CS • ES, the variable work hours scheme has been introduced
- One shop holiday per month has been added since 2017
- Reduction of day-to-day shop opening hours
- Reduced shop opening hours and closure during winter holiday seasons

A Special Campaign Designed to Reduce the Total Working Hours

- With the aim to reduce the total working hours by 5% compare to same time last year, a company-wide campaign has been running (Nov. 2017 -March 2018).
- How it works? - The reduced overtime of each employee will be converted to equivalent amount of money and will be paid back to employee at the end. Taking paid holiday are also promoted.



Achieve **Improved Productivity** by
Further Improving Efficiency, CS & ES



Promote Diversity in the Workplace

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- Promote women empowerment
- Give supports for a better balance of childcare/eldercare and work
- Promote work style reforms
- Actively hiring disabled persons



Actively Promoting Female Managers

A project for encouraging female employee to become manager has been started

Ratio of Female Manager
has reached **over 10%**
in July 2017



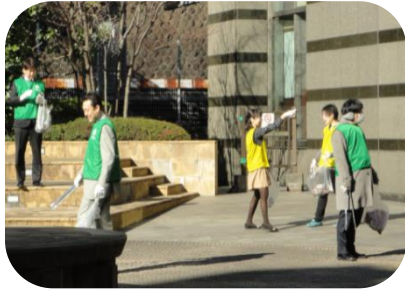
- Highest 3 STARS ELBOSHI has been awarded as a result of the recognition of all efforts to promote women empowerment, an award certified by Ministry of Health, Labor and Welfare



For our society: CSR Activities

Volunteering Activities by Employees

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



- Actively conduct a blood donation to the Japanese Red Cross Society's Blood Program



- Participating in the program run by Eyecity to recycle empty contact lens packages.



Major Sponsorship



The Eye Mate Inc. – as Support membership
Logo: By courtesy of the Eye Mate Inc.



NPO TABLE FOR TWO INTERNATIONAL
Donating through "CUP FOR TWO" Project
Logo: By courtesy of TABLE FOR TWO International



As part of mecenat activities, sponsor the Japan Philharmonic Orchestra
Logo: By courtesy of Japan Philharmonic Orchestra



Sponsor Japanese Paralympics Committee, Japanese Para-Sports Association
[JPC Official Supporter by courtesy of Japanese Para-Sports Association]

Our employees has also participated



Madoka Masumoto
(On the right)

- Won a bronze medal at 100m sprint at 7th Sharjah International Open Athletic Meeting, scoring **19"49 (+2.0)**



Yukari Minohara
(2nd on the right)

- Won a silver medal in Woman's Road Cycle Time trial 30km at the 23rd Samsung Summer Deaf-Olympic 2017



e-Net Caravan

※

- e-Net Caravan is a project to educate young generations to use electrical devices with safety and security.
- As a mobile phone distributor, actively supports and participate in this program

Conducted more than **36** classes in a year as T-Gaia (From April to Dec 2017)



“Reliable Carrier Shop” Recognition System

The Number of Certified Shops (As of Dec. 2017)※
5,675 Carrier Shops (68% of all shops)
(including **285** shops directly managed by T-Gaia, 100% of all its shops)

※ docomo shops, au shops, Soft Bank shops and Y!mobile shops are the subject carrier shops



(Sign of the Certification)