

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

August 10, 2016

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 Financial results supplementary explanatory documents: Yes
 Financial results presentation: No

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

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

(1) Consolidated results of operations (three 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 | % |
| 1Q FY 2017 | 123,067 | (9.5) | 2,659 | (13.2) | 2,683 | (13.0) | 1,817 | (1.2) |
| 1Q FY 2016 | 135,936 | 7.1 | 3,062 | 21.0 | 3,084 | 21.9 | 1,838 | 38.5 |

(Note) Comprehensive income (million yen): 1Q FY 2017: 1,828 (1.7%) 1Q FY 2016: 1,859 40.1%

| | Net income per share | Diluted net income per share |
|------------|----------------------|------------------------------|
| | Yen | Yen |
| 1Q FY 2017 | 31.63 | — |
| 1Q FY 2016 | 26.73 | — |

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio |
|------------|--------------|-------------|--------------|
| | Million yen | Million yen | % |
| 1Q FY 2017 | 72,578 | 23,460 | 32.1 |
| FY 2016 | 85,930 | 30,018 | 41.7 |

Reference: Shareholders' equity (million yen): 1Q FY 2017: 23,309 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 | — | — | — | — | — |
| FY 2017 (forecasts) | — | 26.00 | — | 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

New: None (Company name:)
Excluded: None (Company name:)

- (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 | 1Q FY 2017 | 79,074,000 shares | FY 2016 | 79,074,000 shares |
| 2) Number of treasury stock at end of period | 1Q FY 2017 | 23,345,757 shares | FY 2016 | 10,300,357 shares |
| 3) Average number of shares outstanding during the period (three months) | 1Q FY 2017 | 57,448,515 shares | 1Q FY 2016 | 68,773,664 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 Quarter Financial Results” on page3 of the Attachment to the summary of quarterly financial statement.

- * Financial results supplementary explanatory documents will be posted on the English site for Investors of T-Gaia Corporation within days.

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1. Qualitative Information Concerning the First Quarter Financial Results

(1) Explanation of operating performance

The Japanese economy in the period under review (from April to June 2016), displayed against the backdrop of government's economic policy measures, a moderately-paced recovery trend amid continuing improvements in employment and income. However, household incomes lacked strength and corporate profits were stagnant. Furthermore, with overseas economies decelerating, specifically in China, and with the questions raised by the UK referendum for Brexit, the ensuing appreciation of the yen and the decline in share prices make for a sustained uncertain outlook.

The market for mobile phone handset, the business mainstay of the Group (the Company and its consolidated subsidiaries), returned to calm after excessive sales competition due to the effects of the Ministry of Internal Affairs and Communications' "Measures and policies for a lighter payment burden from smartphone charges and for appropriate smartphone sales," resulting in lower unit sales. Moreover, the partially revised Telecommunications Business Act, etc., which came into effect brought the introduction of new consumer protection rules.

In this operating environment, Group sales of mobile phone handsets, etc., totaled 0.97 million units, making a decrease compared with the year-earlier result, while the percentage of smartphone sales climbed above 75% of the total.

Group-level consolidated results for the period under review posted net sales of 123,067 million yen (-9.5% compared with the year-earlier period), with operating income of 2,659 million yen (-13.2% compared with the year-earlier period), ordinary income of 2,683 million yen (-13.0% compared with the year-earlier period) and net income attributable to shareholders of the parent of 1,817 million yen (-1.2% compared with the year-earlier period).

Results by business segment for the period under review are described below.

(Mobile Telecommunications Business)

Unit sales declined, mainly due to higher real selling prices of terminals caused by the changed market environment.

Meanwhile, in order to raise customer satisfaction, the Company continued with new store openings, including smartphone accessory shops, and store enhancements, implemented effective store operations through appropriate staff deployment adjusted to customer traffic, and promoted human resources training and development of sales personnel along with advancing the transition from term-based employment to regular employee status. Moreover, the Company strengthened propositions surrounding device usage consistent with customers' lifestyle preferences, resulting in higher sales of tables. Additionally, efforts focused on strengthening high value-added proposal capabilities and increasing profitability in smartphone related sales comprised of various service offerings including price discounted offers in a set with optical communications lines, as well as accessory merchandise. As a result, sales marked 102,003 million yen (-6.4% compared with the year-earlier period) with operating income of 1,943 million yen (+3.1% compared with the year-earlier period).

(Solutions Business)

In corporate mobile solutions, the division strengthened propositions geared at corporate users surrounding the introduction and usage methods of smartphone devices along with continued robust sales of a diversity of solution services. However, bulk demand for terminals was lower than in the year-earlier period, resulting in a decline in unit sales.

In fixed-lined products a major transformation has been under way due to the shift to the FLETS wholesale model. In order to deal with declining sales of conventional optical communications services such as FTTH, the Company has been making strategic investments in strengthening support frameworks, such as promoting a shift to selling the "TG Hikari" own-brand optical access services as well as sub-wholesaling through partnering vendors.

As a result, sales marked 5,095 million yen (-34.5% compared with the year-earlier period), with operating income of 371 million yen (-57.2% compared with the year-earlier period).

(Settlement Services Business and Other Business)

Sales decreased reflecting the ongoing change in the merchandise composition from electronic-money based merchandise (with face value amounts equaling sales revenue) to gift cards (with received commissions as the sole revenue source). However, income increased from robust sales of gift cards mainly driven by effective promotion measures including sales campaigns.

Overseas operations saw improved financial results from mobile handset sales in China and favorable performance of settlement services in Singapore.

As a result, sales marked 15,968 million yen (-16.9% compared with the year-earlier period) with operating income of 343 million yen (+11.2% compared with the year-earlier period).

(2) Explanation of financial position

(Assets)

Consolidated current assets at the end of the period under review were 59,227 million yen, which was 13,049 million yen lower than at the end of the previous fiscal year. This was mainly due to lower accounts receivable and products, which respectively decreased 8,760 million yen and 5,292 million yen. Non-current assets were 13,350 million yen, which was 302 million yen lower than at the end of the previous fiscal year. This was mainly due to a 165 million yen decline in goodwill.

As a result, consolidated total assets posted 72,578 million yen, which was 13,351 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 34,231 million yen, which was 1,276 million yen higher than at the end of the previous fiscal year. This was mainly due to lower short-term borrowings, other accounts payable, trade accounts payable, and unpaid taxes, which respectively decreased 3,748 million yen, 1,946 million yen, 1,612 million yen, and 2,561 million yen. Non-current liabilities were 14,885 million yen, which was 2,070 million yen lower than at the end of the previous fiscal year. This was mainly due to a 2,032 million yen decrease in long-term borrowings.

As a result, consolidated total liabilities posted 49,117 million yen, which was 793 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 23,460 million yen, which was 12,557 million yen lower than at the end of the previous fiscal year. This was mainly due to 1,817 million yen in net income attributable to shareholders of the parent for the quarter, a 1,547 million yen withdrawal from retained earnings for dividend payments, and a 12,771 million yen net asset reduction due to the acquisition of treasury stock

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

The earnings estimates for the full year to March 2017 released on May 13, 2016, remain intact.

Three months (April - June 2016) sales represent 20.0 percent of the full-year estimate released on May 14, 2016, with percentages for operating income, ordinary income, and net income attributable to shareholders of the parent at 17.7 percent, 17.9 percent, and 18.7 percent, respectively.

2. Summary (Notes) Information

Supplementary information

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

Beginning with the period under review, 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) | 1Q FY 2017 (As of June 30, 2016) |
|--|-----------------------------------|-------------------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 3,314 | 3,390 |
| Accounts receivable – trade | 19,012 | 10,252 |
| Products | 35,942 | 30,650 |
| Inventories | 65 | 56 |
| Other accounts receivable | 11,438 | 13,193 |
| Other current assets | 2,507 | 1,685 |
| Allowance for doubtful accounts | (4) | (1) |
| Total current assets | 72,276 | 59,227 |
| Fixed assets | | |
| Tangible fixed assets | 3,212 | 3,074 |
| Intangible assets | | |
| Goodwill | 2,510 | 2,344 |
| Others | 1,168 | 1,159 |
| Total intangible assets | 3,678 | 3,504 |
| Investments and other assets | | |
| Leasehold deposits | 4,111 | 4,118 |
| Others | 2,655 | 2,658 |
| Allowance for doubtful accounts | (5) | (5) |
| Total investments and other assets | 6,762 | 6,771 |
| Total fixed assets | 13,653 | 13,350 |
| Total assets | 85,930 | 72,578 |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable – trade | 7,803 | 6,191 |
| Short-term borrowings | 1,002 | 4,750 |
| Long-term borrowings payable within one year | 8,128 | 8,128 |
| Accounts payable – other | 10,523 | 12,470 |
| Unpaid taxes | 3,116 | 554 |
| Reserve of bonuses | 1,696 | 992 |
| Allowance for early subscription cancellations | 179 | 145 |
| Others | 505 | 999 |
| Total current liabilities | 32,955 | 34,231 |
| Long-term liabilities | | |
| Long-term borrowings | 14,747 | 12,715 |
| Retirement benefit liabilities | 384 | 380 |
| Asset Retirement Obligations | 1,308 | 1,314 |
| Others | 515 | 476 |
| Total long-term liabilities | 16,956 | 14,885 |
| Total liabilities | 49,911 | 49,117 |
| Net Assets | | |
| Shareholders' equity | | |
| Capital stock | 3,154 | 3,154 |
| Capital surplus | 5,640 | 5,640 |
| Retained earnings | 35,534 | 35,804 |
| Acquisition of own stock | (8,755) | (21,526) |
| Total shareholders' equity | 35,573 | 23,072 |
| Accumulated other comprehensive income | | |
| Net unrealized holding gain on securities | 110 | 114 |
| Foreign currency translation adjustment | 133 | 122 |
| Total accumulated other comprehensive income | 243 | 237 |
| Non-controlling interests | 201 | 151 |
| Total net assets | 36,018 | 23,460 |
| Total Liabilities and Net Assets | 85,930 | 72,578 |

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

| | (Millions of yen) | |
|---|---------------------------------------|---------------------------------------|
| | 1Q FY2016 | 1Q FY2017 |
| | (from April 1, 2015 to June 30, 2015) | (from April 1, 2016 to June 30, 2016) |
| Net Sales | 135,936 | 123,067 |
| Cost of Sales | 121,398 | 108,916 |
| Gross Profit | 14,537 | 14,151 |
| Selling, General and Administrative Expenses | 11,475 | 11,492 |
| Operating Income | 3,062 | 2,659 |
| Non-operating Income | | |
| Interest income | 0 | 0 |
| Dividend income | 2 | 4 |
| Equity in earnings of affiliates | — | 4 |
| Insurance income | 24 | 15 |
| Income from indemnity | 0 | 1 |
| Others | 31 | 23 |
| Total non-operating income | 59 | 51 |
| Non-operating Expenses | | |
| Interest expenses | 35 | 18 |
| Others | 1 | 8 |
| Total non-operating expenses | 37 | 27 |
| Ordinary Income | 3,084 | 2,683 |
| Extraordinary Gains | | |
| Gain on sales of fixed assets | — | 2 |
| Gain on sales of investment securities | — | 118 |
| Total extraordinary gains | — | 121 |
| Extraordinary Losses | | |
| Loss on removal of fixed assets | 11 | 7 |
| Loss on sales of fixed assets | — | 0 |
| Total extraordinary losses | 11 | 7 |
| Net income before income taxes | 3,072 | 2,796 |
| Income Taxes – Current | 678 | 509 |
| Income Taxes – Deferred | 539 | 452 |
| Total Income Taxes | 1,217 | 961 |
| Net Income for the Period | 1,855 | 1,834 |
| Net Income Attributable to Non-controlling Interests | 16 | 17 |
| Net Income Attributable to Shareholders of the Parent | 1,838 | 1,817 |

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

| | (Millions of yen) | |
|---|---------------------------------------|---------------------------------------|
| | 1Q FY2016 | 1Q FY2017 |
| | (from April 1, 2015 to June 30, 2015) | (from April 1, 2016 to June 30, 2016) |
| Net Income for the Period | 1,855 | 1,834 |
| Other Comprehensive Income | | |
| Net unrealized holding gain on securities | 5 | 4 |
| Foreign currency translation adjustment | (0) | (11) |
| Total other comprehensive income | 4 | (6) |
| Quarterly Comprehensive Income | 1,859 | 1,828 |
| (Breakdown) | | |
| Comprehensive income attributable to shareholders of the parent | 1,843 | 1,810 |
| Comprehensive income attributable to non-controlling interests | 16 | 17 |

(3) 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 adopted by 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 treasury stock. As a result, treasury stock in the period under review increased 12,771 million yen in value. Total shares of treasury stock held by the Company at the end of the period under review valued 21,526 million yen.

(Segment information)

Segment Information

I. 1Q FY 2016 (from April 1, 2015 to June 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 | 108,941 | 7,777 | 19,216 | 135,936 |
| Segment Income (Operating Income) | 1,884 | 868 | 309 | 3,062 |

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. 1Q FY 2017 (from April 1, 2016 to June 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 | 102,003 | 5,095 | 15,968 | 123,067 |
| Segment Income (Operating Income) | 1,943 | 371 | 343 | 2,659 |

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.