

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

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(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

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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.