

**Non-Consolidated Financial Results for the First Half of Fiscal Year Ending March 31, 2012  
(Six Months Ended September 30, 2011) (Based on J-GAAP)**

November 11, 2011

Company name: T-Gaia Corp.

Listing: Tokyo Stock Exchange, First Section

Stock code: 3738

URL: <http://www.t-gaia.co.jp/>

Representative: Masaaki Kimura, President & CEO

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Scheduled date of filing Quarterly Securities Report: November 14, 2011

Scheduled commencement date of dividend payout: December 12, 2011

Quarterly earnings supplementary explanatory documents: Yes

Quarterly earnings presentation: Yes (For institutional investors and analysts)

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

**1. Financial Results for the First Half of Fiscal Year Ending March 31, 2012 (April 1, 2011 – September 30, 2011)**

(1) 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	%
1H FY 2012	327,191	14.1	6,543	(4.0)	6,500	(3.6)	3,535	1.6
1H FY 2011	286,828	2.5	6,814	(15.4)	6,746	(15.0)	3,481	(20.0)

	Net income per share		Diluted net income per share	
	Yen		Yen	
1H FY 2012	8,149.61		8,144.64	
1H FY 2011	6,794.97		6,791.24	

(2) Financial position

	Total assets		Net assets		Equity ratio	
	Million yen		Million yen		%	
1H FY 2012	139,190		25,020		18.0	
FY 2011	153,808		35,640		23.2	

Reference: Shareholders' equity (million yen): 1H FY 2012:25,020 FY 2011:35,640

**2. Dividends**

	Annual dividends				
	1Q-end	Interim	3Q-end	Yearend	Annual
	Yen		Yen		Yen
FY 2011	—	2,750.00	—	2,750.00	5,500.00
FY 2012	—	3,250.00			
FY 2012 (forecasts)			—	3,250.00	6,500.00

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

**3. Forecasts for the Fiscal Year Ending March 31, 2012 (April 1, 2011 – March 31, 2012)**

(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	660,000	10.9	14,650	0.9	14,400	0.0	7,850	3.9	18,627.54

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

#### 4. Others

(1) Application of simplified accounting procedures and special accounting procedures: None

(2) Changes in accounting principles, procedures and method of presentation

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

(3) Number of shares issued and outstanding (shares of common stock)

1) Number of shares outstanding

(including treasury stock) at end of period	1H FY 2012	512,419 shares	FY 2011	512,419 shares
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2) Number of treasury stock at end of period

1H FY 2012	91,000 shares	FY 2011	—
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3) Average number of shares outstanding during the period

1H FY 2012	433,851 shares	1H FY 2011	512,395 shares
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#### \* Implementation of quarterly review procedures

This summary of quarterly financial statements is not subject to quarterly review procedures pursuant to the Financial Instruments and Exchange Act. At the time of disclosure of this summary of quarterly financial statements, the review procedures of quarterly financial statements pursuant to the FIEA were completed.

#### \* Cautionary statement with respect to forward-looking statements

The forward-looking statements such as the forecasts for the business performance described in this document are based on the judgments made by the Company in accordance with information currently available that is rational. For this reason, actual results may differ from these forecasts due to a number of factors, including but not limited to the operating environment. For the underlying assumptions and usage of earnings projections refer to the disclaimer in “Qualitative information concerning business performance forecast” on page 3 of the Attachment to the summary of quarterly financial statement.

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## **1. Qualitative Information Concerning the First Half Financial Results**

### **(1) Qualitative information concerning operating results**

The Japanese economy in the period under review (April – September 2011) showed signs of recovery in some parts due to the restoration of supply chains and social infrastructure after the Great East Japan Earthquake. Nonetheless, myriad issues remain that need to be settled in connection with measures for a full recovery and resolving electric power supply shortages. Moreover, given the progressing strengthening of the yen and concerns over a global economic slow-down amid fiscal turmoil in Europe, the outlook remained uncertain.

In the market for mobile phone handsets, the Company's core business field, sales have been developing favorably thanks to a succession of attractive smart phone handsets coming to market and accelerating smart phone dissemination among users, which reflected in a strong rise in the weighting of smart phones in total unit sales.

In this operating environment, in the Mobile Telecommunications Business, the Company worked mainly to expand sales of smart phones as well as continued to make efforts to raise sales of terminals for data communication and to capture the demand for new-standard handsets generated by the changeover from old-standard handsets, for which service is scheduled to be terminated. As a result, unit sales rose compared with the year earlier.

Nonetheless, operating income decreased, which was mainly due to higher sales of budget-type handsets and non-voice products, widespread discounting amid intense competition, and increased cost from strengthening the Company's sales networks in order to boost sales of smart phones.

In the Network Communications Business, sales revenue and operating income increased on the back of successful steps to compensate for declines in the acquisition of MYLINE service subscribers in an increasingly saturated market through sales of optical fiber line services such as FTTH.

In the Prepaid Settlement Services Business and Other Businesses, sales revenue and operating income rose on buoyant electronic-money based merchandise sales using PIN (Personal Identification Number)-based merchandise systems at major convenience store operators.

As a result, for the period under review (April – September 2011) sales revenue increased 14.1 percent on the year to 327,191 million yen, but operating income declined 4.0 percent to 6,543 million yen and ordinary income fell 3.6 percent to 6,500 million yen. Net income for the period totaled 3,535 million yen (+1.6% on the year). This increase is mainly due to the absence of provisions for asset retirement obligations in the period under review (April – September 2011), compared with the same period a year earlier when the first-time application of the Accounting Standard for Asset Retirement Obligations caused a special loss of 400 million yen.

Results by business segment are described below.

#### **(Mobile Telecommunications Business)**

In the period under review (April – September 2011), smart phones, where demand has been strong thanks to the continued release of appealing new products, as well as data cards and digital photo frames boosted sales of terminals for data communication. At the same time, efforts were made to capture the demand for new-standard handsets generated by the changeover from old-standard handsets, for which service is scheduled to be terminated. Additionally, steps to further strengthen the corporate business lifted mobile phones unit sales 14.8% to 3.02 million units, taking the weighting of smart phone unit sales to nearly 40%. As a result, sales revenue increased 9.5% on the year to 263,169 million yen.

Nonetheless, operating income fell 10.2% on the year to 4,552 million yen, which was mainly due to higher sales of budget-type handsets and non-voice products, widespread discounting amid intense competition, and higher costs from strengthening sales networks in anticipation of full-fledged demands on smart phones.

#### **(Network Communications Business)**

In the period under review (April – September 2011), new acquisitions of MYLINE service subscribers languished in an increasingly saturated market. On the other hand, in sales of optical fiber line services such as FTTH, as a result of focusing efforts on strengthening the agency network and promoting alliances as well as reinforcing sales of peripheral products, the decline in MYLINE services could be compensated, with sales revenue increasing 1.4 percent on the year to 10,789 million yen and operating income rising 7.8 percent to 1,422 million yen.

#### **(Prepaid Settlement Services Business and Other Business)**

In the period under review (April – September 2011), the major convenience store operators posted strong figures for merchandise sales settled with electronic money through PIN-based merchandise sales systems. This was due to consumers' growing familiarity with this settlement method and its increased use for internet-based merchandise purchases and contents purchases related to SNS (Social Networking Services). As a result, sales revenue increased 48.3 percent on the year to 53,232 million yen while operating income rose 33.5 percent to 568 million yen.

**(2) Qualitative information concerning financial position**

**(Assets)**

Current assets fell 10.2 percent compared with the end of the prior fiscal year to 122,151 million yen. This was due to products which increased by 3,243 million yen, and accounts receivable-trade and other accounts receivable which declined 14,557 million yen and 2,743 million yen, respectively.

Fixed assets fell 4.0 percent compared with the end of the prior fiscal year to 17,039 million yen. This was due to goodwill which declined 756 million yen.

As a result, compared with the end of the prior fiscal year, total assets fell 9.5 percent to 139,190 million yen.

**(Liabilities)**

Current liabilities fell 13.4 percent compared with the end of the prior fiscal year to 98,895 million yen. This was due to accounts payable-trade, other accounts payable, and income taxes payable which declined 12,041 million yen, 3,259 million yen, and 645 million yen, respectively.

Long-term liabilities rose 289.0 percent compared with the end of the prior fiscal year to 15,275 million yen. This was due to long-term loans payable which increased by 11,356 million yen.

As a result, compared with the end of the prior fiscal year, total liabilities fell 3.4 percent to 114,170 million yen.

**(Net assets)**

Net assets fell 29.8 percent compared with the end of the prior fiscal year to 25,020 million yen. This was due net income and dividends of surplus, which declined 3,535 million yen and 1,409 million yen, respectively, as well as acquisition of own stock which caused losses of 12,740 million yen.

**(Cash flow)**

Cash flows from operating activities totaled 3,052 million yen (60.8 percent lower than the same period in the previous year). Main factors were a 6,484 million yen in income before income taxes, a 14,557 million yen decline in accounts receivable, a 2,743 million yen fall in other accounts receivable, and a 12,041 million yen and a 3,317 million yen decrease in accounts payable and other accounts payable, respectively, as well as 3,274 million yen increase in inventories.

Cash flows used in investing activities totaled 743 million yen (10.5 percent higher than the same period in the previous year). This was mainly due to a 334 million yen in payments for purchase of property, plant, and equipment, and a 278 million yen in payment for purchase of software.

Cash flows used in financing activities totaled 1,881 million yen (74.2 percent lower than the same period in the previous year). Factors for this were a 1,400 million yen and a 12,700 million yen increase in short-term borrowings and long-term borrowings, respectively, as well as a 1,405 million yen in cash dividends paid and a 12,740 million yen in payment for acquisition of own stock.

As a result, net cash and cash equivalents ("Cash") at the end of the first-half period under review totaled 1,732 million yen, which was 458 million yen more than at the end of the first-half period of previous fiscal year.

**(3) Qualitative information concerning financial forecast**

The earning estimates for full-year, released on May 12, 2011, remain unchanged.

First half (April– September 2011) sales represent 49.6 percent of the full-year estimate released on May 12, 2011, with percentages for operating income, ordinary income, and net income at 44.7 percent, 45.1 percent, and 45.0 percent, respectively.

**2. Summary (Other) Information**

**(1) Application of accounting procedures specific to creation of quarterly financial statement**

Not applicable.

**(2) Change of accounting policies; change and/or restatement of accounting estimates**

Not applicable.

**3. Summary of Material Matters Concerning the Going-Concern Assumption**

Not applicable.

### 3. Quarterly Financial Statements

#### (1) Quarterly balance sheets

(Millions of yen)

	FY 2011 (As of March 31, 2011)	1H FY 2012 (As of September 30, 2011)
<b>Assets</b>		
Current assets		
Cash and deposits	1,304	1,732
Accounts receivable – trade	76,291	61,733
Products	37,690	40,934
Inventories	101	132
Advanced money	1	1
Prepayment expenses	487	513
Deferred tax assets	1,329	1,124
Other accounts receivable	18,576	15,832
Other current assets	285	158
Allowance for doubtful accounts	(14)	(12)
<b>Total current assets</b>	<b>136,055</b>	<b>122,151</b>
Fixed assets		
Tangible fixed assets	3,151	2,963
Intangible assets		
Goodwill	7,305	6,548
Telephone rights	16	16
Land leasehold	26	26
Software	624	783
Others	—	12
<b>Total intangible assets</b>	<b>7,973</b>	<b>7,386</b>
Investments and other assets		
Investment securities	332	321
Investments in affiliates	200	208
Long-term loans receivable	47	35
Rehabilitation claim	41	35
Long-term prepaid expenses	19	12
Deferred tax assets	1,389	1,445
Leasehold deposits	4,045	4,088
Construction aid	325	289
Others	275	298
Allowance for doubtful accounts	(49)	(44)
<b>Total investments and other assets</b>	<b>6,628</b>	<b>6,689</b>
<b>Total fixed assets</b>	<b>17,752</b>	<b>17,039</b>
<b>Total assets</b>	<b>153,808</b>	<b>139,190</b>

	(Millions of yen)	
	FY 2011 (As of March 31, 2011)	1H FY 2012 (As of September 30, 2011)
<b>Liabilities</b>		
Current liabilities		
Accounts payable – trade	65,081	53,039
Short-term borrowings	15,600	17,000
Long-term borrowings payable within one year	3,352	2,860
Accounts payable – other	24,793	21,533
Accrued expenses	184	172
Unpaid taxes	3,501	2,855
Deposits received	135	126
Advance received profit	39	37
Reserve of bonuses	1,271	1,083
Allowance for early subscription cancellations	150	117
Provisions for loss from natural disaster	129	61
Other current liabilities	1	6
Total current liabilities	114,240	98,895
Long-term liabilities		
Long-term borrowings	1,740	13,096
Long-term accounts payable	20	20
Accrued employees' retirement benefits	438	436
Asset Retirement Obligations	1,016	1,029
Others	711	693
Total long-term liabilities	3,927	15,275
Total liabilities	118,167	114,170
<b>Net Assets</b>		
Shareholders' equity		
Capital stock	3,098	3,098
Capital surplus	5,585	5,585
Retained earnings	26,898	29,025
Acquisition of own stock	—	(12,740)
Total shareholders' equity	35,583	24,969
Valuation and translation adjustments		
Net unrealized holding gain on securities	57	50
Total valuation and translation adjustments	57	50
Total net assets	35,640	25,020
<b>Total Liabilities and Net Assets</b>	<b>153,808</b>	<b>139,190</b>

**(2) Statements of income**  
(First-half period)

	(Millions of yen)	
	1H FY 2011 (from April 1, 2010 to September 30, 2010)	1H FY 2012 (from April 1, 2011 to September 30, 2011)
Net Sales	286,828	327,191
Cost of Sales	257,026	296,521
Gross Profit	29,802	30,670
Selling, General and Administrative Expenses	22,987	24,126
Operating Income	6,814	6,543
Non-operating Income		
Interest income	2	2
Dividend income	1	2
Rent income	2	1
Insurance reimbursement	16	20
Others	20	27
Total non-operating income	43	55
Non-operating Expenses		
Interest expenses	103	95
Others	7	2
Total non-operating expenses	111	97
Ordinary Income	6,746	6,500
Extraordinary Gains		
Reversal of allowance for doubtful accounts	29	—
Compensation received	22	—
Gain on sales of fixed assets	25	0
Income from relief money	—	9
Others	—	1
Total extraordinary gains	77	10
Extraordinary Losses		
Change amount attributable to the application of the accounting standard for asset retirement obligations	400	—
Loss on removal of fixed assets	12	21
Loss on valuation of golf club membership	—	5
Loss on sales of fixed assets	1	0
Total extraordinary losses	414	26
Income Before Income Taxes	6,409	6,484
Income Taxes – Current	2,827	2,794
Income Taxes – Deferred	100	153
Total Income Taxes	2,927	2,948
Net Income	3,481	3,535



**(3) Statements of cash flows**

(Million yen)

	1H FY 2011 (from April 1, 2010 to September 30, 2010)	1H FY 2012 (from April 1, 2011 to September 30, 2011)
<b>Cash Flows from Operating Activities</b>		
Income before income taxes	6,409	6,484
Depreciation	711	683
Amortization of goodwill	759	756
Change amount attributable to the application of the accounting standard for asset retirement obligations	400	—
Increase (decrease) in allowance for doubtful accounts	(31)	(6)
Increase (decrease) in reserve for employees' bonuses	(196)	(188)
Increase (decrease) in allowance for early subscription cancellations	6	(33)
Increase (decrease) in accrued employees' retirement benefits	(6)	(1)
Increase (decrease) in provisions for loss from natural disaster	—	(67)
Interest and dividend income	(4)	(5)
Interest expenses	103	95
Loss (gain) on sales of fixed assets	(23)	(0)
Loss on removal of fixed assets	12	21
Loss on valuation of golf club membership	—	5
Decrease (increase) in accounts receivable	17,883	14,557
Decrease (increase) in accounts receivable – other	3,301	2,743
Decrease (increase) in inventories	4,034	(3,274)
Increase (decrease) in accounts payable	(19,455)	(12,041)
Increase (decrease) in accounts payable - other	(3,299)	(3,317)
Others	(4)	148
Subtotal	10,601	6,562
Interests and dividends received	4	5
Interests paid	(106)	(82)
Income taxes paid	(2,722)	(3,432)
Net cash provided by operating activities	7,778	3,052
<b>Cash Flows from Investing Activities</b>		
Payment for purchase of property, plant and equipment	(461)	(334)
Proceeds from sales of property, plant and equipment	47	1
Payment for purchase of software	(176)	(278)
Payment for purchase of shares in affiliates	(200)	(8)
Payment for loans receivable	(2)	(0)
Proceeds from collection of loans receivable	13	14
Increase (decrease) in net loans to subsidiaries	—	(55)
Payment for leasehold deposits	(72)	(116)
Proceeds from return of leasehold deposits	99	74
Others	80	(39)
Net cash used in investing activities	(672)	(743)
<b>Cash Flows from Financing Activities</b>		
Increase (decrease) in net short term loans payable	(4,100)	1,400
Proceeds from long-term borrowings	—	12,700
Decrease in long-term borrowings	(1,664)	(1,836)
Payment for acquisition of own stock	—	(12,740)
Cash dividends paid	(1,533)	(1,405)
Net cash used in financing activities	(7,297)	(1,881)

	(Million yen)	
	1H FY 2011 (from April 1, 2010 to September 30, 2010)	1H FY 2012 (from April 1, 2011 to September 30, 2011)
Increase (Decrease) in Cash and Cash Equivalents	(191)	427
Cash and Cash Equivalents at Beginning of Period	1,465	1,304
Cash and Cash Equivalents at End of Period	1,273	1,732

**(4) Notes on going concern assumption**

Not applicable.

**(5) Segment information**

(Segment information)

I. 1H FY 2011 (from April 1, 2010 to September 30, 2010)

1. Information by reportable segment on sales and income/loss amounts

(Millions of yen)

	Reportable Segment			Total
	Mobile Telecommunications Business	Network Communications Business	Prepaid Settlement Services Business and Other Business	
Net Sales	240,288	10,640	35,900	286,828
Segment Income (Operating Income)	5,068	1,319	426	6,814

2. Total income or loss of reportable segments, difference to income or loss reported in the statement of income for the period under review, and main items responsible for the difference  
(Matters concerning difference adjustment)

The income of reportable segments is consistent with the operating income reported in the statement of income.

3. Information by reportable segment on impairment losses on fixed assets or information on goodwill, etc.

Not applicable.

II. 1H FY 2012 (from April 1, 2011 to September 30, 2011)

1. Information by reportable segment on sales and income/loss amounts

(Millions of yen)

	Reportable Segment			Total
	Mobile Telecommunications Business	Network Communications Business	Prepaid Settlement Services Business and Other Business	
Net Sales	263,169	10,789	53,232	327,191
Segment Income (Operating Income)	4,552	1,422	568	6,543

2. Total income or loss of reportable segments, difference to income or loss reported in the statement of income for the period under review, and main items responsible for the difference  
(Matters concerning difference adjustment)

The income of reportable segments is consistent with the operating income reported in the statement of income.

3. Information by reportable segment on impairment losses on fixed assets or information on goodwill, etc.

Not applicable.

**(6) Notes on significant changes in shareholders' equity**

(Acquisition of own stock)

At a meeting of the board of directors convened on February 28, 2011, an acquisition of own stock by the Company was resolved on in accordance with Article 156, Paragraph 1, of the Companies Act applicable mutatis mutandis pursuant to the stipulations of Article 165, Paragraph 3, of the Companies Act, and pursuant to the specific method of acquisition of own stock stipulated in the Articles of Incorporation of the Company. Based on the said resolution, in the first quarter of fiscal year 2012, through a tender offer the Company acquired 91,000 shares of common stock of the Company at a total cost of 12,740 million yen.

**(7) Significant subsequent events**

(Corporate acquisition through share purchase)

At the meeting of the board of directors on October 18, 2011, the Company resolved to acquire the entire share capital of TG Miyazaki Co., Ltd., which will be accounted for as a subsidiary of the Company, and concluded a share transfer agreement as of the same date. TG Miyazaki was created through a spin-off by Maemura Co., Ltd. with the spun-off operations newly incorporated as TG Miyazaki.

1. Purpose of the share acquisition

The purpose of the acquisition is to expand and strengthen the sales network of the Company's Mobile Telecommunications Business

2. Name of the transaction counterparty

Maemura Co., Ltd.

3. Outline of the acquired entity (newly incorporated)

(1) Name: TG Miyazaki Co., Ltd.

(2) Principal business fields: Agency operations for sales of mobile phones

(3) Legal capital: 50 million yen

(4) Established: December 1, 2011

(5) Assets and liabilities to be assumed (as of May 31, 2011)

Total assets: 248 million yen

Total liabilities: 138 million yen

Note: The above numbers have been calculated by the Company based on information provided by the divesting entity and have not been audited by an audit firm in accordance with laws and regulations.

Notably, in accordance with the substance of the agreement, the amounts for assets and liabilities to be assumed are finalized after adjustment for changes in assets and liabilities until the day before the date of the spin-off.

4. Acquisition date

December 1, 2011

5. Number of shares acquired, acquisition price, and equity interest after the acquisition

(1) Number of shares acquired: 100 shares

(2) Acquisition price: 1,910 million yen

(3) Equity interest after the acquisition: 100 percent

Note: The acquisition price was determined based on financial statements as of May 31, 2011. In accordance with the substance of the agreement, the acquisition price is adjusted for changes in assets and liabilities until the day before the date of the spin-off.

6. Funding method of the acquisition

Bank loans.