

**Consolidated Financial Results for the First Half of Fiscal Year Ending March 31, 2014  
(Six Months Ended September 30, 2013) (Based on J-GAAP)**

November 7, 2013

Company name: T-Gaia Corp. Listing: Tokyo Stock Exchange, First Section  
Stock code: 3738 URL: <http://www.t-gaia.co.jp/>  
Representative: Tetsuro Takeoka, President & CEO  
Contact: Michihiro Matano, General Manager, Corporate Planning & Strategy Dept. Tel: +81-3-6409-1010  
Scheduled date of filing Securities Report: November 8, 2013  
Scheduled commencement date of dividend payout: December 10, 2013  
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 Half of Fiscal Year Ending March 31, 2014 (April 1, 2013 – September 30, 2013)**

(1) Consolidated 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 2014 | 333,337     | (4.6) | 6,139            | 13.1 | 6,116           | 14.0 | 3,404       | 14.0 |
| 1H FY 2013 | 349,259     | —     | 5,426            | —    | 5,365           | —    | 2,986       | —    |

(Note) Comprehensive income (million yen): 1H FY 2014:3,397 (15.2%) 1H FY 2013:2,950 (—%)

|            | Net income per share | Diluted net income per share |
|------------|----------------------|------------------------------|
|            | Yen                  | Yen                          |
| 1H FY 2014 | 43.11                | 43.08                        |
| 1H FY 2013 | 37.21                | 37.19                        |

(Note) Since the Company started to create consolidated financial statements for the third quarter of fiscal year ended March 31, 2012, year-over-year changes as of the fiscal year ended March 31, 2012 are not stated.

(Note) Dated October 1, 2012, the Company instituted a 200-for-1 stock split. Consolidated net income and diluted net income per share for the period under review have been calculated assuming that the stock split was instituted at the beginning of the current fiscal year.

(2) Consolidated financial position

|            | Total assets | Net assets  | Equity ratio |
|------------|--------------|-------------|--------------|
|            | Million yen  | Million yen | %            |
| 1H FY 2014 | 144,867      | 30,205      | 20.9         |
| FY 2013    | 201,238      | 28,177      | 14.0         |

Reference: Shareholders' equity (million yen): 1H FY 2014:30,205 FY 2013: 28,177

**2. Dividends**

|                     | Annual dividends |          |        |         |        |
|---------------------|------------------|----------|--------|---------|--------|
|                     | 1Q-end           | Interim  | 3Q-end | Yearend | Annual |
|                     | Yen              | Yen      | Yen    | Yen     | Yen    |
| FY 2013             | —                | 3,500.00 | —      | 17.50   | —      |
| FY 2014             | —                | 17.5     | —      | —       | —      |
| FY 2014 (forecasts) |                  |          |        | 17.50   | 35.00  |

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

(Note) The stated amount for the prospective year-end dividend for the fiscal year to March 2013 considers the 200-for-1 stock split instituted dated October 1, 2012. Figures for cash dividends per share at the end of fiscal year ended March 31, 2013 were reflected the stock split (pre-split basis).1

**3. Consolidated forecasts for the Fiscal Year Ending March 31, 2014 (April 1, 2013 – March 31, 2014)**

(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 | 725,000     | (1.6) | 14,100           | 19.4 | 13,800          | 18.0 | 7,750       | 17.7 | 98.15                |

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

**Notes**

- (1) Changes in significant subsidiaries during the consolidated period (six months) under review  
(changes in subsidiaries accompanying change in the scope of consolidation): None

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

- (2) Application of simplified accounting procedures and special accounting procedures: 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 | 1H FY 2014 | 78,968,400 shares | FY 2013 | 78,952,800 shares |
| 2) Number of treasury stock at end of period                                | 1H FY 2014 | 56 shares         | FY 2013 | 43 shares         |
| 3) Average number of shares outstanding during the period (nine months)     | 1H FY 2014 | 78,960,108 shares | FY 2013 | 80,243,453 shares |

(Note) Dated October 1, 2012, the Company has instituted a 200-for-1 stock split. The number of shares of common stock issued and outstanding has been calculated assuming that the stock split was instituted on at the beginning of the previous fiscal year.

\* 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 Half Financial Results” on page 3 of the Attachment to the summary of quarterly financial statement.

(Concerning 1H earnings presentation and 1H earnings supplementary explanatory documents)

1H earnings presentation for Institutional Investors & Analysts will be made as on November 13, 2013.

1H earnings supplementary explanatory documents will be posted on the website of T-Gaia Corporation.

## Table of contents of the Attachment

|  |    |
|--|----|
| 1. Qualitative Information Concerning the First Half Financial Results .....   | 2  |
| (1) Explanation of operating performance.....  | 2  |
| (2) Explanation of financial position .....  | 3  |
| (3) Explanation of forward-looking information including the consolidated financial forecasts....                      | 3  |
| 2. Summary (Notes) Information .....   | 3  |
| (1) Changes in significant subsidiaries during the consolidated quarter under review.....                              | 3  |
| (2) Application of accounting procedures specific to creation of<br>quarterly consolidated financial statement.....    | 3  |
| (3) Change of accounting policies; change and/or restatement of accounting estimates.....                              | 3  |
| 3. Quarterly Consolidated Financial Statements .....   | 4  |
| (1) Quarterly consolidated balance sheets .....  | 4  |
| (2) Quarterly consolidated statements of income and<br>Quarterly consolidated statements of comprehensive income ..... | 6  |
| Quarterly consolidated statements of income<br>Consolidated first half period .....                                    | 6  |
| Quarterly consolidated statements of comprehensive income<br>Consolidated first half period .....                      | 7  |
| (3) Quarterly consolidated statements of cash flows .....  | 8  |
| (4) Notes to quarterly consolidated financial statements.....  | 10 |
| (Notes on the going-concern assumption) .....  | 10 |
| (Notes on significant changes in shareholders' equity) .....   | 10 |
| (Segment information).....   | 10 |
| 4. Other Matters .....   | 11 |

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

### (1) Explanation of operating performance

The Japanese economy in the period under review (April - September 2013) saw recovery expectations mount amid improving corporate profits centered on large corporations, spurred by proactive monetary policy measures and other economic policy steps toward exiting deflation. However, the outlook remains uncertain due to factors such as climbing raw material prices in the wake of the weaker yen and the risk of overseas economies turning down. In the market for mobile phone handset sales, which forms the business mainstay of the Group (the Company and its consolidated subsidiaries), brisk sales of smartphones continued, reflecting the market diffusion of smartphones gaining full momentum, new model launches, and active sales promotion by telecommunication carriers. In this operating environment, Group sales of mobile phone handsets, etc., reached 2.58 million units, with the percentage of smartphone sales rising to around 70% of the total.

In the Mobile Telecommunications Business, operating income increased thanks to reinforced sales of smartphones and tablet terminals as well as peripheral products, and aided by restructuring efforts such as improvements in earnings at hitherto unprofitable sales channels and Company-level business efficiency gains.

In the Solutions Business, operating income increased, reflecting higher sales of smartphones and tablet terminals to corporate customers as well as continued favorable sales of solution services.

Settlement Services and Other Operations saw slower growth in electronic money-based merchandise sales with payment settlement enabled by EC (Electronic Commerce) and through applications. At the same time, new store openings for mobile phone handset sales operations went ahead in China. Consequently, operating income fell. As a result, for the period under review (April - September 2013), net sales totaled 333,337 million yen (-4.6% compared with the year-earlier period), with operating income of 6,139 million yen (+13.1% compared with the year-earlier period), ordinary income of 6,116 million yen (+14.0% compared with the year-earlier period), and net income of 3,404 million yen (+14.0% compared with the year-earlier period).

Results by business segment are described below.

#### (Mobile Telecommunications Business)

In the period under review (April - June 2013) the market continued to be driven by smartphones, with telecommunication carriers launching aggressive sales promotion campaigns. However, owing to supply shortages affecting a number of popular products as well as due to sales channel optimization measures, unit sales fell below the year-earlier level, with sales marking 264,592 million yen (-3.4% compared with the year-earlier period). Earnings posted operating income of 4,123 million yen (+21.5% compared with the year-earlier period), buttressed by restructuring efforts such as improvements in earnings at hitherto unprofitable sales channels and Company-level business efficiency gains, as well as steps to strengthen sales of peripheral merchandise centered on contents and smartphone accessories, along with efforts to diversify income sources.

#### (Solutions Business)

In the period under review (April - September 2013), sales posted 14,438 million yen (+1.9% compared with the year-earlier period) with operating income of 1,435 million yen (+2.0% compared with the year-earlier period). Although income fell in step with lower sales of fixed-line related merchandise, sales of terminals to corporate customers remained favorable, along with robust demand for support services such as for initial terminal settings at the time of device introduction and subsequent Mobile Device Management (MDM).

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

In the period under review (April - September 2013), sales posted 54,305 million yen (-11.1% compared with the year-earlier period), reflecting a slowdown in merchandise sales through PIN-based merchandise sales systems settled with electronic money or using applications. Earnings marked operating income of 580 million yen (-7.3% compared with the year-earlier period) due to a slowdown in electronic-money enabled merchandise and the cost of new store openings for mobile phone handset sales operations in China.

**(2) Explanation of financial position**

(Assets)

Current assets decreased 30.2% compared with the end of the previous fiscal year to 128,987 million yen. This was mainly due to a drop in trade notes and account receivables, down 38,033 million yen, a drop in merchandise, down 10,771 million yen, and a drop in other accrued revenue, down 7,794 million yen. Non-current assets fell 3.0% compared with the end of the previous fiscal year to 15,879 million yen. Main factors included a drop in goodwill, down 787 million yen, and an increase in leasehold deposits, up 124 million yen.

As a result, consolidated total assets posted 144,867 million yen, which was 28.0% lower than at the end of the previous fiscal year.

(Liabilities)

Consolidated current liabilities at the end of the period under review were 101,573 million yen, which was 31.6% lower than at the end of the previous fiscal year. This was mainly due to lower trade accounts payable and short-term borrowings, which respectively decreased 15,086 million yen and 30,393 million yen. Non-current liabilities were 13,088 million yen, which was 46.7% lower than at the end of the previous fiscal year. This was mainly due to a 11,476 million yen reduction in long-term borrowings.

As a result, consolidated total liabilities posted 114,662 million yen, which was 33.7% lower than at the end of the previous fiscal year.

(Net assets)

Consolidated net assets at the end of the period under review were 30,205 million yen, which was 7.2% higher than at the end of the previous fiscal year. This was mainly due to an increase in retained earnings from 3,404 million yen in net income for the quarter and a 1,381 million yen withdrawal from retained earnings for dividend payments.

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

The earning estimates for the full-year, released on May 14, 2013, remain unchanged.

Six months (April - September 2013) sales represent 46.0 percent of the full-year estimate released on May 14, 2013, with percentages for operating income, ordinary income, and net income at 43.5 percent, 44.3 percent, and 43.9 percent, respectively.

**2. Summary (Notes) Information**

**(1) Changes in significant subsidiaries during the consolidated quarter under review**

Not applicable.

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

Not applicable.

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

Not applicable.

#### 4. Quarterly Consolidated Financial Statements

##### (1) Quarterly consolidated balance sheets

(Millions of yen)

|  | FY 2013<br>(As of March 31, 2013) | 1H FY 2014<br>(As of September 30, 2013) |
|--|-----------------------------------|--|
| <b>Assets</b>                                  |                                   |  |
| Current assets                                 |                                   |  |
| Cash and deposits                              | 1,997                             | 2,872                                    |
| Notes and accounts receivable – trade          | 99,719                            | 61,685                                   |
| Products                                       | 49,783                            | 39,012                                   |
| Inventories                                    | 216                               | 132                                      |
| Other accounts receivable                      | 31,241                            | 23,446                                   |
| Other current assets                           | 1,934                             | 1,861                                    |
| Allowance for doubtful accounts                | (17)                              | (23)                                     |
| Total current assets                           | 184,875                           | 128,987                                  |
| Fixed assets                                   |                                   |  |
| Tangible fixed assets                          | 3,160                             | 3,170                                    |
| Intangible assets                              |                                   |  |
| Goodwill                                       | 5,547                             | 4,760                                    |
| Others   | 796                               | 774                                      |
| Total intangible assets                        | 6,344                             | 5,534                                    |
| Investments and other assets                   |                                   |  |
| Leasehold deposits                             | 4,261                             | 4,385                                    |
| Others   | 2,607                             | 2,797                                    |
| Allowance for doubtful accounts                | (9)                               | (9)                                      |
| Total investments and other assets             | 6,858                             | 7,174                                    |
| Total fixed assets                             | 16,362                            | 15,879                                   |
| <b>Total assets</b>                            | <b>201,238</b>                    | <b>144,867</b>                           |
| <b>Liabilities</b>                             |                                   |  |
| Current liabilities                            |                                   |  |
| Accounts payable – trade                       | 74,213                            | 59,126                                   |
| Short-term borrowings                          | 30,567                            | 174                                      |
| Long-term borrowings payable within one year   | 2,555                             | 12,645                                   |
| Accounts payable – other                       | 37,121                            | 25,199                                   |
| Unpaid taxes                                   | 1,871                             | 2,647                                    |
| Reserve of bonuses                             | 1,439                             | 1,189                                    |
| Allowance for early subscription cancellations | 180                               | 182                                      |
| Others   | 564                               | 409                                      |
| Total current liabilities                      | 148,512                           | 101,573                                  |
| Long-term liabilities                          |                                   |  |
| Long-term borrowings                           | 22,368                            | 10,892                                   |
| Accrued employees' retirement benefits         | 421                               | 394                                      |
| Asset Retirement Obligations                   | 1,115                             | 1,138                                    |
| Others   | 643                               | 663                                      |
| Total long-term liabilities                    | 24,548                            | 13,088                                   |
| <b>Total liabilities</b>                       | <b>173,061</b>                    | <b>114,662</b>                           |

|  | (Millions of yen)                 |  |
|--|-----------------------------------|--|
|  | FY 2013<br>(As of March 31, 2013) | 1H FY 2014<br>(As of September 30, 2013) |
| Net Assets                                   |                                   |  |
| Shareholders' equity                         |                                   |  |
| Capital stock                                | 3,106                             | 3,112                                    |
| Capital surplus                              | 5,593                             | 5,599                                    |
| Retained earnings                            | 19,406                            | 21,428                                   |
| Acquisition of own stock                     | (0)                               | (0)                                      |
| Total shareholders' equity                   | 28,105                            | 30,140                                   |
| Accumulated other comprehensive income       |                                   |  |
| Net unrealized holding gain on securities    | 46                                | 18                                       |
| Foreign currency translation adjustment      | 25                                | 46                                       |
| Total accumulated other comprehensive income | 71                                | 65                                       |
| Total net assets                             | 28,177                            | 30,205                                   |
| Total Liabilities and Net Assets             | 201,238                           | 144,867                                  |

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

|  | (Millions of yen)  |  |
|--|--|--|
|  | 1H FY2013<br>(from April 1, 2012 to<br>September 30, 2012) | 1H FY2014<br>(from April 1, 2013 to<br>September 30, 2013) |
| Net Sales  | 349,259  | 333,337  |
| Cost of Sales                                    | 316,283  | 302,572  |
| Gross Profit                                     | 32,975   | 30,764   |
| Selling, General and Administrative Expenses     | 27,548   | 24,625   |
| Operating Income                                 | 5,426  | 6,139  |
| Non-operating Income                             |  |  |
| Interest income                                  | 2  | 2  |
| Dividend income                                  | 2  | 2  |
| Insurance income                                 | 24   | 15   |
| Income from loss compensation                    | —  | 32   |
| Others   | 33   | 32   |
| Total non-operating income                       | 63   | 85   |
| Non-operating Expenses                           |  |  |
| Interest expenses                                | 115  | 99   |
| Others   | 9  | 8  |
| Total non-operating expenses                     | 124  | 107  |
| Ordinary Income                                  | 5,365  | 6,116  |
| Extraordinary Gains                              |  |  |
| Gain on sales of fixed assets                    | 0  | 0  |
| Total extraordinary gains                        | 0  | 0  |
| Extraordinary Losses                             |  |  |
| Loss on sale of fixed assets                     | 0  | —  |
| Loss on removal of fixed assets                  | 21   | 25   |
| Loss on revaluation of investments in securities | 0  | 24   |
| Total extraordinary losses                       | 21   | 50   |
| Net income before income taxes                   | 5,343  | 6,066  |
| Income Taxes – Current                           | 2,272  | 2,537  |
| Income Taxes – Deferred                          | 85   | 124  |
| Total Income Taxes                               | 2,357  | 2,662  |
| Net Income before Minority Interest              | 2,986  | 3,404  |
| Net Income                                       | 2,986  | 3,404  |



**(Quarterly consolidated statements of comprehensive income)**  
**(Consolidated first half period)**

|  | (Millions of yen)  |  |
|--|--|--|
|  | 1H FY2013<br>(from April 1, 2012 to<br>September 30, 2012) | 1H FY2014<br>(from April 1, 2013 to<br>September 30, 2013) |
| Net Income before Minority Interest                                | 2,986  | 3,404  |
| Other Comprehensive Income   |  |  |
| Net unrealized holding gain on securities                          | (38)   | (27)   |
| Foreign currency translation adjustment                            | 2  | 20   |
| Total other comprehensive income                                   | (36)   | (6)  |
| Quarterly Comprehensive Income                                     | 2,950  | 3,397  |
| (Breakdown)  |  |  |
| Comprehensive income attributable to<br>shareholders of the parent | 2,950  | 3,397  |

**(3) Consolidated statements of cash flows**

(Million yen)

|   | 1H FY2013<br>(from April 1, 2012 to<br>September 30, 2012) | 1H FY2014<br>(from April 1, 2013 to<br>September 30, 2013) |
|---|--|--|
| <b>Cash Flows from Operating Activities</b>                           |  |  |
| Income for the period before income taxes                             | 5,343  | 6,066  |
| Depreciation  | 669  | 646  |
| Amortization of goodwill  | 800  | 787  |
| Increase (decrease) in allowance for doubtful accounts                | (10)   | 5  |
| Increase (decrease) in reserve for employees' bonuses                 | (164)  | (249)  |
| Increase (decrease) in allowance for early subscription cancellations | 16   | 2  |
| Increase (decrease) in accrued employees' retirement benefits         | (3)  | (26)   |
| Interest and dividend income  | (5)  | (5)  |
| Interest expenses   | 115  | 99   |
| Loss (gain) on sales of fixed assets                                  | 0  | (0)  |
| Loss on removal of fixed assets                                       | 21   | 25   |
| Loss (gain) on sales of investment securities                         | 0  | 24   |
| Decrease (increase) in accounts receivable                            | 29,269   | 38,087   |
| Decrease (increase) in accounts receivable – other                    | 2,504  | 7,788  |
| Decrease (increase) in inventories                                    | 11,150   | 10,859   |
| Increase (decrease) in accounts payable                               | (32,595)   | (15,087)   |
| Change in other accounts payable                                      | (1,046)  | (11,942)   |
| Others  | (16)   | (180)  |
| Subtotal  | 16,047   | 36,851   |
| Interests and dividends received                                      | 5  | 5  |
| Interests paid  | (116)  | (100)  |
| Income taxes paid   | (3,410)  | (1,755)  |
| Net cash provided by operating activities                             | 12,527   | 35,000   |
| <b>Cash Flows from Investing Activities</b>                           |  |  |
| Payment for purchase of property, plant and equipment                 | (380)  | (469)  |
| Proceeds from sales of property, plant and equipment                  | 0  | 0  |
| Payment for purchase of software                                      | (279)  | (130)  |
| Payment for purchase of investment securities                         | (0)  | (200)  |
| Proceeds from sales of investment securities                          | —  | 1  |
| Payment for loans receivable  | (2)  | (0)  |
| Proceeds from collection of loans receivable                          | 10   | 4  |
| Payment for leasehold deposits  | (262)  | (240)  |
| Proceeds from return of leasehold deposits                            | 80   | 116  |
| Others  | 78   | (59)   |
| Net cash used in investing activities                                 | (755)  | (978)  |

(Million yen)

|   | 1H FY2013<br>(from April 1, 2012 to<br>September 30, 2012) | 1H FY2014<br>(from April 1, 2013 to<br>September 30, 2013) |
|---|--|--|
| <b>Cash Flows from Financing Activities</b>                       |  |  |
| Increase (decrease) in short term borrowings                      | (13,600)   | (30,404)   |
| Proceeds from long-term borrowings                                | 7,700  | —  |
| Decrease in long-term borrowings                                  | (1,578)  | (1,386)  |
| Proceeds from a share issue                                       | 0  | 12   |
| Payments for purchase of treasury stock                           | (3,680)  | (0)  |
| Cash dividends paid   | (1,376)  | (1,381)  |
| Net cash used in financing activities                             | (12,534)   | (33,159)   |
| Effect of exchange rate changes on Cash and Cash<br>Equivalents   | 2  | 12   |
| Increase (Decrease) in Cash and Cash Equivalents                  | (759)  | 874  |
| Cash and Cash Equivalents at Beginning of Period                  | 1,766  | 1,997  |
| Cash and Cash Equivalents from Newly<br>Consolidated Subsidiaries | 208  | —  |
| Cash and Cash Equivalents at End of Period                        | 1,214  | 2,872  |

**(4) Notes to quarterly consolidated financial statements**

(Notes on the going-concern assumption)

Not applicable.

(Notes on significant changes in shareholders' equity)

Not applicable.

(Segment information)

1H FY 2013 (from April 1, 2012 to September 30, 2012)

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

(Millions of yen)

|                                   | Reportable Segment                 |                    |   | Total   |
|-----------------------------------|------------------------------------|--------------------|---|---------|
|                                   | Mobile Telecommunications Business | Solutions Business | Settlement Services Business and Other Business |         |
| Net Sales                         | 274,000                            | 14,170             | 61,088  | 349,259 |
| Segment Income (Operating Income) | 3,393                              | 1,407              | 626   | 5,426   |

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 change of reportable segments

Not applicable.

1H FY 2014 (from April 1, 2013 to September 30, 2013)

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

(Millions of yen)

|                                   | Reportable Segment                 |                    |   | Total   |
|-----------------------------------|------------------------------------|--------------------|---|---------|
|                                   | Mobile Telecommunications Business | Solutions Business | Settlement Services Business and Other Business |         |
| Net Sales                         | 264,592                            | 14,438             | 54,305  | 333,337 |
| Segment Income (Operating Income) | 4,123                              | 1,435              | 580   | 6,139   |

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 change of reportable segments

Not applicable.

#### 4. Other matters

##### (1) Litigation risk

The activities of the Group in its business fields are subject to constant litigation risk. In the light of the nature of the origins of litigation, the outcomes of ongoing or potential future litigation cannot be predicted. In the event that ongoing or potential future litigation ends with a ruling against the Group, this may interfere with the Group's business development, damage trust and confidence in the Group, or affect the financial status and business results of the Group.

Notably, on August 3, 2012, InComm Japan KK (main offices: Shinjuku-ku, Tokyo; president and representative director: Takuma Arai; in the following "InComm Japan"), a supplier of merchandise for the gift card business of the Company, petitioned the Tokyo District Court to grant temporary injunctions against the Company (the "Petition"). On June 12, 2013, the Tokyo District Court granted temporary injunctions ordering the Company to suspend the sales of and to recall specified merchandise of the Company (the "Injunction").

The Company has complied with the Injunction but contests its grounds and has on June 28, 2013 filed an objection requesting the removal of the Injunction.

Concurrent with its Petition, InComm Japan has brought suit against the Company with the Tokyo District Court requesting the court to order the Company to stop selling and to recall specific merchandise and to pay indemnification of damages in the amount of 180 million yen. The Company has made motion to dismiss the suit. With respect to both actions, the Company continues to take steps to have its position accepted.