

# Consolidated Financial Results for the First Half of Fiscal Year Ending March 31, 2016 (Six Months Ended September 30, 2015) (Based on J-GAAP)

November 12, 2015

Company name: T-Gaia Corp. Listing: Tokyo Stock Exchange, First Section  
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 Scheduled commencement date of dividend payout: December 8, 2015  
 Financial results supplementary explanatory documents: Yes  
 Financial results presentation: Yes

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

## 1. Consolidated Financial Results for the First Half of Fiscal Year Ending March 31, 2016 (April 1, 2015 – September 30, 2015)

(1) Consolidated results of operations (six 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	%
1H FY 2016	284,994	(0.8)	6,514	11.0	6,513	11.6	3,807	19.5
1H FY 2015	287,348	(13.8)	5,869	(4.4)	5,838	(4.6)	3,187	(6.4)

(Note) Comprehensive income (million yen): 1H FY 2016: 3,844 20.3% 1H FY 2015: 3,194 (6.0)%

	Net income per share	Diluted net income per share
	Yen	Yen
1H FY 2016	55.36	—
1H FY 2015	46.36	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
1H FY 2016	76,263	31,708	41.4
FY 2015	90,080	29,286	32.3

Reference: Shareholders' equity (million yen): 1H FY 2016: 31,539 FY 2015: 29,104

## 2. Dividends

	Annual dividends				
	1Q-end	Interim	3Q-end	Yearend	Annual
	Yen	Yen	Yen	Yen	Yen
FY 2015	—	17.50	—	20.00	37.50
FY 2016	—	20.50	—	—	—
FY 2016 (forecasts)	—	—	—	20.50	41.00

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

## 3. Consolidated forecasts for the Fiscal Year Ending March 31, 2016 (April 1, 2015 – March 31, 2016)

(Percentages represent year-over-year changes)

	Net sales		Operating income		Ordinary income		Net income attributable to shareholders of the parent company		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	655,000	2.0	15,000	4.8	14,900	5.0	9,000	16.2	130.86

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: Yes

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 2016	79,074,000 shares	FY 2015	79,074,000 shares
2) Number of treasury stock at end of period	1H FY 2016	10,300,357 shares	FY 2015	10,300,3361 shares
3) Average number of shares outstanding during the period (six months)	1H FY 2016	68,773,654 shares	1H FY 2015	68,747,476 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 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 17, 2015.

1H earnings supplementary explanatory documents will be posted on the English site for Investors of T-Gaia Corp. after the presentation.

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

### (1) Explanation of operating performance

The Japanese economy in the period under review (April - September 2015) displayed a moderate recovery trend in domestic business activity, aided by various stimulus measures implemented by the government, with improvements in corporate earnings as well as employment and income environments. However, overseas the deceleration in the emerging economies, including China, has been a source of concern, leaving the outlook uncertain.

In the market for mobile phone handset sales, which forms the business mainstay of the Group (the Company and its consolidated subsidiaries), favorable conditions continued with expanded demand for tablets and robust sales of accessories and other smartphone-related merchandise.

In this operating environment, Group sales of mobile phone handsets, etc., totaled 2.16 million units, with the percentage of smartphone sales increased to around 75% of total unit sales.

In the Mobile Telecommunications Business, in addition to strengthening propositions of accessories and other smartphone-related merchandise as well as tablets, the Company promoted store management with the emphasis on productivity and efficiency gains, and engaged in efforts surrounding staff training.

In the Solutions Business, the Company proactively provided corporate clients with propositions for the introduction and practical application of smart devices, and strengthened sales of comprehensive mobile solutions. Additionally, the division posted robust sales of fixed line-related merchandise.

In the Settlement Services Business and Other Business, sales of gift cards performed favorably and income at overseas operations improved.

As a result of continued structural reform measures, such as company-level business efficiency enhancements, sales in the period under review posted 284,994 million yen (-0.8% compared with the year-earlier period), with operating income of 6,514 million yen (+11.0% compared with the year-earlier period), ordinary income of 6,513 million yen (+11.6% compared with the year-earlier period), and net income attributable to shareholders of the parent company of 3,807 million yen (+19.5% compared with the year-earlier period), reflecting enhanced gross margins and higher earnings at all segments.

Results by business segment are described below.

#### (Mobile Telecommunications Business)

In the period under review, sales revenues marked 234,411 million yen (+1.3% compared with the year-earlier period) with operating income of 4,439 million yen (+2.5% compared with the year-earlier period). Unit sales fell below the year-earlier level due to slower sales competition and a delay in the release of popular new models compared with the year earlier. However, sales of tablets increased driven by rising demand. Sales developed favorably also for various types of services, for instance, price-discounted services offered in a set with optical communication lines, as did sales of accessories and other smartphone-related merchandise. Meanwhile, the Company promoted store management with the emphasis on productivity and efficiency gains.

In line with business development, the growing diversity of merchandise and service line-ups has been raising the importance of store premises. In order to help make the life of the smartphone customer more satisfying and fulfilling, the Company has been making efforts to strengthen sales staff training and enhance service skills. Additionally, aimed at the transition to large-store formats, strategic investments with a view to the future have been made, such as store relocations, refurbishments, and new openings of accessory shops.

#### (Solutions Business)

In the period under review, sales rose to 13,533 million yen (+2.0% compared with the year-earlier period) with operating income of 1,377 million yen (+7.3% compared with the year-earlier period). Unit sales increased on the back of proactive efforts to offer corporate users propositions for the introduction and practical application of smart devices. Furthermore, the Company strengthened sales of comprehensive mobile solutions including a diversity of support service offerings such as kitting services and help desk services. Contributions came also from continued steady sales of fixed line-related merchandise.

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

In the period under review, the merchandise composition changed from electronic-money based merchandise (with face value amounts equaling sales revenue) to gift cards (with received commissions as the sole revenue source). As a result, sales fell to 37,050 million yen (-13.3% compared with the year-earlier period).

With revenues reflecting robust sales of gift cards at convenience stores, etc., as well as enhanced earnings at overseas operations in China and Singapore, operating income marked 697 million yen (+176.3% compared with the year-earlier period).

## (2) Explanation of financial position

### (Assets)

Consolidated current assets at the end of the period under review were 62,439 million yen, which was 12,590 million yen lower than at the end of the previous fiscal year. This was mainly due to a 13,275 million yen decline in accounts receivable, and a 482 million yen increase in products. Non-current assets were 13,824 million yen, which was 1,226 million yen lower than at the end of the previous fiscal year. This was mainly due to an 860 million yen decline in goodwill and a 148 million yen decrease in leasehold deposits.

As a result, consolidated total assets posted 76,263 million yen, which was 13,816 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 39,746 million yen, which was 14,497 million yen lower than at the end of the previous fiscal year. This was mainly due to lower trade accounts payable, short-term borrowings, and long-term borrowings payable within one year, which respectively decreased 1,853 million yen, 7,439 million yen, and 4,268 million yen. Non-current liabilities were 4,808 million yen, which was 1,742 million yen lower than at the end of the previous fiscal year. This was mainly due to a 1,750 million yen decrease in long-term borrowings.

As a result, consolidated total liabilities posted 44,554 million yen, which was 16,239 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 31,708 million yen, which was 2,422 million yen higher than at the end of the previous fiscal year. This was mainly due to an increase in retained earnings from 3,807 million yen in net income attributable to shareholders of the parent company for the quarter and a 1,375 million yen withdrawal from retained earnings for dividend payments.

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

The earnings estimates for the full year to March 2016 released on May 14, 2015, remain the same.

Six months (April - September 2015) sales represent 43.5 percent of the full-year estimate released on May 14, 2015, with percentages for operating income, ordinary income, and net income attributable to shareholders of the parent company at 43.4 percent, 43.7 percent, and 42.3 percent, respectively.

## 2. Summary (Notes) Information

Change of accounting policies; change and/or restatement of accounting estimates

Change of accounting policies

(Application of the Accounting Standard for Business Combinations, etc.)

Beginning with the period under review, the Company applies the “Revised Accounting Standard for Business Combinations” (Accounting Standards Board of Japan (ASBJ) Statement No. 21; September 13, 2013; in the following, “Accounting Standard for Business Combinations”); the “Revised Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22; September 13, 2013; in the following, “Accounting Standard for Consolidated Financial Statements”); and the “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No. 7; September 13, 2013; in the following, “Accounting Standard for Business Divestitures”), such that the Company recognizes as capital surplus the difference resulting from variation in equity held by the Company in subsidiaries over which the Company continues to exercise control. Moreover, the Company has changed to the accounting recognition of acquisition related cost as the cost of the fiscal year in which the cost accrued. Furthermore, for business combinations implemented since the beginning of the period under review, the Company has changed its accounting method to the effect that a correction of the allocable amount of the acquisition cost finalized after provisional accounting treatment is reflected on the quarterly consolidated financial statement whose period includes the date of the business combination. Additionally, the Company has changed the presentation of net income for the quarter, etc., and has changed the method of presentation from minority interest to non-controlling interest. In order to reflect the change in the method of presentation, reclassifications were made on the quarterly consolidated financial statement and the full-year consolidated financial statement for the respective year-earlier periods.

With regard to the application of the Accounting Standard for Business Combinations, etc., the Company observes the transitional treatment stipulated in the Accounting Standard for Business Combinations No. 58 - 2 (4), Accounting Standard for Consolidated Financial Statements No. 44 - 5 (4), and Accounting Standard for Business Divestitures No. 57 - 4 (4), and will continue the application thereof beginning with the start of the subject first-quarter accounting period.

None of the above has an effect on profits and losses.

### 3. Quarterly Consolidated Financial Statements

#### (1) Quarterly consolidated balance sheets

(Millions of yen)

	FY 2015 (As of March 31, 2015)	1H FY 2016 (As of September 30, 2015)
<b>Assets</b>		
Current assets		
Cash and deposits	2,085	2,653
Accounts receivable – trade	22,622	9,346
Products	37,612	38,094
Inventories	71	52
Other accounts receivable	10,621	10,324
Other current assets	2,029	1,971
Allowance for doubtful accounts	(13)	(4)
Total current assets	75,029	62,439
Fixed assets		
Tangible fixed assets	3,148	3,128
Intangible fixed assets		
Goodwill	3,701	2,841
Others	1,325	1,302
Total intangible fixed assets	5,027	4,144
Investments and other assets		
Leasehold deposits	4,313	4,164
Others	2,566	2,392
Allowance for doubtful accounts	(5)	(4)
Total investments and other assets	6,874	6,551
Total fixed assets	15,051	13,824
Total assets	90,080	76,263
<b>Liabilities</b>		
Current liabilities		
Accounts payable – trade	10,305	8,452
Short-term borrowings	14,408	6,968
Long-term borrowings payable within one year	13,768	9,500
Accounts payable – other	10,313	10,081
Unpaid taxes	3,133	2,408
Reserve of bonuses	1,678	1,267
Allowance for early subscription cancellations	172	160
Others	465	907
Total current liabilities	54,243	39,746
Long-term liabilities		
Long-term borrowings	4,375	2,625
Retirement benefit liabilities	400	391
Asset retirement obligations	1,234	1,270
Others	540	521
Total long-term liabilities	6,550	4,808
Total liabilities	60,794	44,554
<b>Net Assets</b>		
Shareholders' equity		
Capital stock	3,154	3,154
Capital surplus	5,640	5,640
Retained earnings	28,820	31,252
Acquisition of own stock	(8,755)	(8,755)
Total shareholders' equity	28,860	31,292
Accumulated other comprehensive income		
Net unrealized holding gain on securities	93	88
Foreign currency translation adjustment	150	158
Total accumulated other comprehensive income	244	247
Non-controlling interests	181	169
Total net assets	29,286	31,708
Total Liabilities and Net Assets	90,080	76,263

**(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 FY 2015 (from April 1, 2014 to September 30, 2014)	1H FY 2016 (from April 1, 2015 to September 30, 2015)
Net Sales	287,348	284,994
Cost of Sales	257,983	255,175
Gross Profit	29,364	29,818
Selling, General and Administrative Expenses	23,495	23,304
Operating Income	5,869	6,514
Non-operating Income		
Interest income	1	1
Dividend income	3	2
Insurance income	20	27
Income from indemnity	29	0
Others	16	39
Total non-operating income	70	72
Non-operating Expenses		
Interest expenses	94	69
Others	7	4
Total non-operating expenses	101	73
Ordinary Income	5,838	6,513
Extraordinary Gains		
Gain on sales of fixed assets	0	4
Gain from disposal of golf club membership	6	—
Total extraordinary gains	6	4
Extraordinary Losses		
Loss on removal of fixed assets	32	22
Loss on revaluation of investments in securities	—	184
Loss on valuation of golf club memberships	—	4
Total extraordinary losses	32	211
Net income before income taxes	5,812	6,306
Income Taxes – Current	2,636	2,331
Income Taxes – Deferred	(41)	133
Total Income Taxes	2,595	2,464
Net Income for the Period	3,217	3,841
Net Income Attributable to Non-controlling Interests	29	34
Net Income Attributable to Shareholders of the Parent Company	3,187	3,807

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

(Millions of yen)

	1H FY 2015 (from April 1, 2014 to September 30, 2014)	1H FY 2016 (from April 1, 2015 to September 30, 2015)
Net Income for the Period	3,217	3,841
Other Comprehensive Income		
Net unrealized holding gain on securities	5	(5)
Foreign currency translation adjustment	(27)	7
Total other comprehensive income	(22)	2
Quarterly Comprehensive Income	3,194	3,844
(Breakdown)		
Comprehensive income attributable to shareholders of the parent	3,165	3,810
Comprehensive income attributable to non-controlling interests	29	34

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

(Million yen)

	1H FY 2015 (from April 1, 2014 to September 30, 2014)	1H FY 2016 (from April 1, 2015 to September 30, 2015)
<b>Cash Flows from Operating Activities</b>		
Income for the period before income taxes	5,812	6,306
Depreciation	727	726
Amortization of goodwill	859	860
Increase (decrease) in allowance for doubtful accounts	(5)	(8)
Increase (decrease) in reserve for employees' bonuses	(197)	(410)
Increase (decrease) in allowance for early subscription cancellations	(74)	(12)
Increase (decrease) in pension obligation liabilities	13	(9)
Interest and dividend income	(4)	(3)
Interest expenses	94	69
Loss (gain) on sales of fixed assets	(0)	(4)
Loss on removal of fixed assets	32	22
Loss (gain) on sales of investment securities	—	184
Loss on valuation of golf club memberships	—	4
Loss (gain) from disposal of golf club membership	(6)	—
Decrease (increase) in accounts receivable	15,533	13,276
Decrease (increase) in accounts receivable – other	1,474	298
Decrease (increase) in inventories	13,657	(464)
Increase (decrease) in accounts payable	(2,678)	(1,853)
Change in other accounts payable	366	(9)
Others	(20)	433
Subtotal	35,583	19,405
Interests and dividends received	4	3
Interests paid	(100)	(70)
Income taxes paid	(3,630)	(3,110)
Net cash provided by operating activities	31,856	16,227
<b>Cash Flows from Investing Activities</b>		
Payment for purchase of property, plant and equipment	(410)	(461)
Proceeds from sales of property, plant and equipment	0	5
Payment for purchase of software	(102)	(22)
Payment for purchase of investment securities	(200)	(0)
Payment for loans receivable	(0)	(2)
Proceeds from collection of loans receivable	2	2
Payment for leasehold deposits	(136)	(50)
Proceeds from return of leasehold deposits	108	188
Payment for acquisition of business	(696)	—
Proceeds from disposal of golf club membership	10	—
Others	(236)	(444)
Net cash used in investing activities	(1,661)	(785)
<b>Cash Flows from Financing Activities</b>		
Increase (decrease) in short term borrowings	(28,483)	(7,439)
Proceeds from long-term borrowings	10,500	—
Decrease in long-term borrowings	(12,351)	(6,018)
Proceeds from a share issue	53	—
Proceeds from share issuance to non-controlling shareholders	—	16
Payments for purchase of treasury stock	—	(0)
Cash dividends paid	(1,205)	(1,375)
Dividend paid to non-controlling interests	—	(62)
Net cash used in financing activities	(31,485)	(14,879)
Effect of exchange rate changes on Cash and Cash Equivalents	(28)	5
Increase (Decrease) in Cash and Cash Equivalents	(1,318)	567
Cash and Cash Equivalents at Beginning of Period	3,490	2,085
Cash and Cash Equivalents at End of Period	2,172	2,653



**(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)

Segment Information

I. 1H FY 2015 (from April 1, 2014 to September 30, 2014)

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	231,363	13,274	42,710	287,348
Segment Income (Operating Income)	4,333	1,284	252	5,869

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. 1H FY 2016 (from April 1, 2015 to September 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	234,411	13,533	37,050	284,994
Segment Income (Operating Income)	4,439	1,377	697	6,514

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.