

**Consolidated Financial Results for the First Half of Fiscal Year Ending March 31, 2018
(Six Months Ended September 30, 2017) (Based on J-GAAP)**

October 30, 2017

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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, 2018 (April 1, 2017 – September 30, 2017)

(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	%
1H FY 2018	248,911	(2.9)	5,947	(0.7)	6,000	(0.2)	3,901	(2.5)
1H FY 2017	256,355	(10.0)	5,989	(8.1)	6,014	(7.7)	4,003	5.1

(Note) Comprehensive income (million yen): 1H FY 2018: 3,813 (8.4%) 1H FY 2017: 4,162 8.3%

	Net income per share	Diluted net income per share
	Yen	Yen
1H FY 2018	70.00	—
1H FY 2017	70.75	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
1H FY 2018	69,644	31,749	45.5
FY 2017	75,282	29,389	39.0

Reference: Shareholders' equity (million yen): 1H FY 2018: 31,727 FY 2017: 29,364

2. Dividends

	Annual dividends				
	1Q-end	Interim	3Q-end	Yearend	Annual
	Yen	Yen	Yen	Yen	Yen
FY 2017	—	26.00	—	26.00	52.00
FY 2018	—	27.50	—	—	—
FY 2018 (forecasts)	—	—	—	27.50	55.00

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

3. Consolidated forecasts for the Fiscal Year Ending March 31, 2018 (April 1, 2017 – March 31, 2018)

(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	565,000	2.4	15,200	6.5	15,200	6.4	10,150	4.7	182.13

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

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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 2017) proceeded along a moderate recovery path. Personal consumption showed signs of a rebound while the environment for employment and income improved, backed by the government's continuing economic policy measures and the monetary easing policies of the Bank of Japan. However, the economic outlook remains uncertain due to factors such as the direction of U.S. policy, conditions in Asia's emerging economies including China, and escalating geopolitical risk.

In the market for mobile phone handset sales, which forms the business mainstay of the Group (the Company and its consolidated subsidiaries), steps to restore appropriate conditions surrounding smartphone sales have been taking hold and excessive selling competition has been receding. At the same time, new charge plans offered by telecommunications carriers and proliferating sub-brands and Mobile Virtual Network Operators (MVNO) have widened the range of choices available to consumers.

In this operating environment, Group sales of mobile phone handsets, etc., totaled 2.1 million units, marking an increase compared with the year-earlier period, with the percentage of smart device sales amounted to around 80% of the total unit sales.

At the operating level, the Company took steps to enhance across-the-board productivity by applying flexible work schemes while store operations underwent workplace reform measures such as fixed store holidays and shortened business hours, etc., to increase employee satisfaction and enhance employee retention. Moreover, measures were strengthened to promote careers of female employees, earning the Company the highest ranking "Seal of approval" conferred by the Minister of Health, Labour and Welfare for this kind of effort. All the while, the Company continued with steps to create new earnings platforms at each business segment.

Company-level business results in the period under review posted sales of 248,911 million yen (-2.9% compared with the year-earlier period), with operating income of 5,947 million yen (-0.7% compared with the year-earlier period), ordinary income of 6,000 million yen (-0.2% compared with the year-earlier period) and net income attributable to shareholders of the parent company of 3,901 million yen (-2.5% compared with the year-earlier period).

By business segment, results for the period under review developed as follows.

(Mobile Telecommunications Business)

In the mobile telecommunications business, the Company promoted repurchase demand with offers of newly launched attractive models and new charge plans as well as low-priced handsets, which reflected in increased customer traffic at stores. Additionally, telecommunications carriers' sub-brands and MVNO handset sales developed favorably, lifting unit sales above the year-earlier result. However, mainly due to changes in the merchandise composition, sales marked 209,191 million yen (-2.1% compared with the year-earlier period).

The gross profit in the term under review increased, thanks to sales of smart devices and the Company's strengthened capability to offer value-added proposals, including the provision of smartphone related merchandise such as security enhancing contents and accessories. Furthermore, in addition to upgrading carrier shops, the Company invested in newly established sub-brand stores and MVNO stores. Moreover, with a view to the future, the Company proactively invested in human resources. Specifically, this involved more temp-staff being promoted to regular employee status as well as new hiring and stepped-up training of sales staff. As a result of the higher selling, general and administrative expenses, operating income marked 4,307 million yen (-3.5% compared with the year-earlier period).

(Enterprise Solutions Business)

In mobile solutions for corporate users, the Company proactively offered propositions for smart device introductions and practical applications for corporate users, resulting in increased unit sales. In order to address higher demand, solution services were upgraded mainly by strengthening helpdesk operation frameworks, which connected to growth in new order receipts. The Company also promoted solution services tailored to the needs of individual corporations in specific industries, including the education and training industry.

In fixed-line related products, the Company has been working to strengthen sales by seeking to identify new partner companies and nurturing existing resale wholesalers with a view to expanding the number of corporate customers for the Company's own-brand optical access service "TG Optical". Furthermore, the Company made forward-looking investments by continuing to expand service content and support systems.

Based on these developments, sales posted 11,962 million yen (+14.9% compared with the year-earlier period) with operating income of 933 million yen (+12.5% compared with the year-earlier period).

(Settlement Services Business and Other Business)

In the settlement service operations, the merchandise structure continues to transition from electronic money based products (with revenues recognized based on face value amounts) to gift cards (with revenues recognized based only on commission fee receipts), accompanied by additional effects from the ongoing reorganization of existing sales routes mainly at convenience stores. As a result, handling volumes have been decreasing.

In the overseas operations, the Singapore-based gift card business has been performing well. Furthermore, aiming to expand settlement service operations in Southeast Asia, the Company is pursuing house-card operations in Singapore and Malaysia.

Based on these developments, sales marked 27,757 million yen (-13.8% compared with the year-earlier period) with operating income of 706 million yen (+1.7% compared with the year-earlier period).

(2) Explanation of financial position

(Assets)

Consolidated current assets at the end of the period under review were 56,500 million yen, which was 5,140 million yen lower than at the end of the previous fiscal year. This was mainly due to a 2,288 million yen increase in accounts receivable and an 8,496 million yen decline in products. Non-current assets were 13,144 million yen, which was 497 million yen lower than at the end of the previous fiscal year. This was mainly due to a 331 million yen decline in goodwill.

As a result, consolidated total assets posted 69,644 million yen, which was 5,637 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 28,725 million yen, which was 5,720 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 1,102 million yen, 3,499 million yen, and 875 million yen. Non-current liabilities were 9,170 million yen, which was 2,276 million yen lower than at the end of the previous fiscal year. This was mainly due to a 2,314 million yen decrease in long-term borrowings.

As a result, consolidated total liabilities posted 37,895 million yen, which was 7,997 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 31,749 million yen, which was 2,359 million yen higher than at the end of the previous fiscal year. Main factors were 3,901 million yen in net income attributable to shareholders of the parent company, and a 1,448 million yen decrease in retained earnings due to dividend payments.

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

The earnings estimates for the full year to March 2017 released on May 12, 2017, remain the same.

Six months (April - September 2016) sales represent 44.1 percent of the full-year estimate released on May 12, 2017, with percentages for operating income, ordinary income, and net income attributable to shareholders of the parent company at 39.1 percent, 39.5 percent, and 38.4 percent, respectively.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly consolidated balance sheets

(Millions of yen)

	FY 2017 (As of March 31, 2017)	1H FY 2018 (As of September 30, 2017)
Assets		
Current assets		
Cash and deposits	1,901	2,946
Accounts receivable – trade	12,867	15,156
Products	34,218	25,721
Inventories	80	68
Other accounts receivable	10,399	10,301
Other current assets	2,177	2,311
Allowance for doubtful accounts	(4)	(5)
Total current assets	61,641	56,500
Fixed assets		
Tangible fixed assets	3,321	3,095
Intangible fixed assets		
Goodwill	1,847	1,516
Others	1,233	1,332
Total intangible fixed assets	3,081	2,849
Investments and other assets		
Leasehold deposits	4,342	4,362
Others	2,913	2,859
Allowance for doubtful accounts	(17)	(21)
Total investments and other assets	7,238	7,199
Total fixed assets	13,641	13,144
Total assets	75,282	69,644
Liabilities		
Current liabilities		
Accounts payable – trade	7,915	6,812
Short-term borrowings	8,332	4,832
Long-term borrowings payable within one year	5,503	4,628
Accounts payable – other	8,446	7,861
Unpaid taxes	1,845	1,962
Reserve of bonuses	1,747	1,812
Allowance for early subscription cancellations	164	116
Others	491	699
Total current liabilities	34,446	28,725
Long-term liabilities		
Long-term borrowings	9,244	6,930
Retirement benefit liabilities	374	371
Asset retirement obligations	1,388	1,404
Others	439	464
Total long-term liabilities	11,446	9,170
Total liabilities	45,892	37,895
Net Assets		
Shareholders' equity		
Capital stock	3,154	3,154
Capital surplus	5,177	5,177
Retained earnings	42,232	44,684
Acquisition of own stock	(21,526)	(21,526)
Total shareholders' equity	29,037	31,489
Accumulated other comprehensive income		
Net unrealized holding gain on securities	321	230
Foreign currency translation adjustment	6	6
Total accumulated other comprehensive income	327	237
Non-controlling interests	24	21
Total net assets	29,389	31,749
Total Liabilities and Net Assets	75,282	69,644

(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 2017	1H FY 2018
	(from April 1, 2016 to September 30, 2016)	(from April 1, 2017 to September 30, 2017)
Net Sales	256,355	248,911
Cost of Sales	227,194	218,905
Gross Profit	29,160	30,006
Selling, General and Administrative Expenses	23,171	24,059
Operating Income	5,989	5,947
Non-operating Income		
Interest income	0	0
Dividend income	4	6
Equity in earnings of affiliates	20	27
Insurance income	18	21
Compensation income	—	17
Others	26	14
Total non-operating income	70	86
Non-operating Expenses		
Interest expenses	33	22
Others	12	10
Total non-operating expenses	46	33
Ordinary Income	6,014	6,000
Extraordinary Gains		
Gain on sales of fixed assets	2	4
Gain on sales of investment securities	118	—
Total extraordinary gains	121	4
Extraordinary Losses		
Loss on removal of fixed assets	16	9
Loss on sales of fixed assets	0	9
Total extraordinary losses	16	18
Net income before income taxes	6,119	5,985
Income Taxes – Current	1,971	1,895
Income Taxes – Deferred	106	186
Total Income Taxes	2,077	2,082
Net Income for the Period	4,041	3,903
Net Income Attributable to Non-controlling Interests	37	2
Net Income Attributable to Shareholders of the Parent Company	4,003	3,901

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

	(Millions of yen)	
	1H FY 2017	1H FY 2018
	(from April 1, 2016 to September 30, 2016)	(from April 1, 2017 to September 30, 2017)
Net Income for the Period	4,041	3,903
Other Comprehensive Income		
Net unrealized holding gain on securities	156	(90)
Foreign currency translation adjustment	(35)	0
Total other comprehensive income	121	(89)
Quarterly Comprehensive Income	4,162	3,813
(Breakdown)		
Comprehensive income attributable to shareholders of the parent	4,124	3,811
Comprehensive income attributable to non-controlling interests	37	2

(3) Quarterly consolidated statements of cash flows

(Million yen)

	1H FY 2017 (from April 1, 2016 to September 30, 2016)	1H FY 2018 (from April 1, 2017 to September 30, 2017)
Cash Flows from Operating Activities		
Income for the period before income taxes	6,119	5,985
Depreciation	774	828
Amortization of goodwill	331	331
Increase (decrease) in allowance for doubtful accounts	(3)	5
Increase (decrease) in reserve for employees' bonuses	30	65
Increase (decrease) in allowance for early subscription cancellations	(51)	(48)
Increase (decrease) in pension obligation liabilities	(6)	(3)
Interest and dividend income	(5)	(6)
Interest expenses	33	22
Equity in (earnings) losses of affiliates	(20)	(27)
Loss (gain) on sales of fixed assets	(2)	5
Loss on removal of fixed assets	16	9
Loss (gain) on sales of investment securities	(118)	—
Decrease (increase) in accounts receivable	10,431	(2,287)
Decrease (increase) in accounts receivable – other	1,043	98
Decrease (increase) in inventories	3,061	8,508
Increase (decrease) in accounts payable	(1,239)	(1,104)
Change in other accounts payable	(2,158)	(493)
Others	(269)	51
Subtotal	17,967	11,941
Interests and dividends received	13	16
Interests paid	(34)	(23)
Income taxes paid	(2,987)	(1,686)
Net cash provided by operating activities	14,957	10,248
Cash Flows from Investing Activities		
Payment for purchase of property, plant and equipment	(542)	(528)
Proceeds from sales of property, plant and equipment	2	18
Payment for purchase of software	(152)	(207)
Payment for purchase of investment securities	(8)	(211)
Proceeds from sales of investment securities	126	—
Payment for loans receivable	(2)	(1)
Proceeds from collection of loans receivable	2	2
Payment for leasehold deposits	(157)	(125)
Proceeds from return of leasehold deposits	80	84
Others	(76)	(88)
Net cash used in investing activities	(728)	(1,056)
Cash Flows from Financing Activities		
Increase (decrease) in short term borrowings	2,350	(3,500)
Decrease in long-term borrowings	(4,064)	(3,189)
Payments for purchase of treasury stock	(12,771)	—
Cash dividends paid	(1,546)	(1,453)
Dividend paid to non-controlling interests	(67)	(5)
Net cash used in financing activities	(16,099)	(8,147)
Effect of exchange rate changes on Cash and Cash Equivalents	(24)	0
Increase (Decrease) in Cash and Cash Equivalents	(1,893)	1,044
Cash and Cash Equivalents at Beginning of Period	3,314	1,901
Cash and Cash Equivalents at End of Period	1,420	2,946

(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 2017 (from April 1, 2016 to September 30, 2016)

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

(Millions of yen)

	Mobile Telecommunications Business	Enterprise Solutions Business	Settlement Services Business and Other Business	Total
Net Sales	213,740	10,416	32,198	256,355
Segment Income (Operating Income)	4,465	829	694	5,989

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 2018 (from April 1, 2017 to September 30, 2017)

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

(Millions of yen)

	Mobile Telecommunications Business	Enterprise Solutions Business	Settlement Services Business and Other Business	Total
Net Sales	209,191	11,962	27,757	248,911
Segment Income (Operating Income)	4,307	933	706	5,947

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.

(Significant subsequent events)

(Business combination by acquisition)

On October 30, 2017, the Company concluded a stock purchase agreement to acquire from SCSK Corporation the entire share capital of QUO CARD Co., Ltd. and to integrate QUO CARD Co., Ltd. as a subsidiary of the Company, with details as set out below.

1. Outline of the business combination

(1) Name, business lines, and size of the target company

Name of the target company	Business lines	Size (fiscal year ended March 2017)	
QUO CARD Co., Ltd.	Card (advance payment method, etc.) issuance and settlement operations, sales of cards and card related equipment, and maintenance operations	Revenues	3,308 million yen
		Capital	1,810 million yen
		Total assets	109,337 million yen

(2) Principal reason for the business combination

Occasioned by the initiation of sales of prepaid mobile phones and prepaid cards by the Company at convenience stores, the Company has been expanding the scope of its operations in sales of PIN-based prepaid electronic money and gift cards, as well as its settlement services distributor business.

The Company plans to develop this settlement services business into core operations ranking next in importance to mobile phone sales, etc. Through the acquisition of the share capital of QUO CARD the Company will be able to combine its customer base and business know-how with those of QUO CARD. Doing so will allow increasing the issuance volume of QUO Cards and through the application of digital settlement at stores centered on convenience stores to further expand the size of this business field of the Company.

(3) Date of the business combination

December 1, 2017 (Scheduled date of the share acquisition)

(4) Legal form of the business combination

Acquisition of shares

(5) Company name after the combination

Unchanged.

(6) Percentage of voting rights to be acquired

100%

(7) Primary basis of determination of the acquirer

Scheduled acquisition of the share capital by the Company for a cash consideration.

2. Cost of acquisition of the target company and cost breakdown by category

Consideration for the acquisition	Cash payment of 22,500 million yen
Acquisition cost	22,500 million yen

Note: The acquisition cost stated above reflects current expectations as to the amount to be paid. The actual acquisition cost may differ from the above.

3. Content and amount of major acquisition-related costs

Advisory fees, etc. 51 million yen (approximate amount)

4. Procurement method of acquisition funds

Acquisition funds are scheduled to be raised through a loan of 22,500 million yen from transaction banks.

5. Goodwill amount, basis of origination, amortization method, and amortization period

To be determined.

6. Amounts and breakdown of assets and liabilities to be assumed on the date of the business combination

To be determined.