

# Consolidated Financial Results for the Third Quarter of Fiscal Year Ending March 31, 2014 (Nine Months Ended December 31, 2013) (Based on J-GAAP)

February 7, 2014

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  
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 Financial results presentation: No

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

## 1. Consolidated Financial Results for the Third Quarter of Fiscal Year Ending March 31, 2014 (April 1, 2013 – Dec. 31, 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	%
3Q FY 2014	509,425	(6.3)	8,396	3.6	8,345	4.4	4,593	4.1
3Q FY 2013	543,819	6.8	8,101	(11.6)	7,995	(12.4)	4,410	(5.7)

(Note) Comprehensive income (million yen): 3Q FY 2014:4,656 (6.4%) 3Q FY 2013:4,374 (-6.4%)

	Net income per share	Diluted net income per share
	Yen	Yen
3Q FY 2014	58.17	58.12
3Q FY 2013	55.27	55.24

(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	%
3Q FY 2014	174,888	30,098	17.2
FY 2013	201,238	28,177	14.0

Reference: Shareholders' equity (million yen): 3Q FY 2014:30,098 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	710,000	(3.6)	12,800	8.4	12,700	8.6	7,000	6.3	88.65

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

**Notes**

- (1) Changes in significant subsidiaries during the consolidated period (nine 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	3Q FY 2014	78,988,400 shares	FY 2013	78,952,800 shares
2) Number of treasury stock at end of period	3Q FY 2014	84 shares	FY 2013	43 shares
3) Average number of shares outstanding during the period (nine months)	3Q FY 2014	78,965,838 shares	3Q FY 2013	79,790,456 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.

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## 1. Qualitative Information Concerning the Third Quarter Financial Results

### (1) Explanation of operating performance

The Japanese economy in the period under review (April - December 2013) displayed a moderately paced recovery attended by a correction of the strong yen and rising share prices in response to aggressive monetary policy steps and economic stimulus measures taken by the government. The further outlook remains uncertain, however, amid concerns over a backlash after surging consumption in anticipation of the consumption tax rate increase and worries over an economic downturn in Europe and emerging economies.

In the market for mobile phone handset sales, which forms the business mainstay of the Group (the Company and its consolidated subsidiaries), growth in unit sales failed to meet expectations, despite sales launches of new iPhone models by the major three communications carriers and all-out efforts in the competition for customer acquisition. In this operating environment, Group sales of mobile phone handsets, etc., reached 4 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 higher sales of smartphones and tablet terminals, including related merchandise and services, as well as due to advances in structural reform such as improvements to the profitability of sales routes and company-level operating efficiency measures.

In the Solutions Business, operating income increased, reflecting favorable sales of terminals to corporate customers and robust demand for solution services.

Settlement Services Business and Other Business 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 - December 2013), net sales totaled 509,425 million yen (-6.3% compared with the year-earlier period), with operating income of 8,396 million yen (+3.6% compared with the year-earlier period), ordinary income of 8,345 million yen (+4.4% compared with the year-earlier period), and net income of 4,593 million yen (+4.1% compared with the year-earlier period).

Results by business segment are described below.

#### (Mobile Telecommunications Business)

In the period under review (April - December 2013), unit sales declined compared with the year-earlier period, with sales revenues marking 409,041 million yen (-5.1% compared with the year-earlier period). This was due to growth in unit sales disappointing expectations, despite sales launches of new iPhone models by the major three communications carriers and all-out efforts in the competition for customer acquisition. Lower unit sales caused by the optimization of sales channels continuing from the year earlier was another factor.

The Group has been working mainly through the TG Academy, an in-house educational and training institution, to enhance service quality and strengthen sales-floor capabilities at all stores. Specifically, efforts have been made to further enhance customer satisfaction by developing supervisors (SV) specialized in sales training and trainers who are charged with the training of store staff, and dispatching and deploying them nationwide. Thus, amid the promotion of smartphone purchases to replace feature phones, sales efficiency surrounding smartphones and tablet terminals has been stepped up by enhancing staff members' overall capability to communicate to customers comprehensive proposals in tune with customers' likings and preferences, including merchandise and services related to increasing customer convenience. Moreover, progress was made in structural reform efforts such as improvements to the profitability of sales routes and company-level operating efficiency measures. Based on these developments, operating income marked 5,526 million yen (+1.0% compared with the year-earlier period).

#### (Solutions Business)

In the period under review (April - December 2013), sales posted 20,962 million yen (+2.8% compared with the year-earlier period) with operating income of 2,184 million yen (+16.2% compared with the year-earlier period). Although income fell in step with lower sales of fixed-line related merchandise, sales of smartphones and tablet 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 - December 2013), sales posted 79,421 million yen (-13.9% 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 posted operating income of 685 million yen (-8.8% compared with the year-earlier period). This result was shaped mainly by earnings at Settlement Services Business maintained at the level of the year-earlier period but affected by the cost of new store openings associated with mobile phone handset sales operations in China.

## (2) Explanation of financial position

### (Assets)

Current assets at the end of the period under review decreased 13.7% compared with the end of the previous fiscal year to 159,627 million yen. This was mainly due to a drop in trade notes and account receivables, down 29,645 million yen, a drop in other accrued revenue, down 1,360 million yen, and a rise in merchandise, up 6,518 million yen. Non-current assets fell 6.7% compared with the end of the previous fiscal year to 15,261 million yen. This was mainly due to a drop in goodwill, down 1,181 million yen.

As a result, consolidated total assets posted 174,888 million yen, which was 13.1% lower than at the end of the previous fiscal year.

### (Liabilities)

Consolidated current liabilities at the end of the period under review were 132,017 million yen, which was 11.1% lower than at the end of the previous fiscal year. This was mainly due to lower trade accounts payable and other accounts payable, which respectively decreased 10,815 million yen and 6,221 million yen. Non-current liabilities were 12,772 million yen, which was 48.0% lower than at the end of the previous fiscal year. This was mainly due to a 11,788 million yen reduction in long-term borrowings.

As a result, consolidated total liabilities posted 144,790 million yen, which was 16.3% lower than at the end of the previous fiscal year.

### (Net assets)

Consolidated net assets at the end of the period under review were 30,098 million yen, which was 6.8% higher than at the end of the previous fiscal year. Main factors were an increase in retained earnings from 4,593 million yen in net income for the period and a 2,763 million yen reduction in retained earnings due to the payment of dividends.

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

The financial forecasts of the Company released on May 14, 2013, have been revised as follows. Details are stated in the "Announcement on Revisions to Consolidated Forecasts" released on January 31, 2014.

Revisions to Consolidated Financial Forecasts for the Fiscal Year Ending March 31, 2014 (from April 1, 2013, to March 31, 2014)

	Net sales	Operating income	Ordinary income	Net income	Net income per share
	Million yen	Million yen	Million yen	Million yen	Yen
Previous forecasts (A)	725,000	14,100	13,800	7,750	98.14
Revised forecasts (B)	710,000	12,800	12,700	7,000	88.65
Difference (B - A)	(15,000)	(1,300)	(1,100)	(750)	
Difference in percent (%)	(2.1)	(9.2)	(8.0)	(9.7)	
(Supplemental information) Results for the previous fiscal year (Fiscal year ended March 31, 2013)	736,850	11,807	11,691	6,586	82.77

**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.

### 3. Quarterly Consolidated Financial Statements

#### (1) Quarterly consolidated balance sheets

(Millions of yen)

	FY 2013 (As of March 31, 2013)	3Q FY 2014 (As of December 31, 2013)
<b>Assets</b>		
Current assets		
Cash and deposits	1,997	1,684
Notes and accounts receivable – trade	99,719	70,073
Products	49,783	56,301
Inventories	216	169
Other accounts receivable	31,241	29,880
Other current assets	1,934	1,543
Allowance for doubtful accounts	(17)	(25)
Total current assets	184,875	159,627
Fixed assets		
Tangible fixed assets	3,160	3,051
Intangible assets		
Goodwill	5,547	4,366
Others	796	716
Total intangible assets	6,344	5,082
Investments and other assets		
Leasehold deposits	4,261	4,377
Others	2,607	2,758
Allowance for doubtful accounts	(9)	(8)
Total investments and other assets	6,858	7,126
Total fixed assets	16,362	15,261
Total assets	201,238	174,888
<b>Liabilities</b>		
Current liabilities		
Accounts payable – trade	74,213	63,397
Short-term borrowings	30,567	22,683
Long-term borrowings payable within one year	2,555	12,268
Accounts payable – other	37,121	30,899
Unpaid taxes	1,871	1,011
Reserve of bonuses	1,439	878
Allowance for early subscription cancellations	180	142
Others	564	736
Total current liabilities	148,512	132,017
Long-term liabilities		
Long-term borrowings	22,368	10,580
Accrued employees' retirement benefits	421	390
Asset Retirement Obligations	1,115	1,160
Others	643	641
Total long-term liabilities	24,548	12,772
Total liabilities	173,061	144,790

(Millions of yen)

	FY 2013 (As of March 31, 2013)	3Q FY 2014 (As of December 31, 2013)
Net Assets		
Shareholders' equity		
Capital stock	3,106	3,120
Capital surplus	5,593	5,607
Retained earnings	19,406	21,235
Acquisition of own stock	(0)	(0)
Total shareholders' equity	28,105	29,963
Accumulated other comprehensive income		
Net unrealized holding gain on securities	46	89
Foreign currency translation adjustment	25	45
Total accumulated other comprehensive income	71	134
Total net assets	28,177	30,098
Total Liabilities and Net Assets	201,238	174,888



(2) **Quarterly consolidated statements of income and Quarterly consolidated statements of comprehensive income**  
**(Quarterly consolidated statements of income)**  
**(Consolidated third quarter period)**

(Millions of yen)

	3Q FY2013 (from April 1, 2012 to December 31, 2012)	3Q FY2014 (from April 1, 2013 to December 31, 2013)
Net Sales	543,819	509,425
Cost of Sales	494,568	463,702
Gross Profit	49,250	45,722
Selling, General and Administrative Expenses	41,149	37,326
Operating Income	8,101	8,396
Non-operating Income		
Interest income	4	3
Dividend income	3	3
Insurance income	24	17
Income from loss compensation	—	32
Others	39	43
Total non-operating income	71	99
Non-operating Expenses		
Interest expenses	166	141
Others	10	8
Total non-operating expenses	177	150
Ordinary Income	7,995	8,345
Extraordinary Gains		
Gain on sales of fixed assets	6	1
Total extraordinary gains	6	1
Extraordinary Losses		
Loss on sale of fixed assets	0	—
Loss on removal of fixed assets	51	36
Loss on revaluation of investments in securities	0	24
Loss on valuation of golf club membership	30	—
Total extraordinary losses	82	61
Net income before income taxes	7,919	8,285
Income Taxes – Current	3,144	3,309
Income Taxes – Deferred	364	383
Total Income Taxes	3,508	3,692
Net Income before Minority Interest	4,410	4,593
Net Income	4,410	4,593

**(Quarterly consolidated statements of comprehensive income)**  
**(Consolidated third quarter period)**

(Millions of yen)

	3Q FY2013 (from April 1, 2012 to December 31, 2012)	3Q FY2014 (from April 1, 2013 to December 31, 2013)
Net Income before Minority Interest	4,410	4,593
Other Comprehensive Income		
Net unrealized holding gain on securities	(34)	43
Foreign currency translation adjustment	(1)	19
Total other comprehensive income	(35)	63
Quarterly Comprehensive Income	4,374	4,656
(Breakdown)		
Comprehensive income attributable to shareholders of the parent	4,374	4,656

**(3) 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)

3Q FY 2013 (from April 1, 2012 to December 31, 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	431,220	20,385	92,213	543,819
Segment Income (Operating Income)	5,470	1,879	751	8,101

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.

3Q FY 2014 (from April 1, 2013 to December 31, 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	409,041	20,962	79,421	509,425
Segment Income (Operating Income)	5,526	2,184	685	8,396

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.

(Significant subsequent events)

Acquisition of treasury stock

At its meeting held on January 31, 2014, the board of directors of the Company resolved as described below to implement a public tender offer to purchase shares of the Company ("Public Tender Offer") as the specific method for the acquisition of treasury stock, based on the stipulations of Article 156, Paragraph 1 of the Companies Act applicable pursuant to paraphrasing in accordance with the stipulations of Article 165, Paragraph 3 of the Companies Act, and based on the Articles of Incorporation of the Company.

(1) Purpose of the acquisition of treasury stock and the Public Tender Offer, etc.

The Company has been advised by its largest shareholder Mitsubishi Corporation of the intent to divest a portion of the 23,345,400 shares held by Mitsubishi Corporation in the Company. With consideration of the effects on the liquidity and the market price of the shares of the Company, and taking into account the financial status of the Company, deliberations have been held to investigate the possibility that either the shares in question are either acquired by a third party with a view to strengthening the relationship with transaction partners of the Company, or that the shares are acquired by the Company as treasury stock. As the result of the said deliberations, the Company has decided to acquire the shares as treasury stock based on the findings that doing so contributes to the capital efficiency and has no significant effect on the financial status and dividend policy of the Company, while a transfer of the shares to a third party through the sale intended by Mitsubishi Corporation is expected to affect existing shareholders due to the ensuing review of the capital policy and business strategy of the Company, among such other considerations.

(2) Content of the resolution of the board of directors' meeting concerning the acquisition of treasury stock

- (i) Type of shares to be acquired  
Shares of common stock
- (ii) Total number of shares to be acquired  
Up to 10,400,100 shares
- (iii) Acquisition period  
From February 3, 2014 to April 30, 2014
- (iv) Total acquisition amount  
Up to 8,840,085,000 yen

(3) Outline of the Public Tender Offer

- (i) Period of the Public Tender Offer  
From February 3, 2014 to March 3, 2014 (20 business days)
- (ii) Notification date for start of the public tender offer  
February 3, 2014
- (iii) Tender offer price  
850 yen per share of common stock
- (iv) Basis of calculation of the tender offer price  
It was resolved for the offer price to be set 850 yen, based on the average share prices for specific periods, in each case subject to a discount. (With January 30, 2014, as the reference date (being the business day before January 31, 2014, which marks the date of the meeting of the board of directors resolving to implement the Public Tender Offer), (i) the simple average of the closing prices during the previous 1-month period: 1,240 yen; (ii) the simple average of the closing prices during the previous 3-month period: 1,131 yen; (iv) the simple average of the closing prices during the previous 6-month period: 1,048 yen; and (v) the simple average of the closing prices during the previous 12-month period: 1,009 yen)
- (v) Number of shares scheduled to be purchased  
10,400,000 shares of common stock
- (iv) Settlement start date  
March 26, 2014
- (vii) Source of funds for the acquisition  
Loans from financial institutions

#### **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.