Consolidated Financial Results for the Fiscal Year Ended March 31, 2014 (Based on J-GAAP)

May 15, 2014

Company name: T-Gaia Corp.
Listing: Tokyo Stock Exchange, First Section
Stock code: 3738
URL: http://www.t-gaia.co.jp/
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Scheduled date of Annual General Meeting of Shareholders: June 19, 2014
Scheduled date of filing Securities Report: June 19, 2014
Scheduled commencement date of dividend payout: June 20, 2014
Financial results supplementary explanatory documents: Yes
Financial results presentation: Yes (for institutional investors & analysts)

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

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2014 (April 1, 2013 –March 31, 2014)

(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	%
FY 2014	707,004	(4.1)	12,760	8.1	12,665	8.3	6,835	3.8
FY 2013	736,850	3.4	11,807	(20.6)	11,691	(21.2)	6,586	(17.0)

(Note) Comprehensive income (million yen): FY 2014:6,894 (4.4%) FY 2013:6,605 (-16.7%)

	Net income per share	Diluted net income per share	Return on Equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
FY 2014	86.74	86.67	26.4	6.3	1.8
FY 2013	82.77	82.72	23.4	5.7	1.6

(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	Net assets per share
	Million yen	Million yen	%	Yen
FY 2014	199,631	23,713	11.8	343.41
FY 2013	201,238	28,177	14.0	356.89

Reference: Shareholders' equity (million yen): FY 2014:23,594 FY 2013: 28,177

(3) Consolidated cash flow position

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash & cash equivalents at the of period
	Million yen	Million yen	Million yen	Million yen
FY 2014	19,834	(2,223)	(16,150)	3,490
FY 2013	2,698	(1,239)	(1,454)	1,997

2. Dividends

	Annual dividends					Total dividend	Dividend payout ratio	Dividend on Equity
	1Q-end	Interim	3Q-end	Yearend	Annual	Annual	Consolidated	Consolidate
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY 2013	—	3,500.00	—	17.50	—	2,762	42.3	10.1
FY 2014	—	17.50	—	17.50	35.00	2,584	40.3	10.0
FY 2015 (forecasts)		17.50		17.50	35.00		33.2	

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, 2015 (April 1, 2014 – March 31, 2015)

(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	720,000	1.8	13,000	1.9	12,800	1.1	7,250	6.1	105.52

Note: Consolidated forecasts for the First-half year have not been disclosed.

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

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

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

1) Number of shares outstanding (including treasury stock) at end of period	FY 2014	79,005,600 shares	FY 2013	78,952,800 shares
2) Number of treasury stock at end of period	FY 2014	10,300,336 shares	FY 2013	43 shares
3) Average number of shares outstanding during the period	FY 2014	78,803,864 shares	FY 2013	79,578,208 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.

Attachment: Table of Contents

1. Analysis Concerning Results of Operations and Financial Position

(1) Analysis regarding results of operations

1) Results of operations for the current fiscal year

The Japanese economy in the consolidated fiscal year under review was on a moderately recovering trend. With the yen in decline and the stock market rising, signs of recovery in corporate earnings and private consumption were visible. The outlook remains opaque however, as the impact on activity of the hike in consumption tax and the slowing of growth in emerging economies pose concerns.

In the market for mobile phone handset sales, which forms the core business field of the Group (the Company and its consolidated subsidiaries), the marketing of iPhone by the major three telecommunications carriers has led to aggressive competition to win over customers and a stimulus to smart phone penetration.

In this operating environment, Group sales of mobile phone handsets, etc., reached 5.6 million units, with the percentage of smart phone sales rising to around 70% of the total.

In the Mobile Telecommunications Business, strengthening sales of smart phones and tablets including related merchandise and services, plus advances in structural reform such as improvements to the profitability of sales routes and greater commercial efficiency at whole-of-company level have resulted in a rise in operating profit.

In the Solutions Business, operating profit grew due to increased sales of terminals to corporate customers and firm trends in the demand for solutions services across the board.

In the Settlement Services Business and Other Business, operating profit declined due to slow growth in sales of electronic money products that can be used in electronic commerce (EC) and social networking service (SNS)-based payments, and the opening of new stores for mobile phone handset sales in China.

As a result, for the consolidated fiscal year under review, net sales totaled 707,004 million yen (4.1% decrease year-on-year), with operating income of 12,760 million yen (8.1% increase year-on-year), ordinary income of 12,665 million yen (8.3% increase year-on-year), and net income totaled 6,835 million (3.8% increase year-on-year).

[Mobile Telecommunications Business]

The consolidated fiscal year under review was marked by aggressive competition between the major three telecommunications carriers to win over customers, and the end-of-year sales war saw a very active retails sales market for mobile devices, especially around new contracts. However, due to factors such as the Group being unable to make up for the decline in the number of units sold during the summer sales war, in addition to the continuing of the previous year's push to optimize its sales networks, the number of units sold fell relative to the previous year, and as a result sales came to 576,439 million yen (2.1% decrease year-on-year).

The Group has been working to raise the quality in each of its stores and to strengthen its network of local business bases under the year's slogans of “Bottom-up management across the board” and “Realizing a smart phone world,” focusing on the TG Academy dedicated training institution. With the penetration of smart phones and tablets and the accompanying growth in demand for related products and services, the Group has strengthened its comprehensive offerings to raise customer satisfaction and convenience, and pushed restructuring to improve the earnings on sales outlets and the operational efficiency as a whole. As a result, operating profit came to 8,799 million yen (8.1% increase year-on-year).

[Solutions Business]

In the consolidated fiscal year under review, while optical communication line services such as FTTH (free to the home) trended stable after having bottomed out, handset sales to corporate customers grew and support services such as kitting services for newly introduced smart phones and tablets and mobile device management (MCM) trended solidly. As a result, sales for the Solutions Business came to 28,549 million yen (5.6% increase year-on-year), and operating profit to 3,182 million yen (24.3% increase year-on-year).

[Settlement Services Business and Other Business]

In the consolidated fiscal year under review, sales came to 102,014 million yen (15.8% decrease year-on-year). This decline resulted from slow growth in sales from electronic money-related merchandise using PIN sales systems that can be utilized for electronic commerce (EC) and social networking service (SNS)-based payments.

In earnings, although the Settlement Services Business secured revenues of about the same level as the previous fiscal year, aggressive store openings for mobile phone handset sales in China saw operating profit decline to 778 million yen (29.8% decrease year-on-year).

2) Outlook for the next fiscal year

The forward outlook for the Japanese economy is clouded. Although continued movement toward a recovery in activity may be anticipated against the background of government-driven monetary policy, sluggish consumption activity flowing from the height in consumption tax and downside risks to economic activity overseas are worrying factors.

In the Mobile Telecommunications Business, the sales market is expected to be firm, given further penetration by smart phones and tablets, the introduction of new pricing plans and improving telecommunications quality.

In the Solutions Business, the Group expects increasing sales for all types of solutions services. This will be driven by accelerating adoption of smart phones and tablets by businesses, expected strong sales of handsets, and growth in demand arising from security applications and systems integration. On the other hand, sales of FTTH and other optical communication line services are expected to face intensifying competition from mobile broadband.

In the Settlement Services Business and Other Businesses, the Group expects that increasing volumes of payments for EC and within applications will drive strong sales for gift cards, as well as the development of new sales avenues and merchandise.

The Group's results projections for the fiscal year ending March 2015 are framed in the context of significant changes in our business environment, such as in the composition of our handset sales and in the strategies of telecommunications carriers. In these circumstances it is expected that further growth in sales of tablets and smart phone penetration will lead to strong sales of related merchandise and solutions services of all types, and that growth in Internet-based payments will drive greater demand for gift cards. Taking into consideration the continuing efforts to restructure and to raise operational efficiency across the company, the increasing use of permanent employees in the salesforce, and investments in overseas businesses, results projections are for sales of 720 billion yen (1.8% increase year-on-year), operating profit of 13 billion yen (1.9% increase year-on-year), recurring profit of 12.8 billion yen (1.1% increase year-on-year), and a net profit of 7,250 million yen (6.1% increase year-on-year).

In the market for mobile phone handset sales, which is the core business field of the Group, considerable change in business and market conditions is expected as competition between telecommunications carriers intensifies and new providers enter the market. If substantial changes occur in the business strategies of telecommunications carriers and their pricing policies, this could impact upon the business results of the Group. However, how such changes in strategies and pricing may affect our earnings will not be clearly identifiable at the outset of the fiscal year, and their timing and extent will be difficult to forecast. Thus, the Group has come to the conclusion that it would not necessarily be appropriate on grounds of logic and utility to provide results projections for the first half cumulative consolidated accounts. Therefore, only the results projections for the full year have been provided.

The factors that will have a material effect on the Company's results of operations are described in "(4) Business risk" under "1. Results of Operations."

3) Progress on the Company's medium-term management plan

At the beginning of the fiscal year ended March 31, 2014, the Company targeted net sales of 710,000 million yen, operating income of 12,800 million yen, ordinary income of 127,000 million yen, and net income of 7,000 million yen for the fiscal year. However, the Company marked decrease both in sales and profit and recorded net sales of 707,004 million yen, operating income of 12,760 million yen, ordinary income of 12,665 million yen, and net income of 6,835 million yen for the fiscal year, therefore, the Company is unable to achieve its initial target.

(2) Analysis concerning consolidated financial position

1) Assets, liabilities and net assets

Consolidated current assets at the end of the period under review totaled 183,266 million yen, which was 0.9% lower than at the end of the previous fiscal year. This was mainly due to a 2,010 million yen lower trade receivables, 4,637 million yen lower merchandise inventories, and 3,633 million yen higher accrued income. Non-current assets did not change much compared with the end of the previous fiscal year at 16,364 million yen.

As a result, total assets at the end of the consolidated fiscal year under review totaled 199,631 million yen.

Consolidated current liabilities at the end of the period under review totaled 163,466 million yen, which was 10.1% higher than at the end of the previous fiscal year. This was mainly due to 7,973 million higher trade accounts payable and 7,543 million higher short-term borrowings. Non-current liabilities totaled 12,450 million yen, marking a 49.3% decrease compared with the end of the previous fiscal year. The main factor was 12,100 million yen lower long-term bank borrowings.

As a result, the balance of net liabilities at end of the consolidated fiscal year under review totaled 175,917 million yen.

Consolidated net assets at the end of the period under review totaled 23,713 million yen, which was 15.8% lower than at the end of the previous fiscal year. This was mainly due to 6,835 million yen in net earnings for the period added to retained earnings, a 2,763 million yen deduction from retained earnings for the payment of dividends, and an 8,755 million yen deduction from retained earnings for the acquisition of treasury stock.

2) Cash flows

Consolidated cash and cash equivalents ("Cash") at the end of the period under review were 3,490 yen million, which is 1,492 million yen higher compared with the end of the previous fiscal year.

Cash flows and major components during the consolidated fiscal year under review were as follows.

[Cash flows from operating activities]

Cash flows from operating activities totaled 19,834 million yen (compared with a 2,698 million yen increase in Cash in the previous consolidated fiscal year). This was mainly due to 12,649 million yen recognized in income before income taxes, a 4,729 million yen decline in inventories, a 7,952 million yen increase in accounts payable, and 4,106 million yen in expenditure for income tax payments.

[Cash flows from investing activities]

Cash flows used in investing activities totaled 2,223 million yen (compared with a 1,239 million yen decrease in Cash in the previous consolidated fiscal year). This was mainly due to 988 million yen in expenditure on the acquisition of tangible fixed assets, and a ¥1,110 million yen expenditure to purchase the stock of subsidiaries flowing from changes in the scope of consolidation.

[Cash flows from financing activities]

Cash flows used in financing activities totaled 16,150 million yen (compared with a 1,454 million yen decrease in Cash in the previous consolidated fiscal year). Main factors were a 2,118 million yen net reduction in short-term borrowings, a 2,555 million yen repayment of long-term borrowings, 8,755 million yen in expenditure for the acquisition of treasury stock, and 2,763 million yen in expenditure for the payment of dividends.

The following table illustrates the historical movements of certain cash flow indices:

	FY 2011	FY 2012 (consolidated)	FY 2013 (consolidated)	FY 2014 (consolidated)
Shareholders’ equity ratio (%)	23.2	13.5	14.0	11.8
Shareholders’ equity ratio based on market prices (%)	45.6	33.8	43.3	32.0
Interest-bearing debt to cash flow ratio (%)	339.6	(502.5)	2,056.7	256.8
Interest coverage ratio (times)	33.5	(53.6)	11.5	98.8

Note 1: Cash flow indices are calculated as follows:

Shareholders’ equity ratio: Shareholders’ equity / Total assets

Shareholders’ equity ratio based on market prices: Market capitalization / Total assets

Interest-bearing debt to cash flow ratio: Interest-bearing debt / Operating cash flow

Interest coverage ratio: Operating cash flow / Interest payments

2: Figures for fiscal year ended March 31, 2011 are compiled from financial statements of the individual group companies; figures for other years are from the consolidated statements.

Market capitalization is calculated by: Closing stock price on the balance sheet date and No. of shares outstanding on the balance sheet date.

Cash flow is taken from the statement of cash flows.

Interest-bearing debt includes all the liabilities carried on the balance sheets that incur interest.

Interest payments are based on interest payments reported on the statement of cash flows.

(3) Basic profit allocation policy, and dividends in the current and next fiscal years

It is a basic policy of the Company to aim for the redistribution of profits, targeting a payout ratio of at least 30%, with due consideration of earnings developments and for securing the internal retention necessary for future business initiatives and for a strong management base.

A fiscal year-end dividend distribution of 17.50 yen per share is planned as per the initial forecast; together with the interim dividend payment also of 17.50 yen made in December last year, this amounts to dividends of 35 yen per share for the full year.

Additionally, as one of measure to return earnings to shareholders, in March 2014 the Company acquired 10,300,200 shares of own stock at a cost of 8,755 million yen.

The annual dividend for the next fiscal year, based on the business results projections for the next fiscal year and the Company’s basic policy for dividend payment, is projected at 35.00 yen per share (comprised of an interim dividend of 17.50 yen and a fiscal year-end dividend of 17.50 yen)

Moreover, currently it is not planned to change the dividend base date and the frequency of dividend payments. Consequently, dividend payments will be made twice annually as before, with the interim date and the fiscal-year end date as the base dates.

Notably, internal retentions will be used in accordance with the Company’s policies for expanding and strengthening existing business platforms, employee training, strategic investments, new operations, and entry into overseas markets.

(4) Business risk

Below we list risk factors that may have impact on our Group business performance, financial condition, and share price.

1) Commissions from mobile carriers

We receive a commission from mobile phone carriers for each successfully brokered subscription contract. The conditions of these contracts, such as the amount of commission, payment periods, the details of the services that these payments cover, and the percentages of the phone subscription charges that these commissions represent, differ from one telecommunications carrier to another and from time to time. When there are substantial changes to the contract conditions due to the business strategies of the telecommunications carriers, these can have major effects upon the earnings of the Group.

2) Sales agent agreements with telecommunications carriers

The mobile phone sales and mediation business, which is the core business field of the Group, is conducted by concluding sales agent agreements with the various telecommunications carriers and doing business under the conditions thus specified. The sales agent agreements with the telecommunications carriers are typically of one year's duration and automatically renewed, provided that the carrier and the Company agree to continue the contract. However, the contracts have provisions enabling the telecommunications carrier to cancel the sales agent agreement in the event that one of certain events giving grounds arises in relation to the Company, such as the commencement of bankruptcy, civil rehabilitation or other similar legal proceedings, a deterioration in credit-worthiness, or a suspension of trading or the winding-up of the Company, or in the event that some actions are committed causing a profound loss of mutual trust.

Also, there are provisions allowing the telecommunications carrier to suspend the payment of fees or to dissolve the sales agent agreement in the event that significant changes occur to the Company's shareholding structure or core management, which could potentially impact upon the business results of the Group.

3) Industry competition

In the market for mobile phone handset sales, which is the core business field of the Group, the number of mobile phone contracts actually exceeds the population of Japan, and as such the competition among the telecommunications carriers to secure customers has become increasingly intense. We believe that competition among sales agents such as the Group will similarly become increasingly intense, and if we are unable to secure a leading competitive position there is a possibility that the Group's business performance could be affected through declining profit margins due to competition.

4) Business expansion through acquisitions, etc.

In addition to developing cooperative relationships with small and medium-sized sales agencies, and opening new shops, we may acquire other industry peers going forward to expand our business, and this could impact our financial condition and business performance.

There is no guarantee that the acquisition will produce anticipated benefits due to changes in market trends and the economic environment. A poor performance at companies we acquire could make it difficult for us to recover invested capital, and this would impact our earnings and business plans.

5) Statutory regulations and law amendments, etc.

The laws and regulations governing the business of telecommunications carrier sales agencies include the Telecommunications Business Act, the Anti-Trust Act (Act concerning Prohibition of Private Monopolization and Maintenance of Fair Trade), the Premiums and Representations Act (Act against Unjustifiable Premiums and Misleading Representations), the Personal Information Protection Act, the Mobile Phone Misuse Prevention Act (Act on Identification, etc. by Mobile Voice Communications Carriers of their Subscribers, etc. and for Prevention of Improper Use of Mobile Voice Communications Services).

In order to ensure compliance with the laws and regulations mentioned above, the Company has been strengthening its internal administrative frameworks including employee training and education. In addition, if the Group were unable to respond appropriately to amendments to laws or major systemic changes having a significant effect on the Group, the potential exists for an adverse impact on the business results of the Group.

The business results of the Group could also be affected by the promotion of policies or the creation or amendment of guidelines by government agencies, such as the Ministry of Internal Affairs and Communications policy document "Information and Communications Policy for the 2020s."

6) Acquisition of sales staff

For the Company to further enhance customer satisfaction and the quality of sales, securing sufficient sales staff is considered a necessity. At the same time, as smart phone diffusion is gaining full momentum, securing sales staff and raising the staff retention ratio has been a problem for the mobile phone vendor industry due to the increased time required for direct customer interaction and the growing complexity of in-store operations. The Group will work hard to secure and retain good sales staff by building an attractive working environment and making a company-wide effort on the training of sales staff, focusing on the TG Academy dedicated training institution. Our measures to build an attractive working environment include introducing a personnel system that promotes permanent employment and facilitating good work-life balance. However, failure to secure sufficient sales staff may affect the business results of the Company.

7) Relationship with major principal shareholders

As of March 31, 2014, Sumitomo Corporation is the leading shareholder in the Company, holding 29.55% of the 79,005,600 shares on issue (including 10,300,336 shares of treasury stock). However, the sales and brokering of mobile phones, which is the main business sector of the Group, the landline brokering business and settlement services business, are being managed independently of Sumitomo Corporation.

8) Overseas business development

The Group is exposed to exchange rate risk through foreign-denominated trading transactions and capital transactions with overseas companies and when financial statements prepared in foreign currency by consolidated overseas subsidiaries are converted into yen. Moreover, the Group is exposed to country risks that may prevent the execution of business operations depending on the political, economic, and social circumstances prevailing in the jurisdictions where overseas consolidated subsidiaries of the Group are domiciled.

9) 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").

While the Company is taking measures to comply with this decision, on June 28, 2013 the Company lodged in the Tokyo District Court an objection to the temporary restraining order seeking its revocation. On March 4, 2014 the court acknowledged part of the Company's claims, and handed down a decision on our objection revoking part of the restraining order. The Company and InComm Japan have each expressed dissatisfaction with aspects of the ruling and each has submitted an appeal against the temporary restraining order to the Tokyo High Court.

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.

2. Current Conditions of the Corporate Group

The Group (the Company and affiliates of the Company) at the consolidated fiscal year under review is comprised of T-Gaia and its five consolidated subsidiaries (TG Miyazaki Co., Ltd., T-Gaia (Shanghai) Corporation, WAM!NET Japan K.K. and two others). Main business lines are the Mobile Telecommunications Business centered on sales of mobile phones, etc., for consumers, the Solutions Business engaged in sales of mobile phones for corporate users and intermediation in sales of optical communication line services such as FTTH, and the Settlement Services Business and Other Business engaged in PIN and gift card sales. The specific operations of the Company are described in below. Our main activities are as follows:

(1) Mobile Telecommunications Business

The main activities of the Mobile Telecommunications Business are the intermediation in sales contracts for mobile phone and PHS services, and the sale of mobile phones and handsets. We broker communication services for mobile phone carriers (NTT DOCOMO, Inc., KDDI Group, SOFTBANK Group, and so on), and receive a commission for each successfully concluded subscription contract based on our sales agent agreement with each carrier. We broker communication services and sell mobile phones to consumers through our nationwide distribution channels, which include secondary sales agencies (volume electronics retailers and general sales agencies) in addition to directly-managed shops.

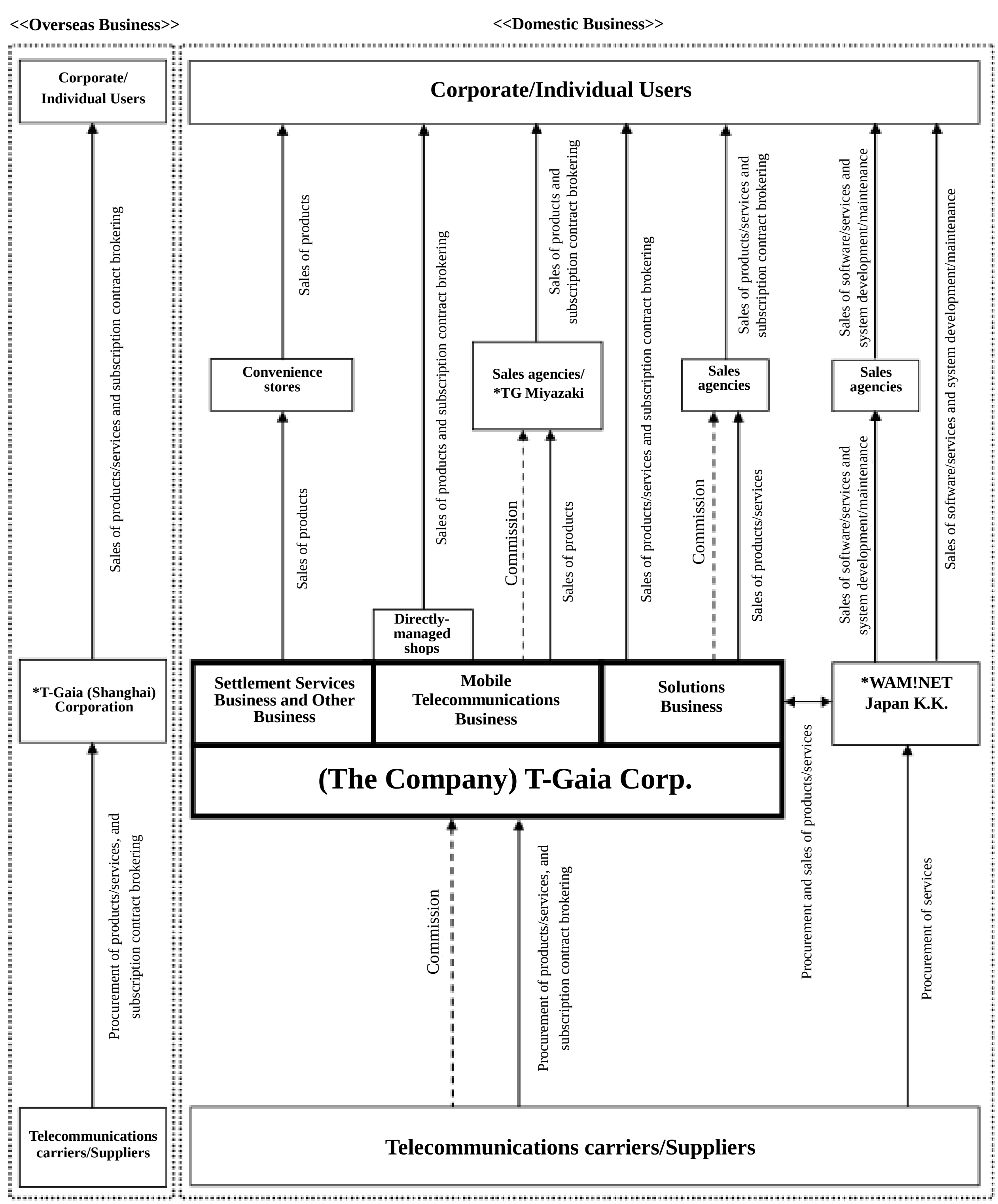
(2) Solutions Business

The main business activities of the Solutions Business are sales of mobile phones and the provision of solution services for corporate users as well as intermediation in sales of contracts for optical communication line services such as FTTH for corporations and individuals. In addition to the telecommunications carriers at the Mobile Telecommunications Business, the Company acts as intermediary for the conclusion of telecommunication service user agreements (under agency agreements concluded with carriers such as Nippon Telegraph and Telephone East Corporation, Nippon Telegraph and Telephone West Corporation, and NTT Communications Corporation) provided by the individual carriers. Upon the conclusion of a contract, a commission is collected from that carrier as a fee for the contract intermediation. Moreover, the Company provides terminal and line management solution services, etc., to corporate users.

(3) Settlement Services Business and Other Business

The main activities of the Settlement Services Business and Other Business are the sale of electronic settlement-related products that utilize the PIN sales system, such as electronic money-related merchandise and the gift card business through leading convenience stores throughout Japan.

Overview of the business system



*The Company’s consolidated subsidiaries

(Note) There are two consolidated subsidiaries other than three subsidiaries included in the overview of business system above.

3. Management Policies

(1) Basic management policy of the Group

As the business environment surrounding the Group undergoes substantial change, we will strengthen our earnings base for the sake of enduring growth by making our business processes more efficient across the company, further strengthening our existing businesses, and vigorously engaging in new business fields such as overseas businesses. We will also work hard to raise the value of the company by ensuring transparent management, and fulfilling the company's wider social responsibilities.
As of April 2014, the Group will be adopting the following new corporate philosophies.

TG Vision—the T-Gaia Company Ethos
CHALLENGE TOMORROW: Opening Way to the Future, Leaping into the Tomorrow

TG Mission—T-Gaia's Mission

・We move our customers' hearts, provide them with joy and make customers feel safe by suggesting new ways of communicating
・We appreciate our employees and their families, and we continue to serve as a company which can provide fair opportunity for challenges as well as deliver job gratification.
・We build strong cooperative relationships with all our partners, and work hard to achieve mutual prosperity based on sound and fair dealings.
・We contribute to the development of every local community through our global corporate activities.
・We appreciate the faith of all our stakeholders including our shareholders and continually enhance company value.
・As a leading company, we strengthen our existing businesses and open up new markets by being the first to see and act on the changes happening in our time.

TG Action—T-Gaia's Action Principles

・We put the customer first in our thoughts and our actions.
・We provide the highest standard of service to which all might say "Thank you."
・We undertake continuous self-improvement as professionals.
・We draw out our unlimited potential through mutual respect and diligent application.
・We engage in positive, open, well-ventilated communication.
・We emphasize teamwork to achieve the highest performance.
・We act at all times with sincerity according to high ethical standards, and are thorough and consistent in our compliance practices.
・We are never satisfied with the status quo, but continually challenge it with passion, urgency and daring.

(2) Performance targets

For the fiscal year ending March 31, 2015, the Group will target net sales of 720 billion yen, operating income of 13,000 million yen, ordinary income of 12,800 million yen, and net income of 7,250 million yen.

(3) Management strategies of the Group for the medium and long term

The mobile phone market is making rapid advances in the speed of communications and the functionality of handsets, as exemplified by smart phones. In the mobile phone handset sales business, the core business field of the Group, while we can expect further steady demand, significant changes in the business environment are forecast. These will include changes in the strategies of the communications carriers and intensifying competition among sales agency stores.
In this operating environment, we aim to achieve continued growth by moving our customers' hearts, providing them with joy and making customers feel safe through suggestions for new ways of communication.
In the Mobile Telecommunications Business, we intend to expand sales by offering not only mobile phones and tablets but also the various related products and services that meet the needs of each customer in order to make the life of the smart phone customer more satisfying and fulfilling. To this end, we will build up our own framework to match the proliferation of such products, and work hard to further improve our service content and product quality by raising the skills of our sales staff. We will promote improvements in customer service using a thorough bottom-up management approach as a whole group including our partners, by strengthening our relationships with not only our directly-managed shops but also our partner secondary sales agencies and mass retailers, and fine-tuning our sales channels as needed. In addition, while making continuous investments in our stores, we will aim to raise profitability by improving our structures and operational efficiency in response to changes in the market.
In the Solutions Business, we will strive to build and enhance our ongoing commercial relationships with business customers by offering not only mobile phones and Wi-Fi tablets, but total solutions incorporating administrative and protective services such as kitting services for new users and mobile device management (MDM), and other independent T-Gaia services.
In the Solutions Business, we will strive to build and enhance our ongoing commercial relationships with corporate customers by offering not only mobile phones and Wi-Fi tablets, but also total solutions services which incorporate management and maintenance services such as kitting services for new users and mobile device management (MDM), and other independent T-Gaia services.
Our Settlement Service Business and Other Business/overseas businesses have been considered as a part of the diversification of our earnings sources to date. Given our expectations of continuing market growth through increasing volumes of payments through electronic commerce (EC) and applications, we will allocate significant energies to developing new sales channels and products, and continue to invest proactively to further strengthen our revenue-generating power in these areas.

(4) Issues to be addressed by the Group

In the market for mobile phone handset sales, the core business field of the Group, a new market for accessories and other peripheral products has come into existence, driven by the growing market for smart phones and tablets, in addition to proliferating terminal functions and new services. However, the selling of smart phones and tablets requires expert-level product knowledge and communication skills, which makes the provision of sales staff training more important than before.

Meanwhile in overseas markets, centered on the emerging economies, a shift has been under way from prepaid to post-payment mobile phones. This development is expected to connect to the further spreading of efforts by telecommunication carriers to tie customers to their respective operations through carrier-shops of the kind that has been common in Japan. We also expect higher telecommunications speeds and the ongoing penetration of high-function handsets such as smart phones to lead to greater activity in the peripheral products business.

In this operating environment, the Group will leverage its strengths in funding, organization and information in an integrated fashion so as to strengthen its existing business bases and implement new initiatives to achieve growth. Specific issues and matters of interest we have recognized are as follows.

In the Mobile Telecommunications Business, we believe it is important to build stores that are attractive to our customers and to raise the skills of our sales staff. To this end, we will be relocating and renovating our carrier shops and enhancing our line-up of accessories and related products. We will continually strive to improve our customer service by enhancing the capabilities of the TG Academy dedicated training institution, and through this achieving higher retention rates for our sales staff and enhancing their knowledge and capacity to raise positive initiatives. Furthermore, we will enhance the “smart phone lives” of our customers by opening more specialty shops for accessories including e-commerce.

We are also conscious of the issues of reviewing the way we operate our businesses to meet the changes in our market environment, and bringing our costs to appropriate levels through actions to improve the efficiency of our operations.

The Solutions Business provides appropriate products and services sought by corporate customers, offers implementation support for smart phones and tablets, and renders services of high added-value built on the growing diversity of devices and applications.

Taking advantage of services that arise from combining with mobile telecommunications, we will strengthen our sales of optical communication line services such as FTTH, make our sales avenues more efficient, and respond in a targeted way to all manner of new customer needs and changes in the business environment.

To this end, while expanding our services we will also strive to enhance the capabilities of our human resources and improve our capacity to generate and adopt new ideas.

In Settlement Service Business and Other Business, efforts will be stepped up to expand sales of electronic settlement services using PIN sales systems, as well as expanding sales routes and the product line-up of gift card operations, and in so doing enhance customer convenience in order to capture the growth of the market.

In our overseas businesses, we have a partnership with the China-based telecommunications operator, China Unicom. We have established T-Gaia (Shanghai) Corporation as our local corporation in Shanghai and are operating ten China Unicom Shop outlets in that city (as at the end of March 2014).

We aim to offer high-quality services by leveraging the sales know-how that we have developed in Japan, and provide a total service to our customers as a local support base for Japanese-affiliated companies.

As a foothold into overseas settlement services markets, in November 2013 we established a new local corporation in Singapore, Advanced Star Link Pte. Ltd., which will develop its services over the coming period.

The Group will continue to push ahead with its settlement services business and its overseas business focusing on Asian markets, while also aiming to secure new revenue sources through investments in marketable businesses and the development of our human resources.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Million yen)

	Consolidated Fiscal Year 2013 (As of March 31, 2013)	Consolidated Fiscal Year 2014 (As of March 31, 2014)
Assets		
Current assets		
Cash on hand and in banks	1,997	3,490
Notes Receivable - trade and Accounts Receivable – trade	99,719	97,706
Products	49,783	45,146
Stored products	216	131
Deferred tax assets	1,288	1,245
Accounts receivable – other	31,241	34,874
Other current assets	645	687
Allowance for doubtful accounts	(17)	(16)
Total current assets	184,875	183,266
Fixed assets		
Fixed tangible assets		
Buildings and Structures	6,125	6,378
Accumulated depreciation	(Note 1) (4,137)	(Note 1) (4,361)
Buildings and Structures (Net)	1,987	2,017
Transport vehicles and equipments	21	19
Accumulated depreciation	(20)	(19)
Transport vehicles and equipments (Net)	0	0
Furniture and fixtures	3,881	4,132
Accumulated depreciation	(Note 1) (3,066)	(Note 1) (3,350)
Furniture and fixtures (Net)	814	781
Land	353	353
Construction in progress	4	—
Total tangible fixed assets	3,160	3,152
Non-tangible fixed assets		
Goodwill	5,547	5,365
Telephone rights	16	16
Land leasehold	26	26
Software	753	893
Others	—	37
Total non-tangible fixed assets	6,344	6,339
Investment and other assets		
Investment securities	311	401
Long-term loans receivable	118	—
Deferred tax assets	1,703	1,642
Leasehold deposits	4,261	4,319
Others	472	516
Allowance for doubtful accounts	(9)	(8)
Total investments and other assets	6,858	6,872
Total fixed assets	16,362	16,364
Total assets	201,238	199,631

(Million yen)

	Consolidated Fiscal Year 2013 (As of March 31, 2013)	Consolidated Fiscal Year 2014 (As of March 31, 2014)
Liabilities		
Current liabilities		
Accounts payable – trade	74,213	82,187
Short-term borrowings	30,567	28,566
Long-term borrowings payable within one year	2,555	12,100
Accounts payable – other	37,121	35,120
Unpaid taxes	1,871	3,286
Reserve of bonuses	1,439	1,427
Allowance for early subscription cancellations	180	218
Other current liabilities	564	560
Total current liabilities	148,512	163,466
Long-term liabilities		
Long-term borrowings	22,368	10,268
Accrued employees' retirement benefits	421	—
Liabilities relating to retirement benefits	—	389
Asset Retirement Obligations	1,115	1,178
Others	643	614
Total long-term liabilities	24,548	12,450
Total liabilities	173,061	175,917
Net Assets		
Shareholders' equity		
Common stock	3,106	3,127
Capital surplus	5,593	5,613
Retained earnings	19,406	23,478
Treasury stock	(0)	(8,755)
Total shareholders' equity	28,105	23,464
Accumulated Other Comprehensive Income		
Net unrealized holding gain on securities	46	57
Foreign currency translation adjustment	25	73
Total accumulated other comprehensive income	71	130
Minority interest	—	119
Total net assets	28,177	23,713
Total Liabilities and Net Assets	201,238	199,631

(2) Consolidated Statements of Income and Consolidated Statement of Comprehensive Income
(Consolidated Statements of Income)

(Million yen)

	Consolidated Fiscal Year 2013 (from April 1, 2012 to March 31, 2013)	Consolidated Fiscal Year 2014 (from April 1, 2013 to March 31, 2014)
Net Sales	736,850	707,004
Cost of Goods Sold	670,169	643,694
Total Income from Sales	66,681	63,310
Selling, General and Administrative Expenses	(Note 1) 54,873	(Note 1) 50,550
Operating Income	11,807	12,760
Non-Operating Income		
Interest income	5	4
Dividend income	3	3
Income from damage compensation	—	47
Insurance reimbursement	27	17
Others	97	50
Total non-operating income	135	122
Non-Operating Expenses		
Interest expenses	230	198
Others	20	18
Total non-operating expenses	250	217
Ordinary Income	11,691	12,665
Extraordinary Gains		
Gain on sales of fixed assets	(Note 2) 6	(Note 2) 3
Gain on sale of investment securities	—	103
Total extraordinary gains	6	106
Extraordinary Losses		
Loss on sales of fixed assets	(Note 3) 2	(Note 3) 0
Loss on removal of fixed assets	(Note 4) 90	(Note 4) 47
Impairment losses	(Note 5) 3	(Note 5) 49
Loss on revaluation of investments in securities	0	24
Loss on valuation of golf membership rights	30	—
Total extraordinary losses	127	122
Income before Taxes	11,570	12,649
Income Taxes – Current	5,119	5,488
Income Taxes – Deferred	(136)	325
Total Income Taxes	4,983	5,813
Income before Minority Interests	6,586	6,835
Net Income	6,586	6,835

(Consolidated Statement of Comprehensive Income)

(Million yen)

	Consolidated Fiscal Year 2013 (from April 1, 2012 to March 31, 2013)	Consolidated Fiscal Year 2014 (from April 1, 2013 to March 31, 2014)
Income before Minority Interests	6,586	6,835
Other Comprehensive Income		
Net unrealized holding gain on securities	(6)	11
Foreign currency translation adjustment	25	47
Total other comprehensive income	(Note 1) 18	(Note 1) 58
Comprehensive Income	6,605	6,894
(Breakdown)		
Comprehensive income attributable to shareholders of the parent	6,605	6,894
Comprehensive income attributable to minority shareholders	—	—

(3) Consolidated Statements of Changes in Shareholders' Equity

Consolidated Fiscal Year 2013 (from April 1, 2012 to March 31, 2013)

(Million yen)

	Shareholders' Equity				
	Common stock	Capital surplus	Retained earnings	Treasury Stock	Total shareholders' equity
Balance at beginning of current year	3,098	5,585	32,052	(12,740)	27,997
Changes during the year					
New issue of stock	7	7			14
Dividend of surplus			(2,750)		(2,750)
Net income			6,586		6,586
Change of scope of consolidation			(62)		(62)
Acquisition of treasury stock				(3,680)	(3,680)
Retirement of treasury stock			(16,420)	16,420	
Changes of items other than shareholders' equity during the year (Net)					
Total changes during the year	7	7	(12,646)	12,739	108
Balance at end of the year	3,106	5,593	19,406	(0)	28,105

	Accumulated Other Comprehensive Income			Total Net Assets
	Net unrealized holding gain on securities	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of current year	52	–	52	28,050
Changes during the year				
New issue of stock				14
Dividend of surplus				(2,750)
Net income				6,586
Change of scope of consolidation				(62)
Acquisition of treasury stock				(3,680)
Retirement of treasury stock				
Changes of items other than shareholders' equity during the year (Net)	(6)	25	18	18
Total changes during the year	(6)	25	18	127
Balance at end of the year	46	25	71	28,177

Consolidated Fiscal Year 2014 (from April 1, 2013 to March 31, 2014)

(Million yen)

	Shareholders' Equity				
	Common stock	Capital surplus	Retained earnings	Treasury Stock	Total shareholders' equity
Balance at beginning of current year	3,106	5,593	19,406	(0)	28,105
Changes during the year					
New issue of stock	20	20			41
Dividend of surplus			(2,763)		(2,763)
Net income			6,835		6,835
Change of scope of consolidation					
Acquisition of treasury stock				(8,755)	(8,755)
Changes of items other than shareholders' equity during the year (Net)					
Total changes during the year	20	20	4,072	(8,755)	(4,641)
Balance at end of the year	3,127	5,613	23,478	(8,755)	23,464

	Accumulated Other Comprehensive Income			Minority Interest	Total Net Assets
	Net unrealized holding gain on securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of current year	46	25	71	－	28,177
Changes during the year					
New issue of stock					41
Dividend of surplus					(2,763)
Net income					6,835
Change of scope of consolidation				119	119
Acquisition of treasury stock					(8,755)
Changes of items other than shareholders' equity during the year (Net)	11	47	58	－	58
Total changes during the year	11	47	58	119	(4,463)
Balance at end of the year	57	73	130	119	23,713

(4) Consolidated Statements of Cash Flows

(Million yen)

	Consolidated Fiscal Year 2013 (from April 1, 2012 to March 31, 2013)	Consolidated Fiscal Year 2014 (from April 1, 2013 to March 31, 2014)
Cash Flows from Operating Activities		
Income before income taxes and other adjustments	11,570	12,649
Depreciation	1,322	1,305
Impairment losses	3	49
Amortization of goodwill	1,588	1,575
Increase (decrease) in allowance for doubtful accounts	(9)	(4)
Increase (decrease) in reserve for employees' bonuses	94	(28)
Increase (decrease) in allowance for early subscription cancellations	43	38
Increase (decrease) in accrued employees' retirement benefits	(7)	—
Increase (decrease) in liabilities relating to retirement benefits	—	(31)
Interest and dividend income	(9)	(7)
Interest expenses	230	198
Loss (gain) on sales of fixed assets	(3)	(3)
Loss on removal of fixed assets	90	47
Loss (gain) on sales of investment securities	—	(103)
Loss (gain) on valuation of investment securities	0	24
Loss on valuation of golf membership rights	30	—
Decrease (increase) in accounts receivable	6,839	2,159
Decrease (increase) in accounts receivable – other	(6,108)	(3,638)
Decrease (increase) in inventories	4,665	4,729
Increase (decrease) in accounts payable	(16,455)	7,952
Change in other accounts payable	5,666	(2,644)
Others	96	(136)
Subtotal	9,647	24,134
Interests and dividends received	9	7
Interests paid	(235)	(200)
Income taxes paid	(6,723)	(4,106)
Net cash provided by operating activities	2,698	19,834
Cash Flows from Investing Activities		
Payment for purchase of property, plant and equipment	(991)	(988)
Proceeds from sales of property, plant and equipment	12	5
Payment for purchase of software	(301)	(137)
Payment for purchase of investment securities	(4)	(200)
Proceeds from sale of investment in securities	—	227
Payment for purchase of subsidiary shares resulting in change in scope of consolidation	—	(Note 2) (1,110)
Payment for loans receivable	(2)	(10)
Proceeds from collection of loans receivable	17	129
Payment for leasehold deposits	(346)	(342)
Proceeds from return of leasehold deposits	336	286
Others	40	(83)
Net cash used in investing activities	(1,239)	(2,223)

(Million yen)

	Consolidated Fiscal Year 2013 (from April 1, 2012 to March 31, 2013)	Consolidated Fiscal Year 2014 (from April 1, 2013 to March 31, 2014)
Cash Flows from Financing Activities		
Increase (decrease) in short term loans payable	(4,532)	(2,118)
Proceeds from long-term borrowings	13,700	–
Decrease in long-term borrowings	(4,200)	(2,555)
Proceeds from a share issue	14	41
Payments for purchase of treasury stock	(3,680)	(8,755)
Cash dividends paid	(2,756)	(2,763)
Net cash used in financing activities	(1,454)	(16,150)
Effect of exchange rate changes on Cash and Cash Equivalents	19	33
Increase (Decrease) in Cash and Cash Equivalents	23	1,492
Cash and Cash Equivalents at Beginning of Period	1,766	1,997
Cash and Cash Equivalents from newly consolidated subsidiaries	208	–
Cash and Cash Equivalents at End of Period	(Note 1) 1,997	(Note 1) 3,490

(5) Notes to Consolidated Financial Statements

(Note Regarding the Premise of a Going Concern)

There are no items to report.

(Significant Accounting Policies in the Preparation of Consolidated Financial Statements)

1. Scope of Consolidation

(1) Number of consolidated subsidiaries: 5

Name of primary consolidated subsidiaries: TG Miyazaki Co. Ltd.
T-Gaia (Shanghai) Corporation
WAM!NET Japan K.K.

As at the end of the consolidated fiscal year under review, with regard to WAM!NET Japan which has been acquired through the purchase of shares and the newly established Singapore subsidiary Advanced Star Link Pte. Ltd., the only part of the financial statements being presented in consolidated form is the balance sheet.

(2) Company name, etc., of primary non-consolidated subsidiaries

There are no non-consolidated subsidiaries to report.

2. Application of Equity Method

Not applicable as no unconsolidated subsidiaries and affiliates exist.

3. Accounting Period of Consolidated Subsidiaries

Among consolidated subsidiaries, T-GAIA (Shanghai) Corporation and Advanced Star Link Pte. Ltd closes accounts on December 31.

The financial statements of that date are used in the preparation of the consolidated financial statements. Except, however, that with respect to material transactions that occur in the interim until the consolidated balance sheet date, necessary adjustments are made on consolidated accounts.

4. Significant Accounting Policies

(1) Assets valuation basis and valuation method

1) Securities

Other securities

Securities with market quotations:

Securities with market quotations are carried at fair value on the balance sheet date. Changes in unrealized holding gain or loss are included directly in net assets. The cost of securities sold is determined by the moving-average method.

Securities without market quotations:

Securities without market quotations are stated at cost, cost being determined by the moving-average method.

2) Inventories

(a) Merchandise

Merchandise is stated at cost, cost being determined by the first-in first-out method (balance sheet value being calculated by reducing book value, based on the decline in profitability).

(b) Supplies

Supplies are stated at cost, cost being determined by the first-in first out method.

(2) Depreciation and amortization method of principal depreciable assets

1) Property, plant and equipment (excluding lease assets)

Depreciation of property, land and equipment is calculated by the declining-balance method, except for buildings (excluding fixtures) acquired on or subsequent to April 1, 1998 on which depreciation is calculated by the straight-line method. Depreciation of equipment, furniture and fixtures of self-owned shops is calculated by the straight-line method (useful life of 3 years).

Useful life of principle assets is as follows:

Buildings and structures:	2-34 years
Furniture and fixtures:	2-20 years

2) Intangible fixed assets (excluding lease assets)

Calculated by the straight-line method.

Goodwill:	10 years
Software:	5 years

(3) Recognition of significant allowances

1) Allowance for doubtful accounts

To prepare for credit losses on accounts receivable and loans receivable etc., allowances equal to the estimated amount of uncollectible receivables are provided for general receivables based on the historical write-off ratio, and bad receivables based on case-by-case determination of collectability.

2) Reserves for employees' bonuses

To provide for employees' bonus obligations, the Company designates in the reserve account an amount estimated to have accrued for the current fiscal year.

3) Allowance for early subscription cancellations

The Company books an allowance for early subscription cancellations based on historical figures, as the Company must return commissions back to telecom carriers (with which the Company has concluded sales agency agreements) when mobile phone users that have subscribed through the Group or network of sales agencies cancel their subscriptions within a short period of time.

(4) Accounting policy for retirement benefits

For calculations of liabilities relating to retirement benefits and retirement benefit expenditures, the Company applies a simplified method whereby an amount required for voluntary resignations at the end of the term relating to retirement benefits is treated as retirement benefit liabilities.

(5) Standards for the yen conversion of material foreign denominated assets and liabilities

Assets and liabilities and income and expenditure of foreign subsidiaries are converted into yen at the foreign exchange spot rates prevailing on the balance sheet date. Conversion differences are stated in net assets on the currency translation adjustment account.

(5) Method and period of Amortization for Goodwill

Goodwill is amortized under the straight-line method over the period of occurrence.

(6) Scope of cash and cash equivalents on statements of cash flows

Cash and cash equivalents consists of vault cash, deposits that can be withdrawn on demand, and short-term investments, with original maturities of 3 months or less, that are readily convertible known amounts of cash and present insignificant risk of change in value.

(7) Other significant accounting policies in the preparation of consolidated financial statements

1) Accounting for consumption taxes

The tax exclusion method is applied to consumption taxes and local consumption taxes. Non-deductible national and local consumption taxes in the period under review have been taken to expenses.

(Changes in Accounting Presentation**)**

(Consolidated Balance Sheet**)**

The item that was listed in the previous consolidated fiscal year as "Accrued employees' retirement benefits" is now listed as "Liabilities relating to retirement benefits" from this consolidated fiscal year onwards according to the application of the Accounting Standard for Retirement Benefits (Corporate Accounting Standards No. 26 of May 17, 2012; "Accounting Standards for Retirement Benefits") as well as "Application Guidelines Relating to Retirement Benefits" (Corporate Accounting Standards Application Guideline No. 25 of May 17, 2012).

Accounting Standards for Retirement Benefits are applied according to the transitional treatment stipulated in Paragraph 37 of Accounting Standards for Retirement Benefits, with no rearrangement of the presentation.

(Consolidated Statements of Income**)**

Losses on valuation of investments in securities were on consolidated financial statements for the previous fiscal year stated in "Others" included in extraordinary losses. On the financial statements for the period under review, this item has been classified and segregated because its value has risen above 10 percent of total extraordinary losses. In order to reflect the change in the method of presentation, consolidated financial statements for the previous fiscal year have been reclassified. As a result of this change, 0 million yen in "Others" included in extraordinary losses on the consolidated statement of income for the previous fiscal year has been restated to 0 million yen in "Loss on valuation of investments in securities."

(Consolidated Balance Sheets)

*1) Figure of accumulated depreciation includes accumulated impairment losses.

2) The Group has current account overdraft agreements with three banks in order to raise funds efficiently. Loans outstanding as of the end of fiscal year under these agreements are as follows:

	Consolidated Fiscal Year 2013 (As of March 31, 2013)	Consolidated Fiscal Year 2014 (As of March 31, 2014)
Current account overdraft	1,500 million yen	1,500 million yen
Credit used	—	—
Credit available	1,500 million yen	1,500 million yen

3) Contingent Liabilities

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").

While the Company is taking measures to comply with this decision, on June 28, 2013 the Company lodged in the Tokyo District Court an objection to the temporary restraining order seeking its revocation. On March 4, 2014 the court acknowledged part of the Company's claims, and handed down a decision on our objection revoking part of the restraining order. The Company and InComm Japan have each expressed dissatisfaction with aspects of the ruling and each has submitted an appeal against the temporary restraining order to the Tokyo High Court.

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.

(Consolidated Statements of Income)

*1) Major items and figures among Selling, General and Administrative Expenses are as follows.

	Consolidated Fiscal Year 2013 (from April 1, 2012 to March 31, 2013)	Consolidated Fiscal Year 2014 (from April 1, 2013 to March 31, 2014)
Directors remuneration	191 million yen	197 million yen
Employees' wages	6,243 million yen	6,723 million yen
Temporary staff wages	9,615 million yen	9,024 million yen
Provision of reserves for employees' bonuses	1,439 million yen	1,410 million yen
Dispatched staff wages	10,285 million yen	7,206 million yen
Transportation	567 million yen	425 million yen
Other selling amount	6,589 million yen	6,347 million yen
Rent expenses	4,167 million yen	4,313 million yen
Depreciation expenses	1,322 million yen	1,305 million yen
Amortization of goodwill	1,588 million yen	1,575 million yen
Outsourcing expenses	1,133 million yen	1,000 million yen
Others	11,730 million yen	11,019 million yen

*2) Breakdown of gain on sales of fixed assets is as follows.

	Consolidated Fiscal Year 2013 (from April 1, 2012 to March 31, 2013)	Consolidated Fiscal Year 2014 (from April 1, 2013 to March 31, 2014)
Buildings and structures	4 million yen	1 million yen
Motor vehicles and transport equipment	—	0 million yen
Furniture, and fixtures	1 million yen	1 million yen
Other	—	0 million yen
Total	6 million yen	3 million yen

*3) Breakdown of loss on sales of fixed assets is as follows.

	Consolidated Fiscal Year 2013 (from April 1, 2012 to March 31, 2013)	Consolidated Fiscal Year 2014 (from April 1, 2013 to March 31, 2014)
Buildings and structures	0 million yen	0 million yen
Motor vehicles and transport equipment	0 million yen	0 million yen
Furniture, and fixtures	2 million yen	—
Total	2 million yen	0 million yen

*4) Breakdown of loss on removal of fixed assets is as follows.

	Consolidated Fiscal Year 2013 (from April 1, 2012 to March 31, 2013)	Consolidated Fiscal Year 2014 (from April 1, 2013 to March 31, 2014)
Buildings and structures	67 million yen	32 million yen
Transport vehicles and equipment	0 million yen	0 million yen
Furniture, and fixtures	21 million yen	12 million yen
Software	2 million yen	3 million yen
Total	90 million yen	47 million yen

*5) Impairment losses

The Group recognized impairment losses on the following group of assets

Consolidated Fiscal Year 2013 (from April 1, 2012 to March 31, 2013)

Location	Usage	Assets
Stores	Store equipment for directly-managed shops	Buildings and Structures, Furniture and fixtures

The Group groups its stores as minimum cash-generating units, and common assets at the branch offices and store level.

The Company examined stores and branch offices with ongoing negative operating cash flow as candidates for asset impairment, and reduced book value to recoverable amounts, booking the difference (3 million yen) as an extraordinary loss. The breakdown of impairment losses was as follows: buildings and structures 3 million yen, and Furniture and fixtures 0 million yen.

The Company calculated recoverable amounts for stores and branch office assets based on estimated net sales proceeds, which are nil because we believe it will be difficult to sell these assets.

Consolidated Fiscal Year 2014 (from April 1, 2013 to March 31, 2014)

Location	Usage	Assets
Stores	Store equipment for directly-managed shops	Buildings and Structures, Furniture and fixtures

The Group groups its stores as minimum cash-generating units, and common assets at the branch offices and store level.

The Company examined stores and branch offices with ongoing negative operating cash flow as candidates for asset impairment, and reduced book value to recoverable amounts, booking the difference (49 million yen) as an extraordinary loss. The breakdown of impairment losses was as follows: buildings and structures 34 million yen, and Furniture and fixtures 15 million yen.

The Company calculated recoverable amounts for stores and branch office assets based on estimated net sales proceeds, which are nil because we believe it will be difficult to sell these assets.

(Consolidated Statements of Comprehensive Income)

*Other comprehensive income related reclassification adjustments and their tax effect

	Consolidated Fiscal Year 2013 (from April 1, 2012 to March 31, 2013)	Consolidated Fiscal Year 2014 (from April 1, 2013 to March 31, 2014)
Net unrealized holding gain on securities:		
Generated during the fiscal year under review	(10 million yen)	(2 million yen)
Reclassification adjustment	0 million yen	20 million yen
Before tax adjustments	(10 million yen)	17 million yen
Tax effect	3 million yen	(6 million yen)
Net unrealized holding gain on securities	(6 million yen)	11 million yen
Foreign currency translation adjustment:		
Generated during the fiscal year under review	25 million yen	47 million yen
Reclassification adjustment	—	—
Before tax adjustments	25 million yen	47 million yen
Tax effect	—	—
Foreign currency translation adjustment	25 million yen	47 million yen
Total of other comprehensive income	18 million yen	58 million yen

(Consolidated Statements of Changes in Shareholders' Equity)

Consolidated Fiscal Year 2013 (from April 1, 2012 to March 31, 2013)

1. Type and number of outstanding shares and treasury stock

	Number of shares as of April 1, 2012 (shares)	Increase during consolidated period under review (shares)	Decrease during consolidated period under review (shares)	Number of shares as of March 31, 2013 (shares)
Outstanding shares				
Common shares (Note 1)	512,419	78,558,366	117,985	78,952,800
Total	512,419	78,558,366	117,985	78,952,800
Treasury stock				
Common shares (Note2)	91,000	27,028	117,985	43
Total	91,000	27,028	117,985	43

Note 1: Increases and decreases in the number of shares issued and outstanding were as follows

May 31, 2012

Decrease due to cancellation of treasury shares: 117,985 shares

Period from June 1, 2012 to September 30, 2012

Increase due to the issuance of new shares upon the exercise of warrants (stock options): 4 shares

October 1, 2012

Increase due to a 200-for-1 stock split of common stock: 78,493,162 shares

Period from October 1, 2012 to March 31, 2013

Increase due to the issuance of new shares upon the exercise of warrants (stock options): 65,200 shares

Note 2: Increases and decreases in the number of treasury shares were as follows

May 17, 2012 Increase due to the acquisition of treasury shares: 26,985 shares

May 31, 2012 Decrease due to the cancellation of treasury shares: 117,985 shares

November 14, 2012 Increase due to the acquisition of treasury shares through buy-backs of odd lot shares: 43 shares

2. Dividends

(1) Dividend payment

(Resolution)	Type of share	Total amount of dividend (million yen)	Dividend per share (yen)	Record date	Effective date
Annual general meeting of shareholders on June 21, 2012	Common shares	1,369	3,250	March 31, 2012	June 22, 2012
Board of Directors meeting on November 9, 2012	Common shares	1,380	3,500	September 30, 2012	December 11, 2012

(2) Dividends with a record date in the consolidated fiscal year under review but an effective date in the following consolidated fiscal year

(Resolution)	Type of share	Total amount of dividend (million yen)	Source of funds	Dividend per share (yen)	Record date	Effective date
Annual general meeting of shareholders on June 20, 2013	Common shares	1,381	Retained earnings	17.50	March 31, 2013	June 21, 2013

Consolidated Fiscal Year 2014 (from April 1, 2013 to March 31, 2014)

1. Type and number of outstanding shares and treasury stock

	Number of shares as of April 1, 2013 (shares)	Increase during consolidated period under review (shares)	Decrease during consolidated period under review (shares)	Number of shares as of March 31, 2014 (shares)
Outstanding shares				
Common shares (Note1)	78,952,800	52,800	—	79,005,600
Total	78,952,800	52,800	—	79,005,600
Treasury stock				
Common shares (Note2)	43	10,300,293	—	10,300,336
Total	43	10,300,293	—	10,330,336

Note1: Increases and decreases in the number of shares issued and outstanding were as follows

Period from April 1, 2013 to September 30, 2013

Increase due to the issuance of new shares upon the exercise of warrants (stock options): 15,600 shares

Period from October 1, 2013 to March 31, 2014

Increase due to the issuance of new shares upon the exercise of warrants (stock options): 37,200 shares

Note2: Increases and decreases in the number of treasury shares were as follows

June 6, 2013 Increase due to the acquisition of treasury shares through buy-backs of odd lot shares: 13 shares

November 14, 2013 Increase due to the acquisition of treasury shares through buy-backs of odd lot shares: 28 shares

January 16, 2014 Increase due to the acquisition of treasury shares through buy-backs of odd lot shares: 52 shares

Mach 26, 2014 Increase due to tender offer bid: 10,300,200 shares

2. Dividends

(1) Dividend payment

(Resolution)	Type of share	Total amount of dividend (million yen)	Dividend per share (yen)	Record date	Effective date
Annual general meeting of shareholders on June 20, 2013	Common shares	1,381	17.50	March 31, 2013	June 21, 2013
Board of Directors meeting on November 7, 2013	Common shares	1,381	17.50	September 30, 2013	December 10, 2013

(2) Dividends with a record date in the consolidated fiscal year under review but an effective date in the following consolidated fiscal year

(Resolution)	Type of share	Total amount of dividend (million yen)	Source of funds	Dividend per share (yen)	Record date	Effective date
Annual general meeting of shareholders on June 19, 2014	Common shares	1,202	Retained earnings	17.50	March 31, 2014	June 20, 2014

(Consolidated Cash Flow Statements)

*1) Reconciliation of cash and cash equivalents of the statements of cash flows and account balances of balance sheets for the current fiscal year is made as follows:

	Consolidated Fiscal Year 2013 (from April 1, 2012 to March 31, 2013)	Consolidated Fiscal Year 2014 (from April 1, 2013 to March 31, 2014)
Cash on hand and in banks	1,997 million yen	3,490 million yen
Cash and cash equivalents	1,997 million yen	3,490 million yen

*2) Main breakdown of assets and liabilities of newly consolidated subsidiary through acquisition in Consolidated Fiscal Year 2014

Below is a breakdown of assets and liabilities when WAM!NET Japan K.K. was initially included in the scope of consolidation following the purchase of its shares and the relationship between the purchase price of WAM!NET Japan's shares and (net) expenditures to purchase the shares.

Current Assets	275 million yen
Fixed Assets	357 million yen
Goodwill	1,011 million yen
Current Liabilities	(305 million yen)
Minority interest	(119 million yen)
Purchase price of WAM!NET Japan's shares	1,219 million yen
Cash and cash equivalents of WAM!NET Japan K.K.	(109 million yen)
Balance: Expenditures to purchase WAM!NET Japan's shares	1,110 million yen

(Mergers and Acquisitions)

1. Summary of corporate mergers
   (1) Names and business details of acquired company
   Name of acquired company: WAM!NET Japan K.K.
   Business activities: Network management service provider for digital contents, development and sales of fax server software.
   (2) Main reasons for carrying out the corporate merger
   To strengthen the competitiveness of the Company’s Solutions Business and enhance customer service.
   (3) Date of the merger
   March 31, 2014
   (4) Legal form of the merger
   Acquisition of equity shares by cash
   (5) Company name following the merger
   The name is unchanged.
   (6) Percentage of voting rights acquired
   63.5%
   (7) Principal basis for acquisition of WAM!NET Japan K.K.
   The Company has acquired 63.5% of the voting rights of WAM!NET Japan K.K., thus turning it into a consolidated subsidiary.

2. Period for which the acquired company’s business results are included in the consolidated financial statements
   As WAM!NET Japan K.K. was acquired at the end of the consolidated fiscal year under review, its results will not be included consolidated financial statements for fiscal year 2014.

3. Breakdown of the acquisition price of the acquired company

Acquisition price	1,174 million yen
Expenditures directly required for the acquisition	44 million yen
Acquisition cost	1,219 million yen

4. Value of goodwill generated, reasons, amortization methods and amortization periods
   (1) Value of goodwill generated
   1,011 million yen
   (2) Reason for generation of goodwill
   The acquisition price for WAM!NET Japan K.K. exceeded the value of the Company’s shareholding at the time of the merger, and therefore the excess amount has been accounted for as goodwill.
   (3) Amortization method and amortization period
   Straight-line amortization over 10 years

5. Value and breakdown of the assets and liabilities taken over the date of the merger

Current Assets	275 million yen
Fixed Assets	357 million yen
Total Assets	632 million yen
Current Liabilities	305 million yen
Total Liabilities	305 million yen

(Segment Information)

Segment information

1. Summary of reportable segments

Reportable segments of the Group are structural units of the Company for which segregated financial information is available and which are periodically reviewed to enable directors to take decisions on the allocation of management resources and assess operating performance.

The Group forms three reportable segments — Mobile Telecommunications Business, the Solutions Business, and the Settlement Services Business and Other Business — structured by industry segment.

The Mobile Telecommunications Business undertakes contract mediation for mobile phones and other telecommunications services and sells mobile phone handsets and related merchandise. The Solutions Business engages in sales of mobile phone handsets and other products to corporate customers, and contract mediation for fixed-line services such as FTTH to both corporations and individuals. The Settlement Services Business and Other Business engages in the distribution of electronic settlement-related products such as electronic money that utilize PIN sales systems via major convenience store operators throughout Japan, the gift card business, and overseas business.

2. Method of computation of net sales, income or loss, assets, liabilities, and other items by reportable segments

The accounting treatment applicable to reported business segment information is largely consistent with the descriptions in the “Significant Accounting Policies in the Preparation of Consolidated Financial Statements,” and income of each reportable segment indicates operating income of the segment.

3. Information by reportable segment on sales and income or loss amounts, assets, liabilities, and other items
Consolidated Fiscal Year 2013 (from April 1, 2012 to March 31, 2013)

(Million yen)

	Mobile Telecommunica-tions Business	Solutions Business	Settlement Services Business and Other Business	Adjustment amounts (Note 1)	Amount recorded in the consolidated financial statements
Net sales	588,670	27,043	121,136	—	736,850
Segment income (Operating income)	8,137	2,560	1,109	—	11,807
Segment assets	46,599	149	8,582	145,906	201,238
Other Items					
Depreciation (Note 2)	1,200	81	40	—	1,322
Amortization of goodwill	1,575	12	—	—	1,588

Note 1: The 145,906 million yen adjustment amount to segment assets includes assets which are not allocated to each reported segment other than merchandise and goodwill.
2: Fixed tangible assets and non-tangible fixed assets (excluding goodwill) are not allocated to each reported segment. However, depreciation and amortization are allocated based on the segment weightings of divisions accounted for under management accounting.

Consolidated Fiscal Year 2014 (from April 1, 2013 to March 31, 2014)

(Million yen)

	Mobile Telecommunica-tions Business	Solutions Business (Note 3)	Settlement Services Business and Other Business	Adjustment amounts (Note 1)	Amount recorded in the consolidated financial statements
Net sales	576,439	28,549	102,014	—	707,004
Segment income (Operating income)	8,799	3,182	778	—	12,760
Segment assets	41,151	1,186	8,173	149,119	199,631
Other Items					
Depreciation (Note 2)	1,190	61	53	—	1,305
Amortization of goodwill	1,575	—	—	—	1,575

Note 1: The 149,253 million yen adjustment amount to segment assets includes assets which are not allocated to each reported segment other than merchandise and goodwill.
2: Fixed tangible assets and non-tangible fixed assets (excluding goodwill) are not allocated to each reported segment. However, depreciation and amortization are allocated based on the segment weightings of divisions accounted for under management accounting.
3: Data for the Solutions Business for the consolidated fiscal year under review includes the newly acquired consolidated subsidiary WAM!NET Japan K.K.

Related information

Consolidated Fiscal Year 2013 (from April 1, 2012 to March 31, 2013)

1. Information by products and services

(Million yen)

	Mobile Telecommunications Business	Solutions Business	Settlement Services Business and Other Business	Total
Net sales for outside customers	588,670	27,043	121,136	736,850

2. Information by region

(1) Net Sales

Omitted as the Company's net sales for external customers in Japan exceed 90% of net sales listed in the Consolidated Statements of Income.

(2) Fixed tangible assets

Omitted as the amount of fixed tangible assets in Japan exceed the amount of fixed tangible assets listed in the Consolidated Balance Sheets.

3. Information by major clients (mobile carriers)

(Million yen)

Name of clients (mobile carriers)	Net sales	Related segment
KDDI Corporation	108,497	Mobile Telecommunications Business, Solutions Business
NTT DOCOMO, Inc.	86,079	Mobile Telecommunications Business, Solutions Business

Consolidated Fiscal Year 2014 (from April 1, 2013 to March 31, 2014)

1. Information by products and services

(Million yen)

	Mobile Telecommunications Business	Solutions Business	Settlement Services Business and Other Business	Total
Net sales for outside customers	576,439	28,549	102,014	707,004

2. Information by region

(1) Net Sales

Omitted as the Company's net sales for external customers in Japan exceed 90% of net sales listed in the Consolidated Statements of Income.

(2) Fixed tangible assets

Omitted as the amount of fixed tangible assets in Japan exceed the amount of fixed tangible assets listed in the Consolidated Balance Sheets.

3. Information by major clients (mobile carriers)

(Million yen)

Name of clients (mobile carriers)	Net sales	Related segment
KDDI Corporation	109,536	Mobile Telecommunications Business, Solutions Business
NTT DOCOMO, Inc.	75,462	Mobile Telecommunications Business, Solutions Business

Information by reportable segment on impairment losses on fixed asset

Consolidated Fiscal Year 2013 (from April 1, 2012 to March 31, 2013)

(Million yen)

	Mobile Telecommunications Business	Solutions Business	Settlement Services Business and Other Business	Total
Impairment losses	3	—	—	3

(Note) Fixed tangible assets and non-tangible fixed assets (excluding goodwill) are not allocated to each reported segment. However, impairment losses are allocated to the Mobile Telecommunications Business since the losses are due to store equipment for directly-managed shops.

Consolidated Fiscal Year 2014 (from April 1, 2013 to March 31, 2014)

(Million yen)

	Mobile Telecommunications Business	Solution Business	Settlement Services Business and Other Business	Total
Impairment losses	49	—	—	49

(Note) Fixed tangible assets and non-tangible fixed assets (excluding goodwill) are not allocated to each reported segment. However, impairment losses are allocated to the Mobile Telecommunications Business since the losses are due to store equipment for directly-managed shops.

Information concerning the amortized and non-amortized goodwill amounts by reported segment

Consolidated Fiscal Year 2013 (from April 1, 2012 to March 31, 2013)

(Million yen)

	Mobile Telecommunications Business	Solutions Business	Settlement Services Business and Other Business	Total
Amount amortized in the term under review	1,575	12	—	1,588
Balance at the end of the term under review	5,547	—	—	5,547

Consolidated Fiscal Year 2014 (from April 1, 2013 to March 31, 2014)

(Million yen)

	Mobile Telecommunications Business	Solution Business	Settlement Services Business and Other Business	Total
Amount amortized in the term under review	1,575	—	—	1,575
Balance at the end of the term under review	4,353	1,011	—	5,365

Information concerning gains from negative goodwill by reported segment

Not applicable.

(Per Share Information)

(Yen)

	Consolidated Fiscal Year 2013 (from April 1, 2012 to March 31, 2013)	Consolidated Fiscal Year 2014 (from April 1, 2013 to March 31, 2014)
Net assets per share	356.89	343.41
Amount of net income per share	82.76	86.74
Amount of diluted net income per share	82.72	86.67

(Note) The following is a reconciliation of amount of net income per share and diluted net income per share

	Consolidated Fiscal Year 2013 (from April 1, 2012 to March 31, 2013)	Consolidated Fiscal Year 2014 (from April 1, 2013 to March 31, 2014)
Amount of net income per share		
Net income (million yen)	6,586	6,835
Net income not available to common shareholders (million yen)	—	
Net income available to common shares (million yen)	6,586	6,835
Average number of common shares outstanding during the period (shares)	79,578,208	78,803,864

	Consolidated Fiscal Year 2013 (from April 1, 2012 to March 31, 2013)	Consolidated Fiscal Year 2014 (from April 1, 2013 to March 31, 2014)
Amount of diluted net income per share		
Increase in the number of common shares (shares)	46,006	63,840
(Of which stock acquisition rights (shares))	(46,006)	(63,840)
Summary of potential stock not included in the calculation of “amount of diluted net income per share” since there was no dilutive effect in the period.	—	—

(Note) On October 1, 2012, the Company carried out a 200-for-1 stock split. Net assets per share, net profit per share, and net profit per share after potential dilution have been calculated under the supposition that this stock split was carried out at the beginning of the previous consolidated fiscal year (fiscal year 2013).

(Subsequent Events)

Not applicable.

5. Others

(1) Transfers of directors

In regard to changes in directors, please refer to the “Announcement Regarding the Transfer of Directors” released on April 25, 2014.