

(Summary Translation)
Consolidated Financial Results for the Fiscal Year Ended March 31, 2018
(Based on J-GAAP)

May 1st, 2018

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Scheduled date of Annual General Meeting of Shareholders: June 20, 2018

Scheduled date of filing Securities Report: June 20, 2018

Scheduled commencement date of dividend payout: June 21, 2018

Financial results supplementary explanation 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, 2018 (April 1, 2017 – March 31, 2018)

(1) Consolidated results of operations (twelve months) (Percentages represent year-over-year changes)

	Net sales		Operating income		Ordinary income		Net income attributable to shareholders of the parent company	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY 2018	552,771	0.2	14,457	1.3	15,335	7.4	10,161	4.8
FY 2017	551,592	(11.0)	14,271	(8.9)	14,284	(8.6)	9,694	2.1

(Note) Comprehensive income (million yen): FY 2018: 10,070 / 2.3% FY 2017: 9,846 / 2.9%

	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 2018	182.34	—	30.9	13.0	2.6
FY 2017	172.62	—	29.7	17.7	2.6

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY 2018	159,923	36,473	22.8	653.98
FY 2017	75,282	29,389	39.0	526.92

Reference: Shareholders' equity (million yen): FY 2018: 36,445 FY 2017: 29,364

(3) Consolidated cash flow position

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash & cash equivalents of the period
	Million yen	Million yen	Million yen	Million yen
FY 2018	12,470	19,168	(16,696)	16,850
FY 2017	17,988	(2,126)	(17,252)	1,901

2. Dividends

	Annual dividends					Total dividend	Dividend payout	Dividend on Equity
	1Q-end	Interim	3Q-end	Yearend	Annual	Annual	ratio Consolidate	Consolidate
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY 2018	—	27.50	—	27.50	55.00	3,065	30.2	9.3
FY 2017	—	26.00	—	26.00	52.00	2,897	30.1	9.9

3. Consolidated forecasts for the Fiscal Year Ending March 31, 2019 (April 1, 2018 – March 31, 2019)

(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	540,000	(2.3)	14,900	3.1	20,000	30.4	13,500	32.9	242.24

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

	Annual dividends	Total dividend	Dividend payout	Dividend on Equity
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	1Q-end	Interim	3Q-end	Yearend	Annual	Annual	ratio Consolodate	Consolidate
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY 2019 (forecasts)	—	36.50	—	36.50	73.00		30.1	

Notes

(1) Changes in significant subsidiaries during the consolidated period (twelve months) under review

(changes in subsidiaries accompanying change in the scope of consolidation): Yes

New: Yes (Company name: QUO CARD Co., Ltd.)

Excluded: None (Company name:)

(2) Application of simplified accounting procedures and special accounting procedures

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 2018	79,074,000 shares	FY 2017	79,074,000 shares
FY 2018	23,345,796 shares	FY 2017	23,345,796 shares
FY 2018	55,728,204 shares	FY 2017	56,157,130 shares

2) Number of treasury stock at end of period

3) Average number of shares outstanding during the period

* The summary of business results is not subject to audit.

* 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 “(4)Outlook” under “1. Summary of Results of Operations” on page 5 of the Attachment to the summary of quarterly financial statement.

(Concerning financial results supplementary explanatory documents and financial results presentation)

Financial results presentation for institutional investors & analysts will be made on May 9, 2018.

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

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1. Summary of Results of Operations

(1) Summary of results of operations for the current fiscal year

The Japanese economy in the period under review, aided by the government's continued economic policy measures and the monetary easing policies of the Bank of Japan, proceeded on a moderate recovery track attended by signs of rebounding personal consumption against a backdrop of improved conditions for employment and household incomes. However, the further outlook remains uncertain given the direction of US economic policies, economic conditions in Asian countries, and rising geopolitical risk.

In the market for mobile phone handsets, which forms the core business field of the Group (the Company and its consolidated subsidiaries and equity-method affiliates), the range of customer choices widened as telecommunications carriers offered new charge plans while sub-brands and Mobile Virtual Network Operators (MVNO) became widespread. Additionally, the future direction of the marketplace came into focus prompted by the announcement of a new telecommunications carrier poised to enter the market.

In this operating environment, sales of mobile handsets of the Company rose to 4.59 million units, surpassing the result of the previous fiscal year, with the percentage of smart device sales exceeding 80% of the total.

At the operating level, the Company took steps to enhance productivity by applying flexible work-hour schemes combined with continued efforts surrounding workplace reform at store operations by establishing fixed-day and year-end store holidays and shortened business hours, etc., in order to raise employee satisfaction and staff retention. Thus, a working hour reduction initiative implemented from November 2017 over a 5-month period resulted in an approximate 8% reduction of total working hours compared with the previous fiscal year. Additionally, as an acknowledgment of the Company's efforts surrounding child care support, the Company won the first prize in the "Child Care Support Category" of the 3rd White Company Award.

Consolidated results for the period under review marked net sales of 552,771 million yen (+0.2% compared with the previous fiscal year), operating income of 14,457 million yen (+1.3%), and ordinary income of 15,335 million yen (+7.4%). Net income attributable to shareholders of the parent company marked a historical high of 10,161 million yen (+4.8% compared with the previous fiscal year).

Consolidated business results by segment in the period under review developed as follows.

[Mobile Telecommunications Business]

In the mobile telecommunications business, the Company promoted repurchase demand with offers such as newly launched attractive models, new charge plans, and low-priced handsets. Including sales of telecommunication carriers' sub-brands and MVNO handsets, unit sales increased from the previous fiscal year.

Furthermore, the Company worked to strengthen its added-value proposal capability and raise profitability by offering along with sales of smart devices also services such as optical lines, security related products, and smartphone accessories and other related merchandise. The company proactively invested in store premises including measures for the strengthening of carrier shops through relocation and refurbishment. Likewise, with a view to the future, the Company pushed ahead investing in human resources. Specifically, throughout the year, more temp staff were promoted to regular employee status along with new hiring and stepped-up training of sales staff.

As a result of these developments, net sales marked 477,518 million yen (+2.7% compared with the year-earlier period) and operating income of 11,570 million yen (+3.4% compared with the year-earlier period).

[Solutions Business]

In mobile solutions for corporations, supported by the rising trend in business sentiment, a growing number of corporations introduced smart devices as efficiency-enhancing business tools. In this operating environment the Company engaged in aggressive marketing with propositions for the introduction and application of smart devices linked to business efficiency gains, realizing higher unit sales compared with the previous fiscal year. New orders for high added-value solution services also increased, with helpdesk operations previously reinforced in a coordinated effort with group companies posting gains also as measured in service units provided. The division promoted also solution services adapted to the needs of corporations in specific industries such as education and elder care where the potential for information and communication technology applications is huge.

In products related to fixed-line telecommunications, the division has been working to strengthen its sales capabilities by seeking to identify new partner companies and nurturing existing resale wholesalers for the Company's own "TG Hikari" fiber-optics access service. As a result, the cumulative number of corporate customer lines has been steadily increasing. Furthermore, the Company made forward-looking investments by continuing to expand service content and support systems. As a result of these developments, net sales marked 24,580 million yen (+10.6% compared with the year-earlier period) and operating income of 1,903 million yen (+2.9% compared with the year-earlier period).

[Settlement Services Business and Other Business]

In settlement services business, the merchandise composition continues to transition from electronic money-based products (with net sales recognized based on face value amounts) to gift cards (with net sales recognized based only on commission fee receipts), accompanied by additional effects from the ongoing reorganization of existing sales channels mainly at convenience stores. As a result, handling volumes decreased compared with the previous fiscal year.

Dated December 1, 2017, the Company integrated QUO CARD Co., Ltd. as its fully-owned subsidiary, resulting in a rise in current QUO Card issuance by combining the client bases and business knowhow of the Company and QUO CARD.

Additionally preparations have been underway to build a new earnings platform of the group through the creation of the new "Digital QUO Card."

In overseas settlement services business, the Singapore-based gift card business and the house card business have been performing well. Elsewhere in Southeast Asia, house card operations have been moving into Malaysia and Thailand.

As a result, net sales marked 50,671 million yen (-21.3% compared with the year-earlier period) and operating income of 1,097 million yen (-18.2% compared with the year-earlier period).

(2) Summary of financial position for the current fiscal year

(Assets)

Consolidated current assets at the end of the period under review totaled 145,048 million yen, which was 83,407 million yen lower than at the end of the previous fiscal year. This was mainly due to 17,039 million yen higher cash and deposits, 6,668 million yen higher notes and accounts receivable - trade, 2,756 million yen higher accounts receivable-other, and a 53,522 million yen higher guarantee deposits. Non-current assets totaled 14,875 million yen, which was 1,233 million yen higher than at the end of the previous fiscal year. This was mainly due to 267 million yen higher buildings and structures, 102 million yen higher furniture and fixtures, 395 million yen higher goodwill, and 104 million yen higher investment securities.

As a result, total assets totaled 159,923 million yen, which was 84,640 million yen higher than at the end of the previous fiscal year.

(Liabilities)

Consolidated current liabilities at the end of the period under review totaled 116,443 million yen, which was 81,996 million yen higher than at the end of the previous fiscal year. This was mainly due to 83,313 million yen higher card deposits, 4,777 million yen higher accounts payable - other, 1,223 million yen higher income taxes payable, 8,198 million yen lower short-term loans payable, and 875 million yen lower current portion of long-term loans payable. Non-current liabilities totaled 7,006 million yen, which was 4,439 million yen lower than at the end of the previous fiscal year. This was mainly due to 4,628 million yen lower long-term bank borrowings.

As a result, total liabilities totaled 123,450 million yen, which was 77,557 million yen lower than at the end of the previous fiscal year.

(Net assets)

Consolidated net assets at the end of the period under review totaled 36,473 million yen, which was 7,083 million yen higher than at the end of the previous fiscal year. Main factors were 10,161 million yen in net income for the period attributable to shareholders of the parent company and 2,981 million yen in dividends of retained earnings.

As a result, the equity ratio decreased to 22.8% (It was 39.0% at the end of the previous fiscal year).

(3) Summary of cash flows for the current fiscal year

Consolidated cash and cash equivalents (“Cash”) at the end of the period under review were 16,850 million yen, which is 14,948 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 12,470 million yen (-30.7% compared with the year-earlier period). Main factors were 15,256 million yen in income before income taxes and minority interests, 1,716 million yen in depreciation charges, a 5,485 million yen rise in accounts receivable-trade, a 1,970 million yen rise in card deposits, and 4,477 million yen in income taxes paid.

(Cash flows from investing activities)

Cash from investing activities was 19,168 million yen (compared with 2,126 million yen cash used in investing activities in the previous fiscal year). Main factors were 22,000 million yen in income from the acquisition of subsidiary shares associated with a change in the scope of the consolidation, 1,418 million yen in expenditure for the acquisition of property, plant, and equipment, 390 million yen in expenditure for term deposits posted, and 455 million yen in expenditure for the acquisition of software.

(Cash flows from financing activities)

Cash used in financing activities was 16,696 million yen (3.2% lower than cash used in financing activities in the previous fiscal year). Main factors were expenditures for an 8,200 million yen net reduction in short-term borrowings, a 5,503 million yen repayment of long-term loans, and 2,985 million yen in dividend payments.

(Reference) Consolidated cash flow indicators

	FY 2014 (consolidated)	FY 2015 (consolidated)	FY 2016 (consolidated)	FY 2017 (consolidated)	FY 2018 (consolidated)
Shareholders' equity ratio (%)	22.6	32.3	41.7	39.0	22.8
Shareholders' equity ratio based on market prices (%)	61.2	121.3	104.3	141.8	103.2
Interest-bearing debt to cash flow ratio (%)	256.8	148.7	163.2	128.3	75.2
Interest coverage ratio (times)	98.8	124.2	111.0	262.6	325.5

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

(Note 1) Numbers stated in the consolidated financial statements are used in all cases.

(Note 2) Market capitalization has been calculated based on the number of shares issued and outstanding at the end of the fiscal year after deduction of treasury shares.

(Note 3) Cash flow is taken from the statement of cash flows.

(Note 4) Interest-bearing debt includes all the liabilities carried on the consolidated balance sheets that incur interest.

(4) Outlook

The outlook for the Japanese economy is for the moderate recovery pace to remain intact given the ongoing improvements in conditions for employment and household incomes, effects from various kinds of public policy measures, and signs of rebounding personal consumption. In this setting, the Company will continue with its efforts to create new earnings platforms and raise company-level productivity at all segments of the Group.

In the mobile telecommunications business, given subsiding new initiatives and charge plan reviews of telecommunications carriers amid the progressing diffusion of telecommunications carriers' sub-brands and MVNO, further enhancements with regard to customer response quality and proposal capability will be likely required at the store level. Unit sales of the Company are expected to post declines in some sales channels due to realigning logistics. On the other hand, income is seen to increase as productivity rises on the back of widened store functionality through relocation and refurbishment, etc., higher staff retention ratios by promoting more temp staff members to regular employee status, and further diffusion of ICT application and flexible work-hour schemes. Moreover, given the announcement that a new carrier plans to enter the telecommunications market, the operating environment of the group is expected to continue changing.

In the enterprise solution business, with corporate business sentiment continuing to improve, smart device introductions are seen to proliferate. This should also keep driving corporate demand for support services such as kitting services for initial settings and help desk services, etc. Through the amalgamation of the enterprise solution business and network business divisions and by strengthening the sales force, the Company will raise its comprehensive proposal capability across the combined expanse of solution services and optical line services, with expectations for growth in both unit sales and service contracts.

In the Settlement Service Business, expectations are for rising settlement amounts driven by smartphone usage in the light of the growth in internet shopping and diverse digital contents including music and electronic publications. Novel settlement tools such as digital codes, etc., will likely increase and the prepaid settlement market is seen to keep expanding. Along with expanding the issuance volume of the current QUO Card of QUO CARD Co., Ltd., the group will accelerate investment with the aim of launching in the fiscal year to March 2019 a "Digital QUO Card" as a new earnings platform. Meanwhile, amid the ongoing reorganization of existing sales channels such as convenience stores, expectations are for the scopes of both merchandise and sales channels to widen.

Consolidated performance projections for the fiscal year to March 2019 call for net sales of 540,000 million yen (-2.3% compared with the previous fiscal year) with operating income of 14,900 million yen (+3.1%), ordinary income of 20,000 million yen (+30.4%), and 13,500 million yen (+32.9%) in net income attributable to shareholders of the parent company.

(5) 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.

In accordance with the initial dividend projection at the start of the term, for the period under review the Company plans to pay a year-end dividend of 27.50 yen per share. The annual dividend, including an interim dividend of 27.50 paid last December, is projected at 55.00 yen per share (reflecting an increase of 3.00 yen per share compared with the year-earlier period).

For the next fiscal year, comprehensively taking into account the Company's results projections and dividend basic policies, it is planned to raise the annual per-share dividend to 73.00 yen (comprised of an interim dividend and a term-end dividend of 36.50 yen each).

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.

2. Fundamental Concepts Concerning the Choice of Accounting Standards

As a policy, the Group for the time being will prepare its consolidated financial statements in accordance with Japanese accounting standards to ensure comparability between accounting periods and companies.

However, in the light of changing shareholder percentages of foreign investors and a trend toward applying international accounting standards among domestic competitors, the Company plans to initiate deliberations concerning the application of international accounting standards in future.

3. Consolidated Financial Statements and Essential Notes

(1) Consolidated Balance Sheets

(Million yen)

	Consolidated Fiscal Year 2017 (As of March 31, 2017)	Consolidated Fiscal Year 2018 (As of March 31, 2018)
Assets		
Current assets		
Cash on hand and in banks	1,901	18,941
Notes and accounts receivable - trade	12,867	19,536
Operational investment securities	—	2,051
Products	34,218	34,953
Stored products	80	136
Deferred tax assets	1,263	1,756
Accounts receivable – other	10,399	13,156
Guarantee deposits	—	53,522
Other current assets	913	1,0948
Allowance for doubtful accounts	(4)	(104)
Total current assets	61,641	145,048
Fixed assets		
Fixed tangible assets		
Buildings and structures	7,394	8,009
Accumulated depreciation	(5,433)	(5,781)
Buildings and structures (Net)	1,961	2,228
Machinery, equipment and vehicles	7	10
Accumulated depreciation	(5)	(6)
Machinery, equipment and vehicles, (Net)	1	4
Furniture and fixtures	4,459	5,184
Accumulated depreciation	(3,477)	(4,100)
Furniture and fixtures (Net)	981	1,083
Land	353	329
Leased assets	—	109
Accumulated depreciation	—	(51)
Leased assets, (Net)	—	58
Construction in progress	23	39
Total tangible fixed assets	3,321	3,744
Non-tangible fixed assets		
Goodwill	1,847	2,243
Software	1,149	1,265
Others	84	124
Total non-tangible fixed assets	3,081	3,632
Investment and other assets		
Investment securities	919	1,024
Long-term loans receivable	—	92
Deferred tax assets	1,352	1,226
Leasehold deposits	4,342	4,385
Others	640	774
Allowance for doubtful accounts	(17)	(5)
Total investments and other assets	7,238	7,497
Total fixed assets	13,641	14,875
Total assets	75,282	159,923

(Million yen)

	Consolidated Fiscal Year 2017 (As of March 31, 2017)	Consolidated Fiscal Year 2018 (As of March 31, 2018)
Liabilities		
Current liabilities		
Accounts payable – trade	7,915	8,901
Short-term borrowings	8,332	133
Long-term borrowings payable within one year	5,503	4,628
Accounts payable – other	8,446	13,224
Unpaid taxes	1,845	3,068
Reserve of bonuses	1,747	1,922
Allowance for early subscription cancellations	164	128
Card deposits	—	83,313
Other current liabilities	491	1,122
Total current liabilities	34,446	116,443
Long-term liabilities		
Long-term borrowings	9,244	4,616
Years of service gratuity reserve provision	—	63
Liabilities relating to retirement benefits	374	367
Asset retirement obligations	1,388	1,515
Others	439	444
Total long-term liabilities	11,446	7,006
Total liabilities	45,892	123,450
Net Assets		
Shareholders' equity		
Common stock	3,154	3,154
Capital surplus	5,177	5,177
Retained earnings	42,232	49,412
Treasury stock	(21,526)	(21,526)
Total shareholders' equity	29,037	36,217
Accumulated other comprehensive income		
Net unrealized holding gain on securities	321	225
Foreign currency translation adjustment	6	8
Remeasurements of defined benefit plans	—	(6)
Total accumulated other comprehensive income	327	228
Non-controlling shareholder interest	24	27
Total net assets	29,389	36,473
Total Liabilities and Net Assets	75,282	159,923

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

(Million yen)

	Consolidated Fiscal Year 2017 (from April 1, 2016 to March 31, 2017)	Consolidated Fiscal Year 2018 (from April 1, 2017 to March 31, 2018)
Net Sales	551,592	552,771
Cost of Goods Sold	489,854	488,496
Total Income from Sales	61,738	64,274
Selling, General and Administrative Expenses	*47,467	*49,816
Operating Income	14,271	14,457
Non-Operating Income		
Interest income	1	0
Dividend income	5	7
Equity in earnings of affiliates	26	24
Income from hoarded cards	—	836
Others	71	83
Total non-operating income	105	952
Non-Operating Expenses		
Interest expenses	66	37
Store lease termination penalties	14	27
Others	10	9
Total non-operating expenses	92	74
Ordinary Income	14,284	15,335
Extraordinary Gains		
Gain on sales of fixed assets	3	4
Gain on sales of investment securities	118	—
Gain on sales of shares of subsidiaries	41	—
Total extraordinary gains	163	4
Extraordinary Losses		
Loss on sales of fixed assets	0	15
Loss on removal of fixed assets	68	38
Impairment losses	76	28
Total extraordinary losses	145	83
Income before Taxes	14,302	15,256
Income Taxes – Current	4,348	5,078
Income Taxes – Deferred	191	9
Total Income Taxes	4,539	5,087
Net Income	9,762	10,169
Net Income Attributable to Non-controlling Shareholders	68	8
Net Income Attributable to Shareholders of the Parent Company	9,694	10,161

(Consolidated Statements of Comprehensive Income)

(Million yen)

	Consolidated Fiscal Year 2017 (from April 1, 2016 to March 31, 2017)	Consolidated Fiscal Year 2018 (from April 1, 2017 to March 31, 2018)
Net Income	9,762	10,169
Other Comprehensive Income		
Net unrealized holding gain on securities	210	(95)
Foreign currency translation adjustment	(127)	2
Remeasurements of defined benefit plans, net of tax	—	(6)
Total other comprehensive income	83	(99)
Comprehensive Income	9,846	10,070
(Breakdown)		
Comprehensive income attributable to shareholders of the parent	9,778	10,062
Comprehensive income attributable to non-controlling shareholders	68	8

(3) Consolidated Statements of Changes in Shareholders' Equity
Consolidated Fiscal Year 2017 (from April 1, 2016 to March 31, 2017)

(Million yen)

	Shareholders' Equity				Total shareholders' equity
	Common stock	Capital surplus	Retained earnings	Treasury Stock	
Balance at beginning of current year	3,154	5,640	35,534	(8,755)	35,573
Changes during the year					
Dividend of surplus			(2,996)		(2,996)
Net income attributable to shareholders of the parent company			9,964		9,694
Acquisition of treasury stock				(12,771)	(12,771)
Change in treasury shares of parent arising from transactions with non-controlling shareholders		(462)			(462)
Changes of items other than shareholders' equity during the year (Net)					
Total changes during the year	—	(462)	6,697	(12,771)	(6,536)
Balance at end of the year	3,154	5,177	42,232	(21,526)	29,037

	Accumulated Other Comprehensive Income			Equity of non-controlling shareholders	Total Net Assets
	Net unrealized holding gain on securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of current year	110	133	243	201	36,018
Changes during the year					
Dividend of surplus					(2,996)
Net income attributable to shareholders of the parent company					9,694
Acquisition of treasury stock					(12,771)
Change in treasury shares of parent arising from transactions with non-controlling shareholders				(177)	(640)
Changes of items other than shareholders' equity during the year (Net)	210	(127)	83	1	84
Total changes during the year	210	(127)	83	(176)	(6,629)
Balance at end of the year	321	6	327	24	29,389

Consolidated Fiscal Year 2018 (from April 1, 2017 to March 31, 2018)

(Million yen)

	Shareholders' Equity				
	Common stock	Capital surplus	Retained earnings	Treasury Stock	Total shareholders' equity
Balance at beginning of current year	3,154	5,177	42,232	(21,526)	29,037
Changes during the year					
Dividend of surplus			(2,981)		(2,981)
Net income attributable to shareholders of the parent company			10,161		10,161
Changes of items other than shareholders' equity during the year (Net)					
Total changes during the year	—	—	7,180	—	7,180
Balance at end of the year	3,154	5,177	49,412	(21,526)	36,217

	Accumulated Other Comprehensive Income				Equity of non-controlling shareholders	Total Net Assets
	Net unrealized holding gain on securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current year	321	6	—	327	24	29,389
Changes during the year						
Dividend of surplus						(2,981)
Net income attributable to shareholders of the parent company						10,161
Changes of items other than shareholders' equity during the year (Net)	(95)	2	(6)	(99)	2	(96)
Total changes during the year	(95)	2	(6)	(99)	2	7,083
Balance at end of the year	225	8	(6)	228	27	36,473

(4) Consolidated Statements of Cash Flows

(Million yen)

	Consolidated Fiscal Year 2017 (from April 1, 2016 to March 31, 2017)	Consolidated Fiscal Year 2018 (from April 1, 2017 to March 31, 2018)
Cash Flows from Operating Activities		
Income before income taxes and other adjustments	14,302	15,256
Depreciation	1,583	1,716
Impairment losses	76	28
Amortization of goodwill	662	518
Increase (decrease) in allowance for doubtful accounts	12	88
Increase (decrease) in reserve for employees' bonuses	51	139
Increase (decrease) in allowance for early subscription cancellations	(15)	(36)
Increase (decrease) in liabilities relating to retirement benefits	(10)	(12)
Increase (decrease) in years of service gratuity reserve provision	—	63
Interest and dividend income	(7)	(7)
Interest expenses	66	37
Loss (gain) on sales of shares of subsidiaries	(41)	—
Equity in losses (earnings) of affiliates	(26)	(24)
Loss (gain) on sale of investment securities	(118)	—
Loss (gain) on sales of fixed assets	(3)	11
Loss on removal of fixed assets	68	38
Decrease (increase) in notes and accounts receivable - trade	6,124	(5,485)
Decrease (increase) in accounts receivable - other	1,039	1,132
Decrease (increase) in investment securities for sale	—	1,015
Decrease (increase) in inventories	1,692	541
Decrease (increase) in short-term guarantee deposits	—	(1,000)
Increase (decrease) in accounts payable	126	696
Change in other accounts payable	(2,041)	59
Increase (decrease) in card deposits	—	1,970
Others	264	220
Subtotal	23,809	16,968
Interests and dividends received	14	17
Interests paid	(68)	(38)
Income taxes paid	(5,766)	(4,477)
Net cash provided by operating activities	17,988	12,470
Cash Flows from Investing Activities		
Payments into time deposits	—	(390)
Payment for purchase of property, plant and equipment	(1,274)	(1,418)
Proceeds from sales of property, plant and equipment	3	20
Payment for purchase of software	(503)	(455)
Payment for purchase of investment securities	(9)	(219)
Proceeds from sales of investments in securities	126	—
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	22,000
Proceeds from sales of shares of subsidiaries associated with a change in the scope of the consolidation	19	—
Payment for loans receivable	(5)	(103)
Proceeds from collection of loans receivable	5	5
Payment for leasehold deposits	(410)	(198)
Proceeds from return of leasehold deposits	133	207
Others	(212)	(279)
Net cash used in investing activities	(2,126)	19,168
Cash Flows from Financing Activities		
Increase (decrease) in short term loans payable	7,350	(8,200)
Decrease in long-term borrowings	(8,128)	(5,503)
Cash dividends paid	(2,995)	(2,985)
Dividends paid to non-controlling shareholders	(67)	(5)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(640)	—
Payments for purchase of treasury stock	(12,771)	—
Other, net	—	(2)
Net cash used in financing activities	(17,252)	(16,696)
Effect of exchange rate changes on Cash and Cash Equivalents	(22)	5
Increase (Decrease) in Cash and Cash Equivalents	(1,412)	14,948
Cash and Cash Equivalents at Beginning of Period	3,314	1,901
Cash and Cash Equivalents at End of Period	1,901	16,850

(5) Notes to Consolidated Financial Statements
(Note Regarding the Premise of a Going Concern)

There are no items to report.

(Consolidated Statements of Income)

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

	Consolidated Fiscal Year 2017 (from April 1, 2016 to March 31, 2017)	Consolidated Fiscal Year 2018 (from April 1, 2017 to March 31, 2018)
Directors remuneration	247 million yen	241 million yen
Employees' wages	8,986 million yen	13,895 million yen
Temporary staff wages	7,812 million yen	2,597 million yen
Provision of reserves for employees' bonuses	1,729 million yen	1,874 million yen
Retirement benefit expenses	153 million yen	169 million yen
Years of service gratuity reserve provisioning amount	—	63 million yen
Dispatched staff wages	4,818 million yen	5,772 million yen
Promotion expenses	3,883 million yen	3,856 million yen
Rent expenses	4,631 million yen	4,799 million yen
Depreciation expenses	1,454 million yen	1,554 million yen
Amortization of goodwill	662 million yen	518 million yen
Provision of allowance for doubtful accounts	12 million yen	88 million yen

(Business Combinations)

Business combination by acquisition

1. Outline of the business combination

(1) Name and business lines of the acquired company

Name of the acquired company:	QUO CARD Co., Ltd.
Business lines	Card (prepaid, etc.) issuance and settlement operations
	Main reasons for the business combination

(2) Main reasons for the business combination

The inception of prepaid phone and prepaid card sales by the Company at convenience stores was associated with an expansion of settlement service distributor operations such as PIN-based prepaid electronic money and gift card sales. The company plans to grow this settlement services business into a business mainstay second to its mobile handset sales business. The acquisition of the share capital serves the further expansion of this business field. Specifically, by combining the settlement service knowhow of the Company with the customer base of QUO CARD Co., Ltd., it is planned to further increase "QUO Card" issuance and achieve further growth in this business field by facilitating electronic settlement predominantly at convenience stores.

(3) Date of the business combination

December 1, 2017 (Share acquisition date)
December 31 2017 (Deemed acquisition date)

(4) Legal form of the business combination

Cash-based share acquisition

(5) Name of the party after the business combination

Unchanged.

(6) Percentage of voting rights acquired

100%

(7) Primary basis of determination of the acquirer

The company acquired shares for cash and integrated the acquired entity as a consolidated subsidiary.

2. Performance interval of the acquired entity accounted for in consolidated financial statements

Predicated on December 31, 2017, as the deemed acquisition date, the consolidated income statement reflects the business performance of the acquired entity for the interval from January 1, 2018, until March 31, 2018.

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

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

4. Significant acquisition-related expenses and their contents and amounts

Advisory fees etc.	52 million yen
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5. Goodwill amount, basis of recognition, and amortization method and amortization period

(1) Goodwill amount

913 million yen

Since the allocation of the acquisition cost had yet to be completed, the goodwill amount was calculated once provisionally as of the end of the third quarter and finalized in the 4th quarter of the period under review. No corrections have been made to the goodwill amount.

(2) Basis of recognition

Goodwill represents mainly the excess earning capability expected to materialize through future business development.

(3) Amortization method and period

Amortization in even amounts over a 5-year period

6. Amounts and main contents of assets and liabilities assumed as of the business combination date

Current assets	108,590 million yen
Non-current assets	330 million yen
Total assets	108,920 million yen
Current liabilities	87,275 million yen
Non-current liabilities	58 million yen
Total liabilities	87,334 million yen

7. Approximate amounts and calculation method of effects on the consolidated income statement for the period under review assuming completion of the business combination on the first day of the fiscal year

(Approximate amounts of impact on the consolidated income statement)

Net sales	3,500 million yen
Ordinary income	2,800 million yen
Net income attributable to shareholders of the parent company	1,800 million yen

(Calculation method of the approximate amount)

Assuming completion of the business combination on the first day of the fiscal year and based on the net sales amount and income and expenditure information of the acquired entity for the interval from the first day of the fiscal year of the acquiring entity until the business combination date, the approximate impact amount is the goodwill amortization amount calculated assuming that the goodwill amount recognized at the time of the business combinations arose at the start of the period under review.

(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 the business of contract intermediation and sales of mobile phone handsets and solutions services for corporate customers as well as contract intermediation and provider operations for fixed-line telecommunications such as FTTH for corporations and consumers. The “Settlement Services Business and Other Business” engages through major nationwide convenience store chains in sales of electronic money-enabled merchandise and gift card sales using PIN sales systems, sales of prepaid card business operations, and overseas business operations.

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.

(Change in the calculation method for segment assets)

Starting with the period under review, the method of asset allocation by reportable segment has been changed in order to more accurately grasp the actual status of each reportable segment. Note that the stated previous fiscal-year information on assets by reportable segment has been prepared in accordance with the changed method of asset allocation.

3. Information by reportable segment on sales and income or loss amounts, assets, liabilities, and other items

Consolidated Fiscal Year 2017 (from April 1, 2016 to March 31, 2017)

(Million yen)

	Mobile Telecommunications Business	Solutions Business	Settlement Services Business and Other Business	Adjustment amounts (Note 1)	Amount recorded in the consolidated financial statements
Net sales	465,014	22,222	64,355	—	551,592
Segment income (Operating income)	11,080	1,850	1,340	—	14,271
Segment assets	33,722	2,046	2,401	37,112	75,282
Other Items					
Depreciation (Note 2)	1,282	254	46	—	1,583
Amortization of goodwill	561	101	—	—	662
Amount of investments in equity-method affiliates	—	334	—	—	334

Note 1: The segment asset adjustment amount of 37,112 million yen comprises mostly company-level assets under head office management which are not allocated to individual reportable segments.

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 2018 (from April 1, 2017 to March 31, 2018)

(Million yen)

	Mobile Telecommunications Business	Solutions Business	Settlement Services Business and Other Business	Adjustment amounts (Note 1)	Amount recorded in the consolidated financial statements
Net sales	465,014	22,222	64,355	—	551,592
Segment income (Operating income)	11,080	1,850	1,340	—	14,271
Segment assets	32,944	1,002	2,119	39,215	75,282
Other Items					
Depreciation (Note 2)	1,282	254	46	—	1,583
Amortization of goodwill	561	101	—	—	662
Amount of investments in equity-method affiliates	—	—	—	—	—

Note 1: The segment asset adjustment amount of 56,673 million yen comprises mostly company-level assets under head office management which are not allocated to individual reportable segments.

- 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.

Related information

Consolidated Fiscal Year 2017 (from April 1, 2016 to March 31, 2017)

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	465,014	22,222	64,355	551,592

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	77,062	Mobile Telecommunications Business, Solutions Business

Consolidated Fiscal Year 2018 (from April 1, 2017 to March 31, 2018)

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	477,518	24,580	50,671	552,771

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	76,439	Mobile Telecommunications Business, Solutions Business

Information by reportable segment on impairment losses on fixed asset

Consolidated Fiscal Year 2017 (from April 1, 2016 to March 31, 2017)

(Million yen)

	Mobile Telecommunications Business	Solution Business	Settlement Services Business and Other Business	Total
Impairment losses	76	—	—	76

(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 2018 (from April 1, 2017 to March 31, 2018)

(Million yen)

	Mobile Telecommunications Business	Solution Business	Settlement Services Business and Other Business	Total
Impairment losses	28	—	—	28

(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 2017 (from April 1, 2016 to March 31, 2017)

(Million yen)

	Mobile Telecommunications Business	Solution Business	Settlement Services Business and Other Business	Total
Amount amortized in the term under review	561	101	—	662
Balance at the end of the term under review	1,139	708	—	1,847

Consolidated Fiscal Year 2018 (from April 1, 2017 to March 31, 2018)

(Million yen)

	Mobile Telecommunications Business	Solution Business	Settlement Services Business and Other Business	Total
Amount amortized in the term under review	371	101	45	518
Balance at the end of the term under review	768	607	868	2,243

Information concerning gains from negative goodwill by reported segment

Not applicable.

(Per Share Information)

(Yen)

	Consolidated Fiscal Year 2017 (from April 1, 2016 to March 31, 2017)	Consolidated Fiscal Year 2018 (from April 1, 2017 to March 31, 2018)
Net assets per share	526.92	653.98
Amount of net income per share	172.62	182.34

Note 1: Information on diluted earnings per share has been omitted as no dilutive shares are in existence.

2: The basis of calculation of net income per share is shown below.

	Consolidated Fiscal Year 2017 (from April 1, 2016 to March 31, 2017)	Consolidated Fiscal Year 2018 (from April 1, 2017 to March 31, 2018)
Net income attributable to shareholders of the parent company (million yen)	9,694	10,161
Net income not available to common shareholders (million yen)	—	—
Net income attributable to common shareholders of the parent company (million yen)	9,694	10,161
Average number of shares during the term (shares)	56,157,130	55,728,204

(Subsequent Events)

Not applicable.

4. Others

Transfers of directors

In regard to changes in directors, please refer to the “Announcement Regarding Transfer of Directors and Changes in Organization” released on February 23, 2018.