

# Consolidated Financial Results for FY ended March 2016

(Twelve Months ended March 31, 2016)

May 13, 2016



Mobile Telecommunication Business



Enterprise Solution Business



Settlement Service & Other Business

#### Disclaimer

\*This material contains statements about the future performance of T-Gaia, which are based on management's assumptions and beliefs taking information currently available into consideration. Therefore, please be advised that T-Gaia's actual results could differ materially from those described in these forward-looking statements as a result of numerous factors, including general economic conditions in T-Gaia's principal markets as well as other factors detailed from time to time.



# **Outline of Consolidated Financial Results for FY ended March 2016**



# Summary of Consolidated Financial Results

(Unit:0.1 billion yen)	15/3 Results	16/3 Results	y/y Change	16/3 Fullyear Forecasts	Achievement Ratios
Net Sales	6,420.9	6,200.7	96.6%	6,550.0	94.7%
Gross Margin	619.8	633.8	102.3%	635.0	99.8%
(to Net Sales)	9.7%	10.2%	+0.5 p	9.7%	—
SGA Expenses	476.7	477.1	100.1%	485.0	98.4%
Operating Income	143.0	156.6	109.5%	150.0	104.4%
(to Net Sales)	2.2%	2.5%	+0.3 p	2.3%	—
Ordinary Income	141.9	156.2	110.0%	149.0	104.8%
(to Net Sales)	2.2%	2.5%	+0.3 p	2.3%	—
Net Income Attributable to Shareholders of Parent Company	77.4	94.9	122.6%	90.0	105.5%
(to Net Sales)	1.2%	1.5%	+0.3 p	1.4%	—

# Financial Results by Business Segment

## Net Sales

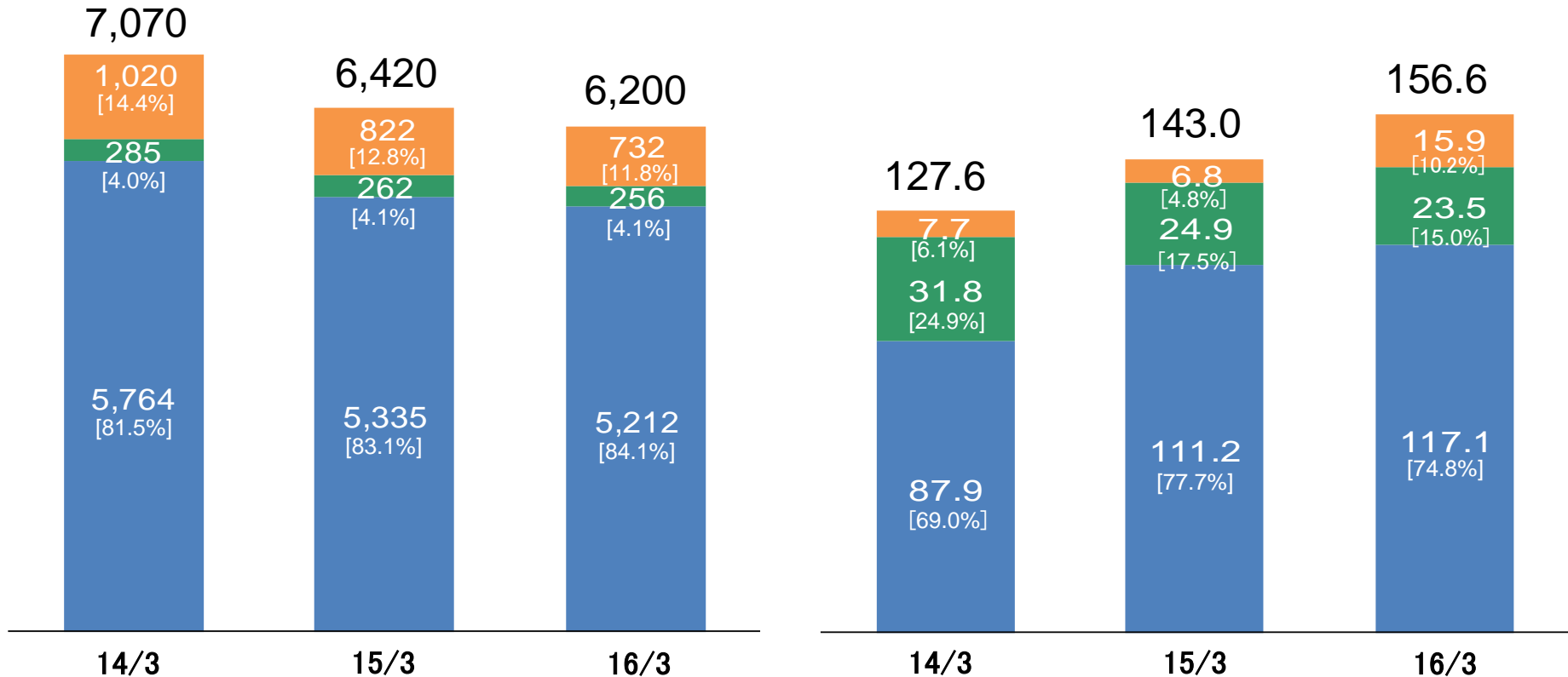
## Operating Income

■ Mobile Business

■ Solution Business

■ Settlement Service & Other Business

(o.1 billion yen)



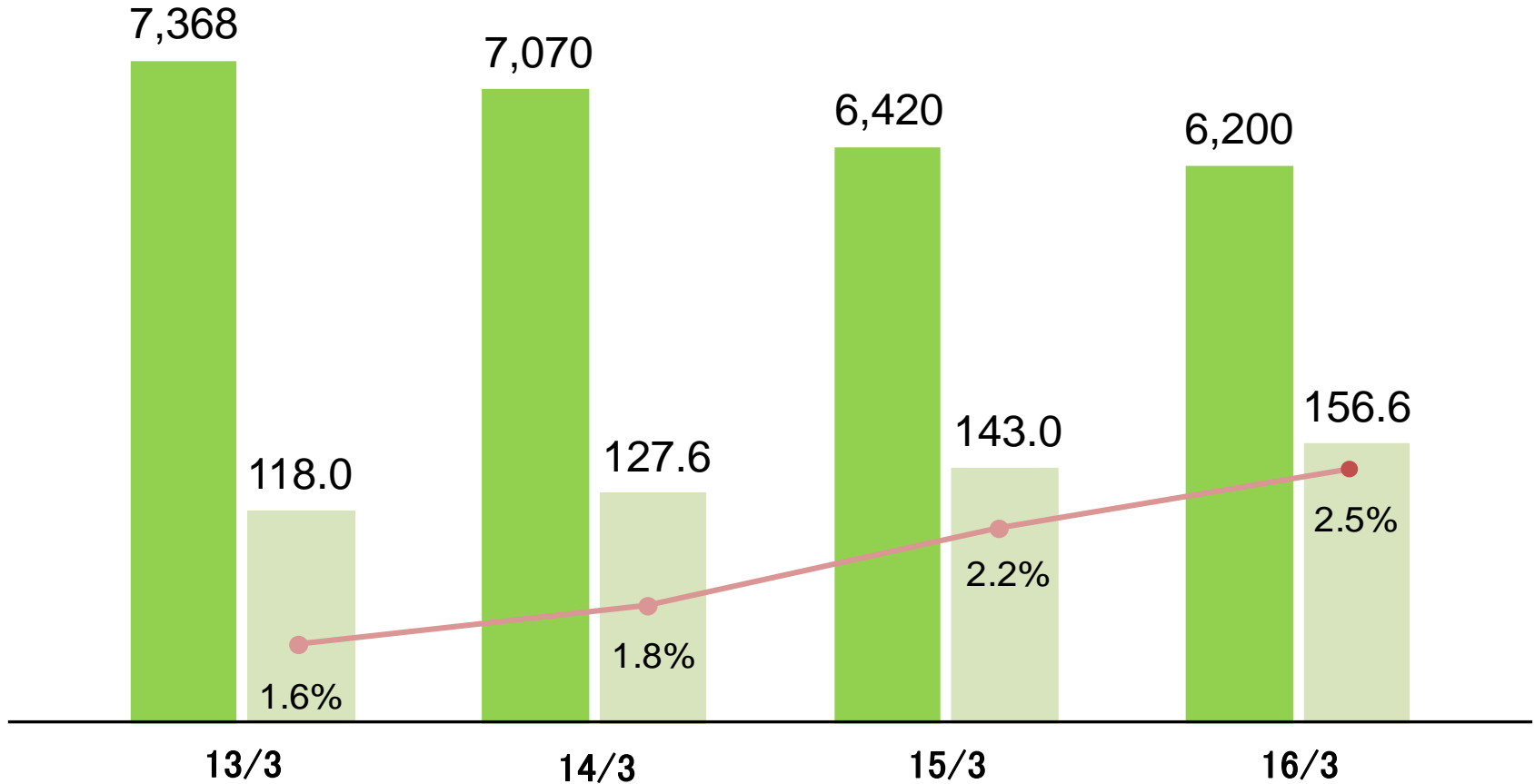
Operating Income Increased due to Revenue Stream Diversification

# Transition of Financial Results

## Transition of Operating Income

Net Sales Operating Income Ratio of Operating Income to Net Income

(0.1 billion yen)



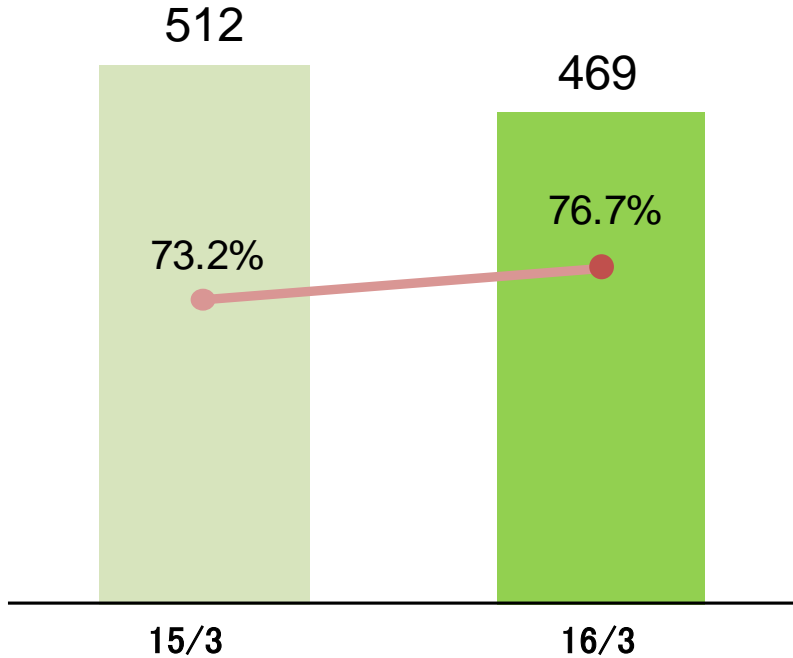
OP Margin Has Been Improving &  
Reached a Record Operating Income

# Company-wide Unit Sales

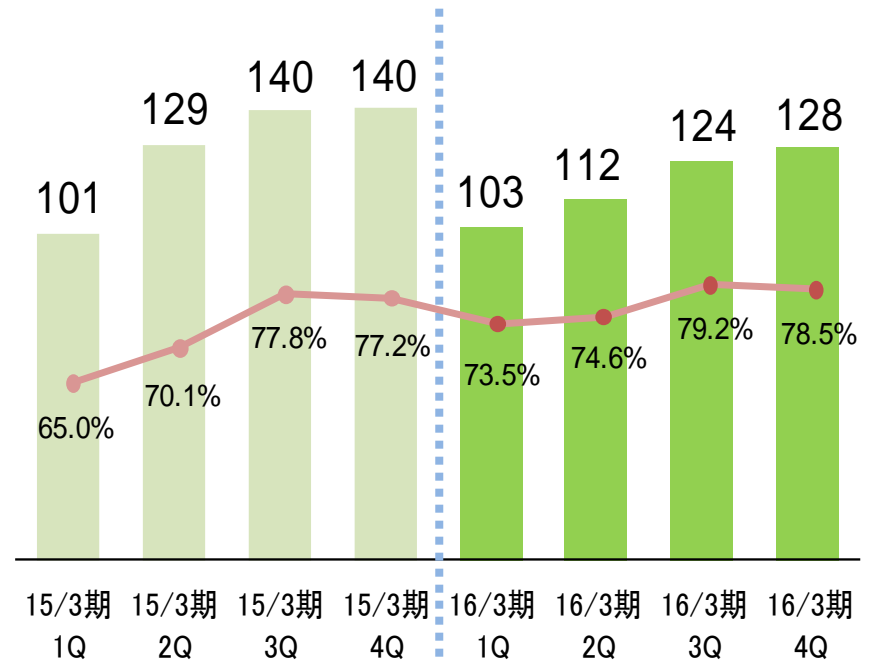
## Mobile-phone & Tablet Sales Unit

Smartphones & Tablets (Smart Device) Ratio of Smart Device to Total Sales Units

(10 thousand units)



## Unit Sales on Quarterly Basis



Smart Device Ratio Increased  
due to Strengthening of Sales Activities

# Comparison on a Quarterly basis

## Quarterly Comparison

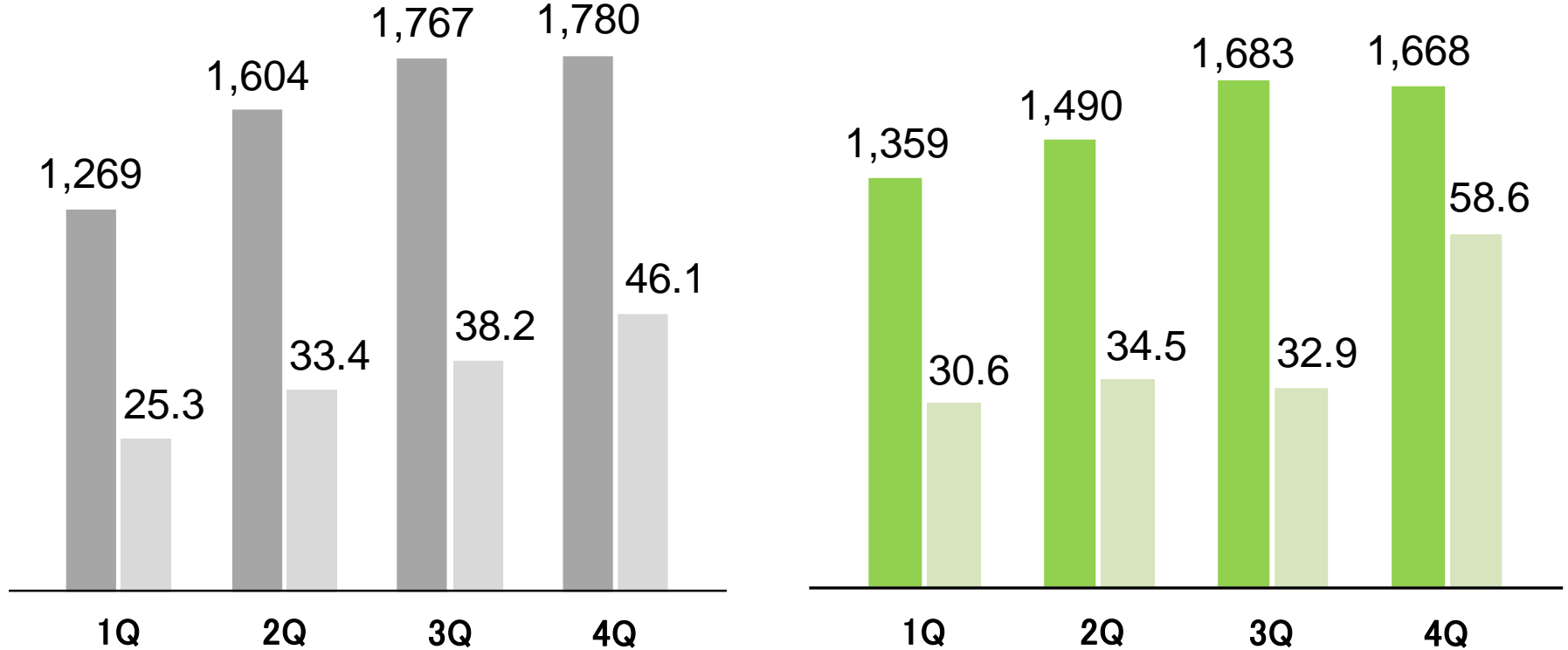
(0.1 billion yen)

15/3

16/3

Net Sales Operating Income

Net Sales Operating Income



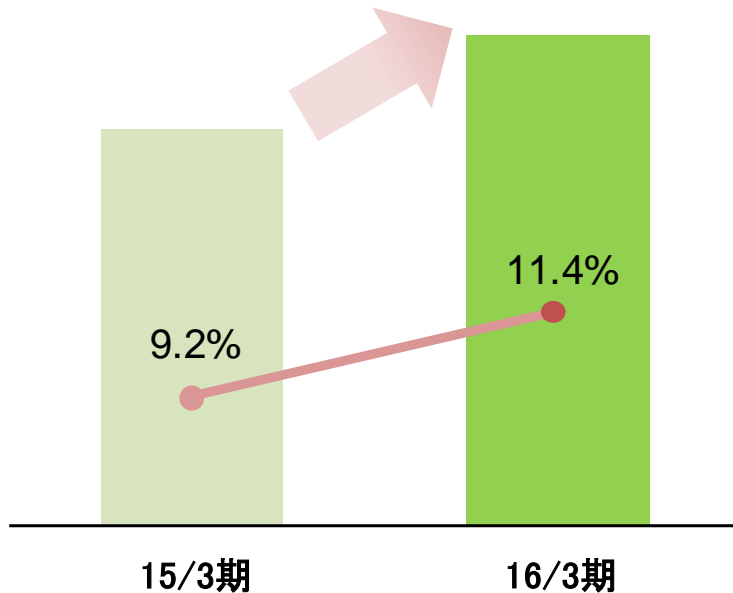
Operating Income Increased Drastically in 4Q

# Tablet Unit Sales & Net Sales of Related Products

## Tablet Unit Sales

■ Unit Sales    ● Ration of Tablet

Increased by 13%



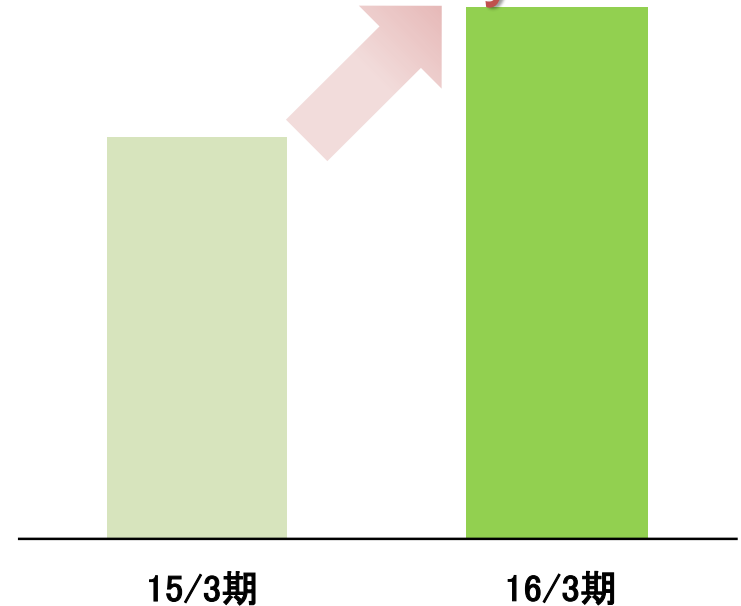
※ Wi-Fi 専用端末を含めております    \* Including Wi-Fi models

Increased by **13%**  
on a year-on-year bases

## Net Sales of Related Products

Related Products: Accessory for Smart Device, etc.

Increased by 25%



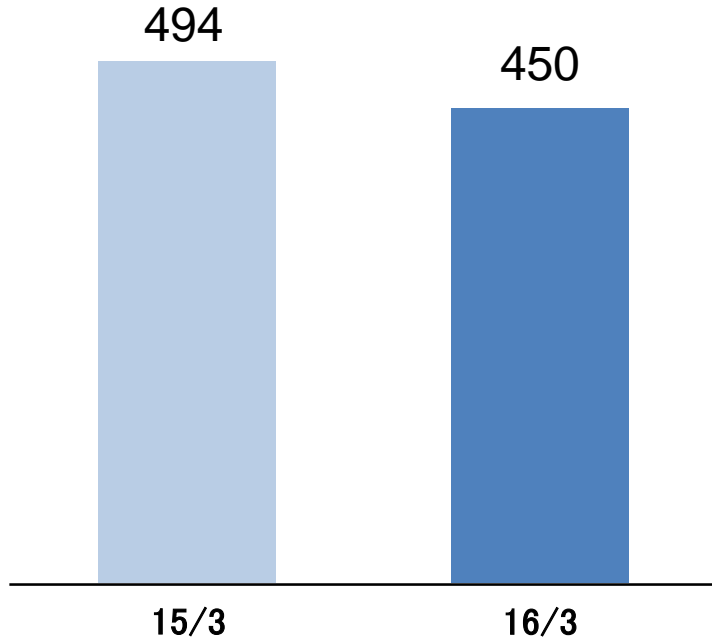
Increased by **25%**  
on a year-on-year bases



# Mobile-phone Business

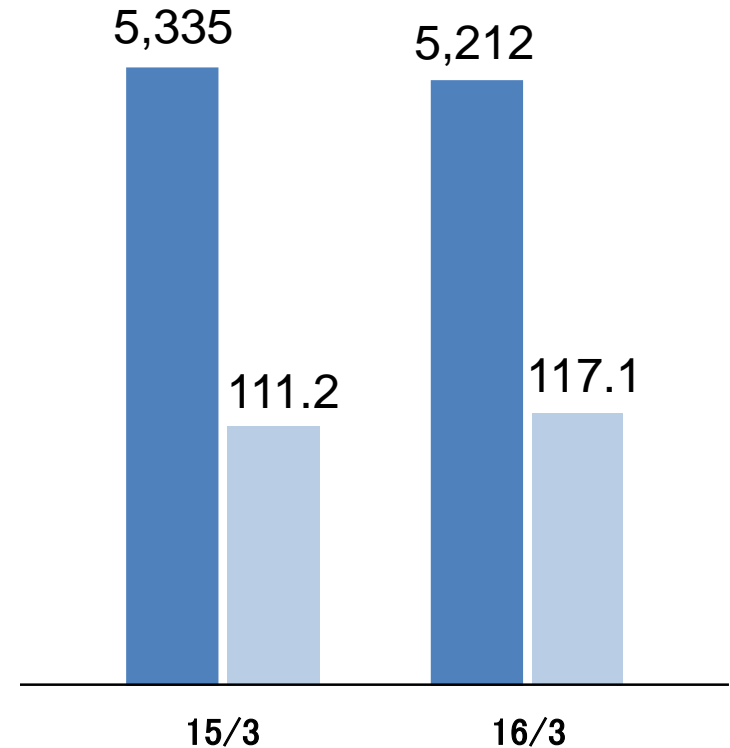
## Mobile-phone Unit Sales

(10 thousand units) \* Including Wi-Fi models



## Financial Results Comparison

Net Sales Operating Income  
(0.1 billion yen)

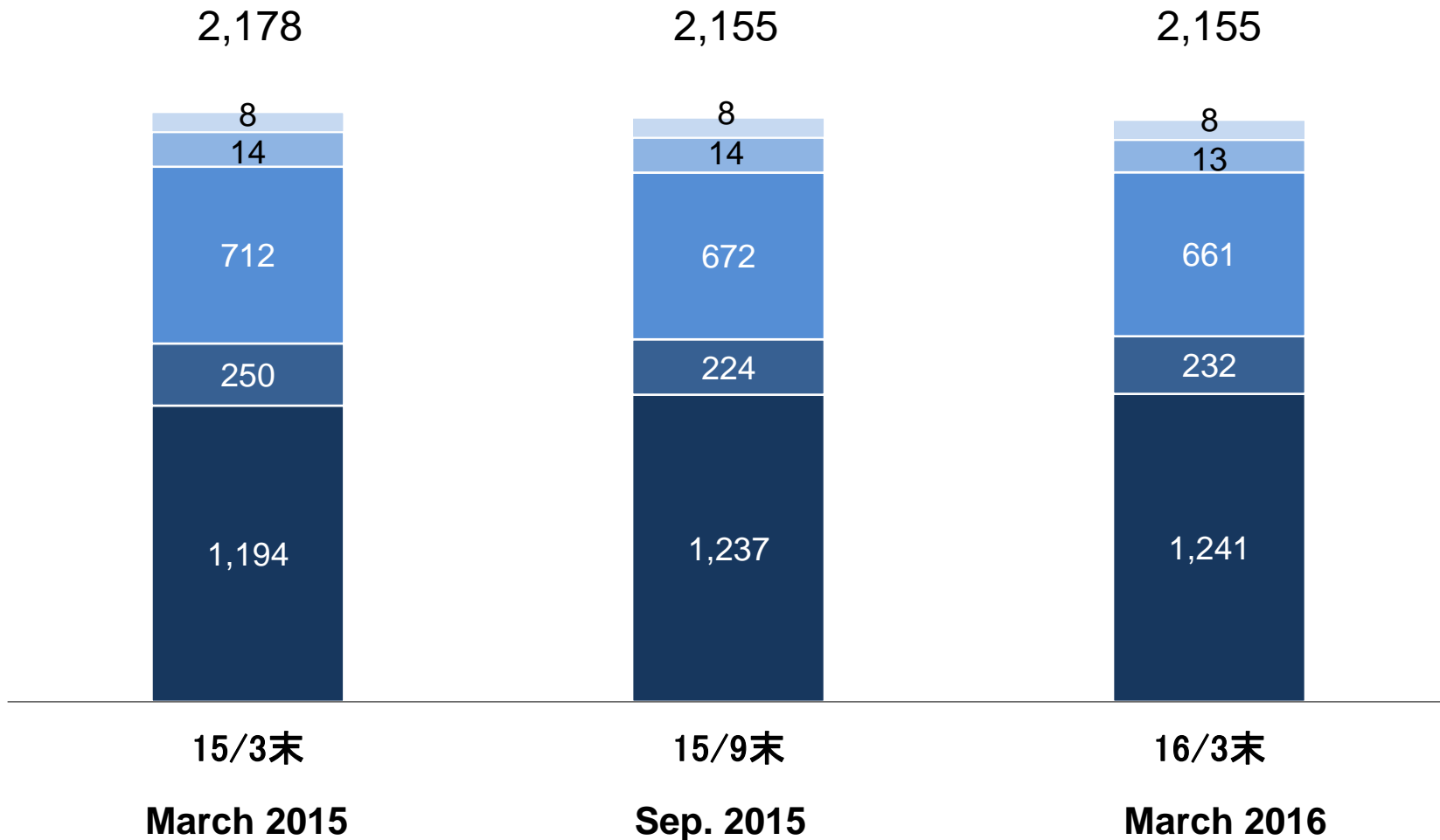


Expanded Sale of Smart-phone Related Products  
Continued Strategic Investment in Shops & Staff Education/Retention

# Total No. of Sales Bases for Mobile-phone Business

## Change of Total No. of Sales Bases

■ Carrier Shop ■ Multi-carrier Shop ■ Large Retail Store & GMS ■ Accessory Shop (including EC site) ■ China Unicom Shop (included in Settlement Service & Other Business)



# Accessory Shops ①

## Smart Labo Namba Ebisubashi

- July 2015 : Opened in Osaka Pref.



- Nov. 2015: Added MVNO Section



## Smart Labo Kobe Sannomiya

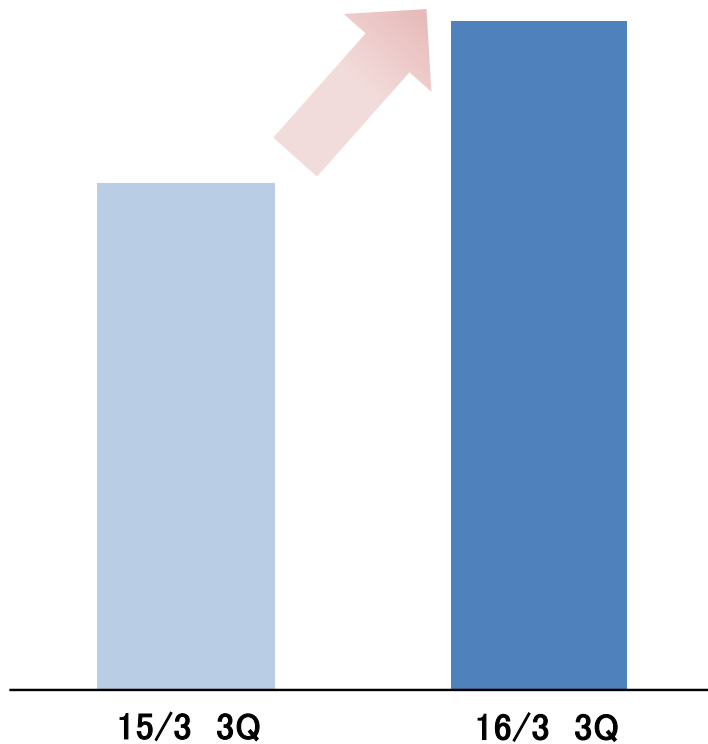
- July 2015 : Opened in Hyogo Pref.



# Accessory Shops ②

## Net Sales

Increased by 24%



## Topics

### 【Shop Information】

- June 2015:  
Merged Smart Labo Rakuten Ichiba into Smart Labo Online
- July 2015:  
Opened Smart Labo Namba Ebisubashi & Kobe Sannomiya
- Nov. 2015:  
Added MVNO Section on the 3<sup>rd</sup> FL of Smart Labo Namba Ebisubahi

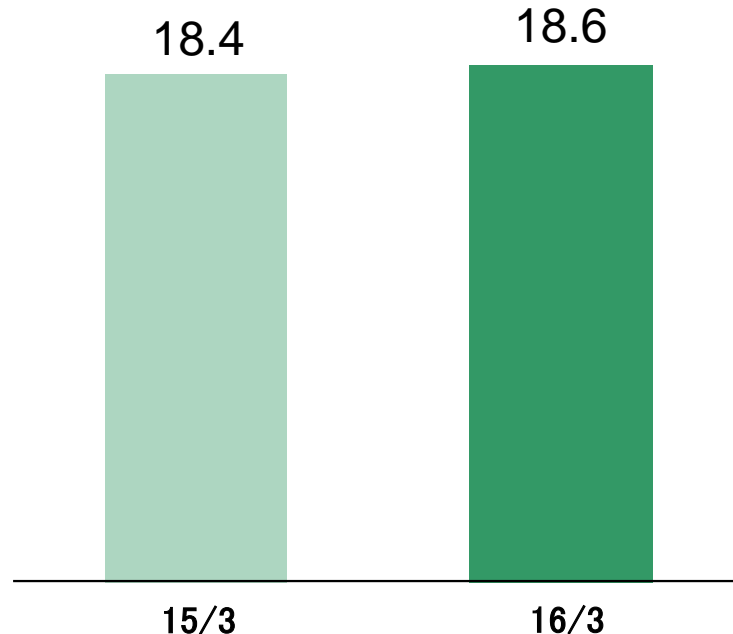
Net Sales Increased by 24% on a year-on-year basis  
And Moved into the Black on a single month basis

# Solution Business

## Mobile-phone Unit Sales

(10 thousand units)

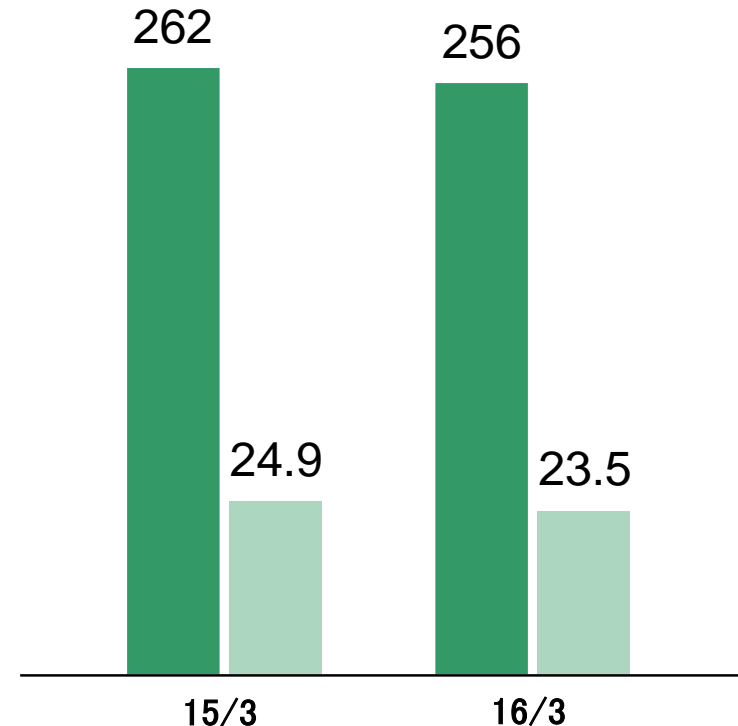
※ Including Wi-Fi models



## Financial Results Comparison

Net Sales Operating Income

(0.1 billion yen)



Expanded Sales of Various Support Services such as Help Desk while Selling Mobile-phones, etc.

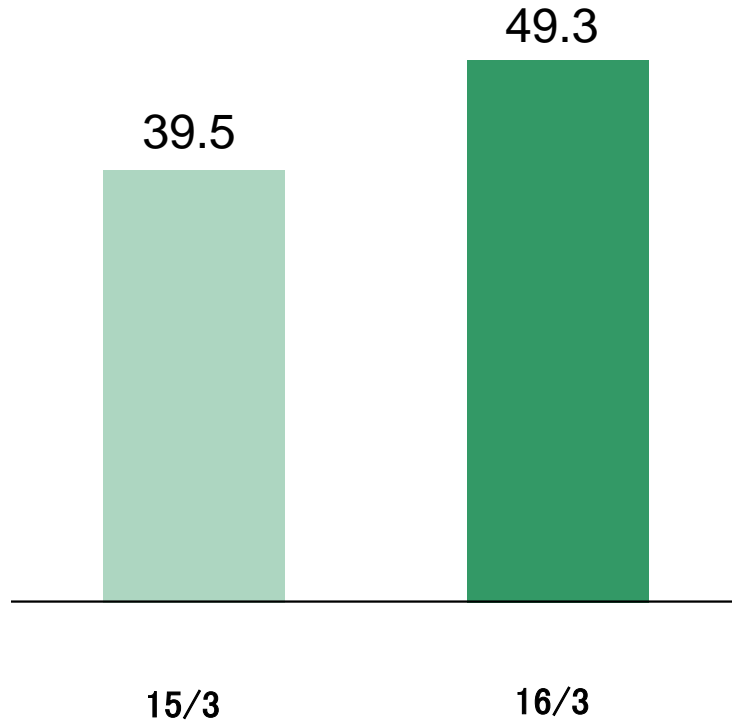
about the Same Level as those in the Previous Fiscal Year

# Solution Business ( Mobile-phone Business for Corporate Clients)

## Total No. of ID subscribing to movino star service※

(10 thousand ID)

※ movino star: Communication line mgmt. service for corporate clients

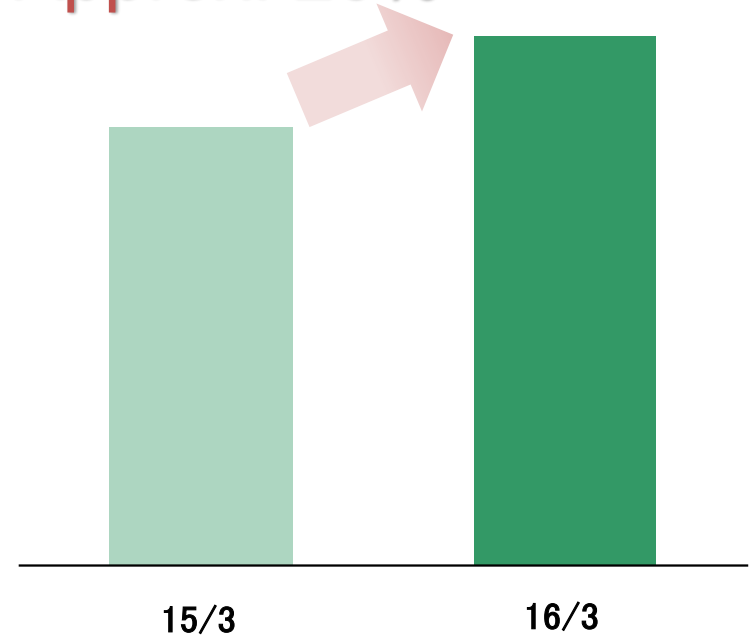


No. of ID increased due to Renewal / Upgrade

## Gross Margin from Solution Service Products

※ Solution Service Products: movino star, Help Desk , MDM, etc.

Increased by Approx. 20%



Gross Margin Increased by Approx. 20%

# Solution Business (Fixed-line Business)

TG Hikari

( Hikari Access Service for Corporate Clients)

NTT East / West (Provision of infrastructure, maintenance & repair services, etc.)

Wholesale

T-GAIA  
CHALLENGE TOMORROW

TG光

FVNO

(Fixed Virtual Network Operator)

FVNE

(Fixed Virtual Network Enabler)

Resale

FVNO

Electrical facility companies, etc.

Direct sales

Target Corporate Clients

Large companies

Medium-sized companies

Small-sized companies & SOHO

- Entering FVNE business for corporate clients
- Providing comprehensive support package in addition to TG Hikari service

TG Hikari Support Package

- Start-up Support
- System-related support
- Invoice-related support
- Operational support
- Troubleshooting support

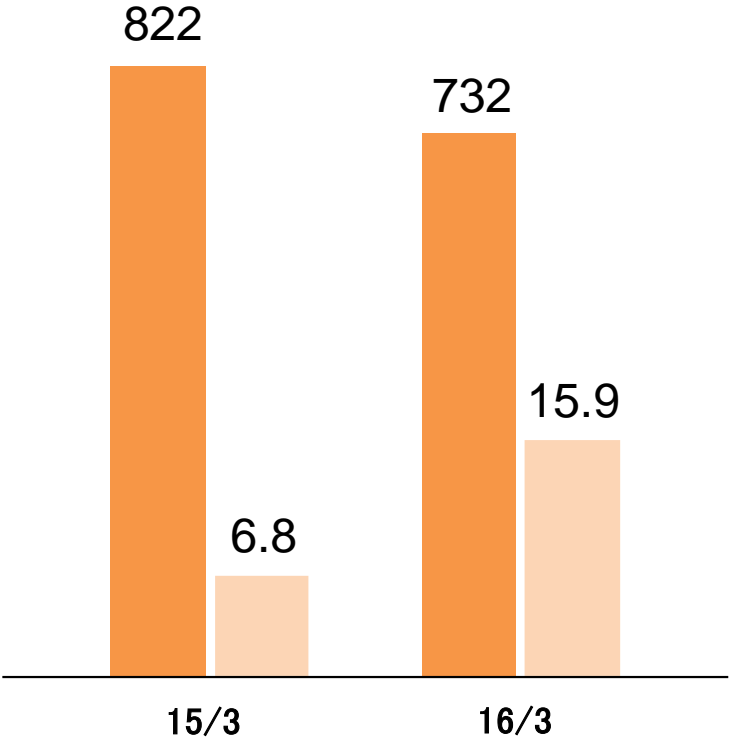
Giving support to early entrance to the Hikari Collaboration business for corporate clients

# Settlement Service & Other Business : Settlement Service ①

## Financial Results Comparison

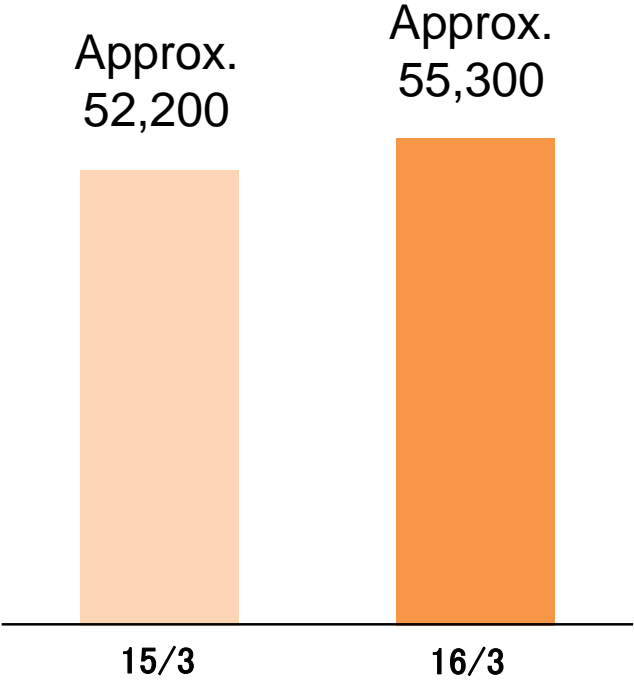
Net Sales    Operating Income

(0.1 billion yen)



## Total No. of convenience stores dealing PIN / Gift Card

(No. of stores)



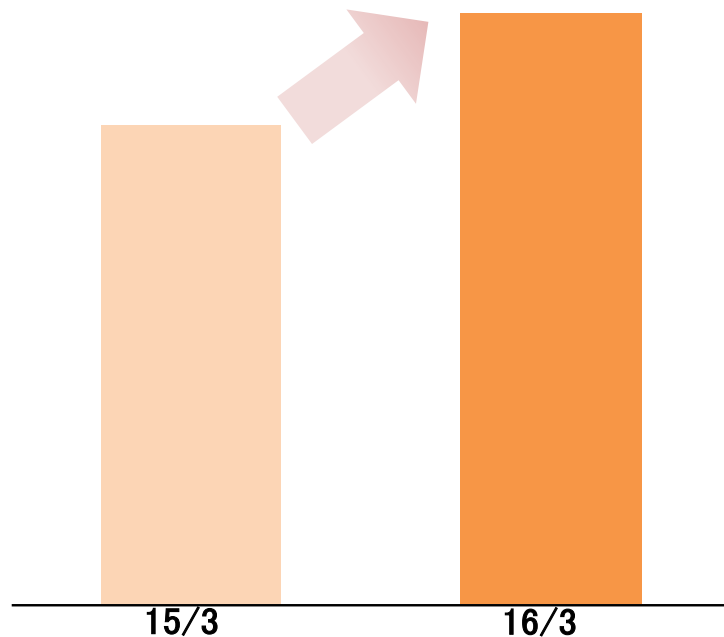
Operating Income Increased due to Expansion of Sale of Gift Cards as well as Improvement of Income in Overseas Business and Recognition of Temporary Income



# Settlement Service & Other Business : Settlement Service②

## Gross Sales of PIN & Gift Cards

Increased by 4%



- Expanded Sales Channel for Gift Cards
- Implemented Effective Marketing Activities

<Example of Gift Card Products>



※The Amazon.co.jp and its logo are trademark of Amazon com, Inc. and its associated companies.

※BitCash is a registered trademark of BitCash Ink.

Gross sales of PIN Products & Gift Cards increased by 4% though net sales decreased due to shift from Pin Products for which face value is regarded as net sales to Gift Cards that treat only received commissions as sales amount

# Settlement Service & Other Business : Overseas Business

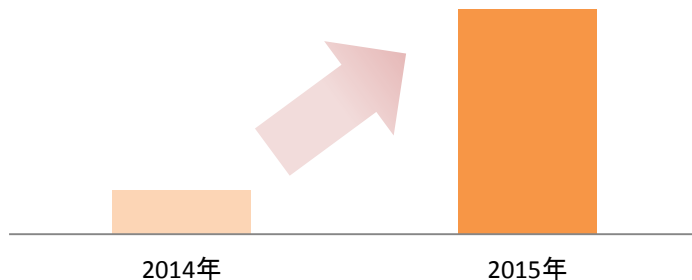
## China: Shanghai

- Operating Eight China Unicom Shops
- Expanded Sales of Smart-phone Related Products
- Reduced Administrative Expense  
by Improving Operational Efficiency



## Singapore

- Expanded Sales of Gift Cards  
mainly in Large Convenience Stores
- Gross Sales Quintupled year-on-year  
<Gross Sales of Gift Cards>



# Revision of Dividend Forecast: Dividend Increase

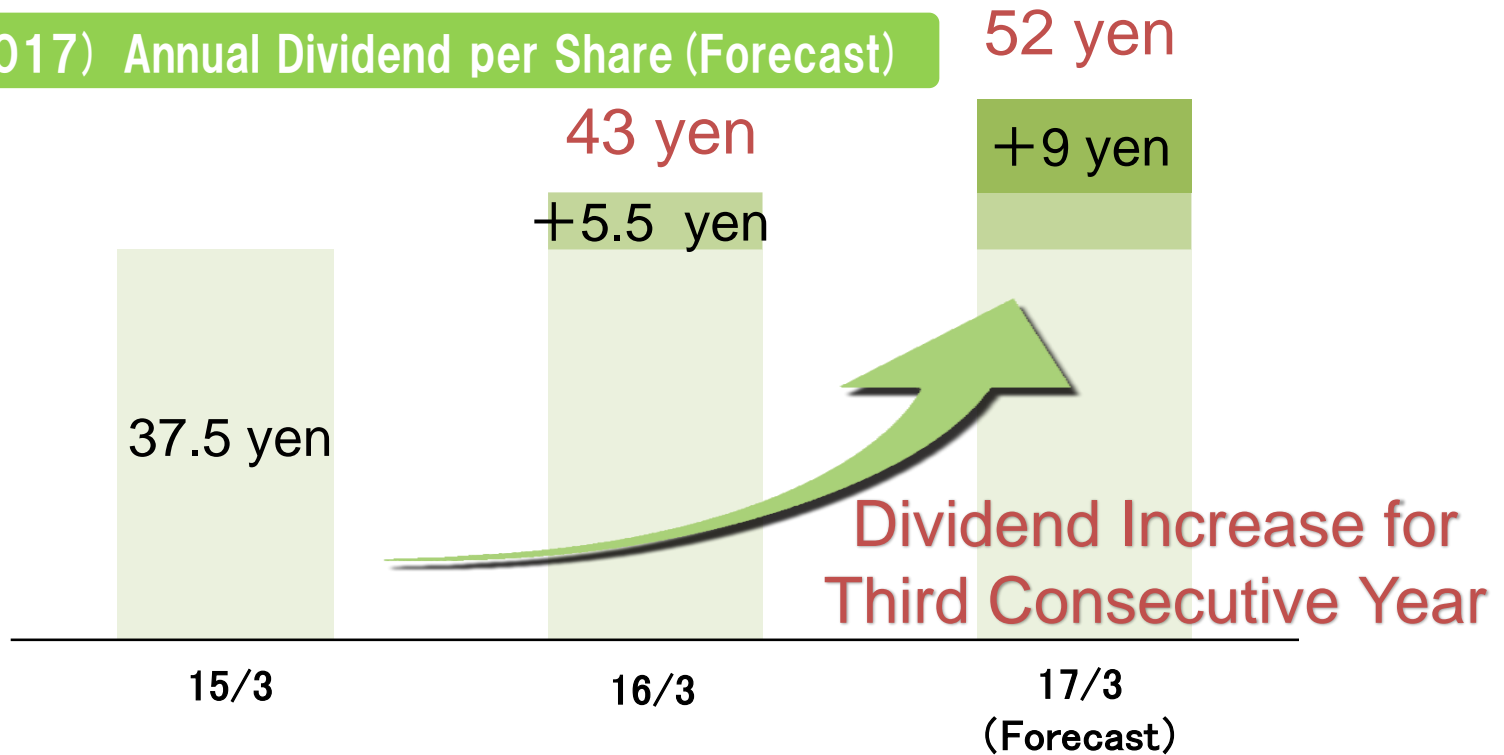
## 16/3 (FY2016) Annual Dividend per Share

Annual Dividend: 43 yen per Share

(Interim Dividend: 20.5yen & Yearend Dividend: 22.5 yen)

Increased by 2 yen from the forecast at the beginning of the fiscal year

## 17/3 (FY2017) Annual Dividend per Share (Forecast)

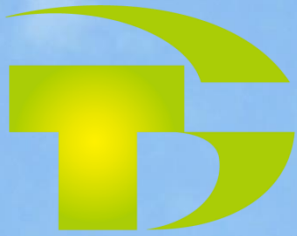


Increased by 9 yen from the previous fiscal year and reached 52 yen per share

# **Consolidated Financial Results for FY ending March 2017**



# Medium-term Goal



## Lead the Way toward the Future & Take a Leap for Tomorrow

Toward the FY 2020 (FY ending March 2021), T-Gaia set a medium-term goal to realize sustainable growth and to respond to the expectations of all stakeholders including shareholders and employees by achieving the following objectives based on the Corporate Philosophy released April 2014.

- Firmly maintain the position as the leading company in the core business of mobile-phone distribution
- Grow solution business for corporate clients, settlement service and overseas business as the strong core business
- Create & explore new business opportunities in the mobile & Internet industries
- Maintain the dividend payout ratio over 30%

In order to realize the objectives noted above, T-Gaia are taking concrete measures every day setting the following points as the company-wide strategy

- Cultivate, recruit, utilize and retain human resources to realize maximization & optimization of achievement of respective employees
- Conduct strategic & continuous cost management to transform the cost structure into one that can respond to change of the market environment
- Maximize the corporate-wide achievement by optimizing the organization as well as the corporate system

Based on the above medium-term goal & company-wide strategy, develop the business strategy for each business line and make every effort to realize them through the concrete action plan in each business dept.

# Influence of Revision to Telecommunication Business Law (TBL) in the Mobile-phone Business Environment

## Rules & Guidelines to be Introduced

- Maintenance of Consumer Protection Rules based on revised TBL
  - ✓ Duty to provide documents
  - ✓ Prohibition of misrepresentation
  - ✓ Introduction of rule on initial cancellation of contracts
  - ✓ Strengthening of supervision of mobile-phone distributors
- Guideline on proper subsidization for purchasing smartphones
  - ✓ Prohibition of sales of so-called “zero-priced smartphones”

## Possible Influence in the Mobile-phone Industry

- Further sophistication & complication of sales task
- Further extension of time to wait on a customer
- Shrink of new contract market due to increase of real selling price of handsets
- Extension of handset turnover period (Decrease of unit sales)

# Strategic Investment for Future Growth

## Mobile-phone Business

- Upgrading & expanding carrier shops to decrease waiting time and further improve customer satisfaction



- Investment in staff education & training to strengthen sales force as well as sales skill



- Open up more accessory shops aggressively

## Solution Business

- Early launch of “TG Hikari”, Hikari access service for corporate clients



- Investment in further expansion of our solution service

## Settlement Service & Other Business

- Investment in system associated with development of sales channel
- Research to consider expansion of Gift Cards Business in south-eastern Asia



Get ahead of change of the business environment  
and expand proactive & strategic investment

# Consolidated Forecasts for FY ending March 2017

(Unit :0.1 billion yen)	16/3 Full-year Results	17/3 Full-year Forecasts	Change of Amount	Year-on-Year basis (%)
Net Sales	6,200.7	6,160.0	▲ 40.7	99.3%
Gross Margin	633.8	648.5	14.7	102.3%
SGA Expensse	477.1	498.5	21.4	104.5%
Operating Income	156.6	150.0	▲ 6.6	95.7%
Ordinary Income	156.2	149.5	▲ 6.7	95.7%
Net Income Attributable to Shareholders of the Parent Company	94.9	97.0	2.1	102.1%
Net Income/share (yen)	138.11	172.72	34.61	125.1%
Dividend/share (yen)	43.00	52.00	9.00	120.9%
Mobile-phone Sales Unit(10 thousand units)	469	454	▲ 15	96.8%



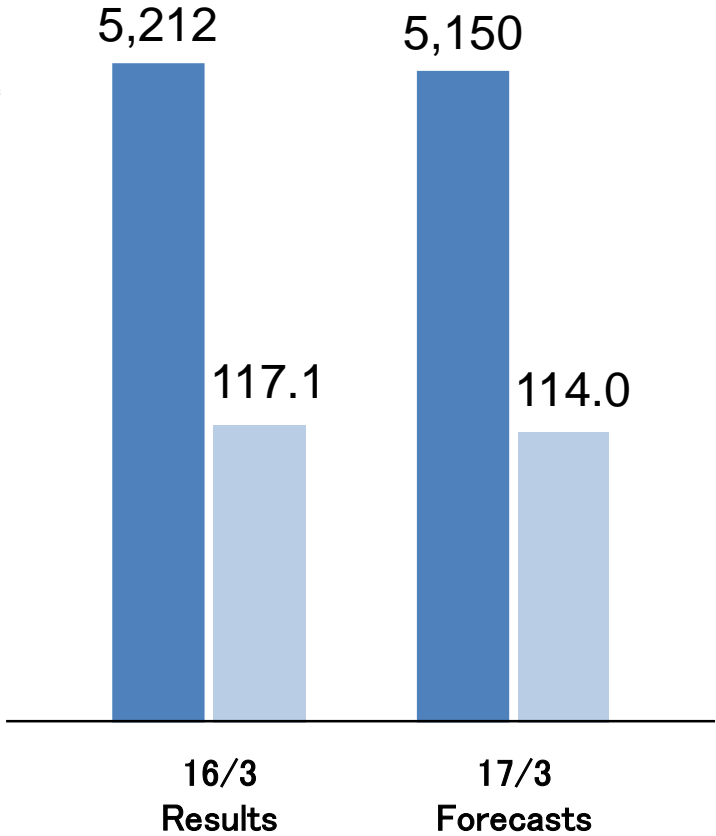
# Mobile-phone Business Segment Forecasts

## Future Action Plan

- Strengthen sales of smartphone related products such as accessory & contents to enrich smart-life of customers
- Offer diversified products & services including optical fibers, electric power, etc. according to lifestyle of customers
- Enhance investment in human resource to improve sales force

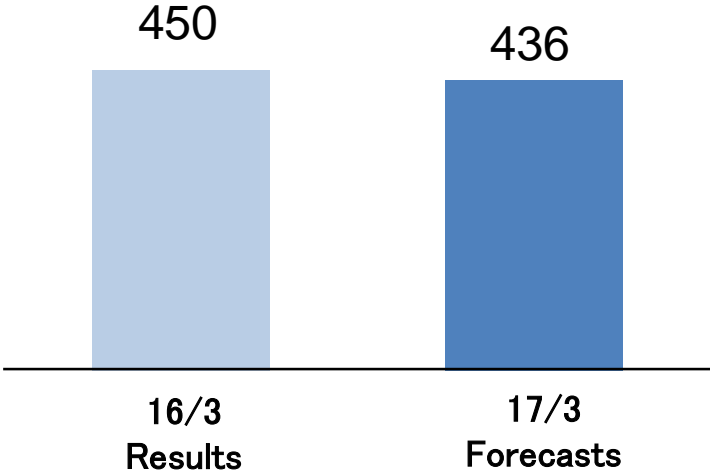
## Full-year Forecasts

■ Net Sales    ■ Operating Income  
(0.1 billion yen)



## Unit Sales Forecasts

(10 thousand units)      ※ Including Wi-Fi models



# Promotion of Accessory Shop Business ①



- Sendai Clisroad
  - Lavla 2 in Nigata
  - Matsumoto PARCO
  - ATRE Akihabara
  - ATREL Kameido
  - **Shinjuku Higashiguchi (East exit)**
- ※Open on June 3
- Shinsaibashi
  - Namba Ebisubashi
  - Nishinomiya Gardens
  - Kobe Sannomiya
  - Okaido Chuo
  - Hiroshima Hondori
- (As of April 30. excluding EC site)



Smart Labo Okaido Chuo



Smart Labo Namba Ebisubashi



Smart Labo Shinjuku Higashiguchi (East exit)  
Open on June 3rd

Open up more accessory shops through proactive investment

# Promotion of Accessory Shop Business ②

## Smart Labo Members' card & Application

- Gradually introduced in Smart Labo from April 2016
- To be utilized for shareholder special benefit plan



Build up own customer base of Smart Labo

### About Smart Labo Members' Card

Issuing commission	Free of charge
Purchase unit	1,000 yen
Maximum purchase amount	50,000 yen
Purchasable at	Smart Labo shops in Japan
Period of validity	For two years since the last usage or purchase
Usable at	Smart Labo shops in Japan & Smart Labo ONLINE

### About Smart Labo Application

Supported OS	Android, iOS
Installing commission	Free of charge
Purchase unit	1,000 yen
Maximum purchase amount	50,000 yen
Purchasable at	Smart Labo shops in Japan & online
Period of validity	For two years since the last usage or purchase
Usable at	Smart Labo shops in Japan & Smart Labo ONLINE

# Staff Education & Training

## Staff Education & Training Program

Purpose	Category	Name of Program
Improvement of Basic Customer Service Level	Basic training	Intensive training for newly hired staff (at Tokyo Head Office)
		Mid-carrier staff training
		Customer service training
		Service quality improvement training
	Stratified training	Training for sub-shop managers, leaders and chiefs
		Training for shop managers
	Response capabilities	Readiness improvement training
	Preparation for qualifying test	Training for passing qualifying test conducted by telecom carriers
Improvement of Sales Skills	Floor management	Floor management training
	Sales skills improvement	Sales skills improvement training



Continue proactive investment in human resources by utilizing Career Design Academy, our consolidated subsidiary

# Upgrading & Expanding Carrier Shops ①

## Docomo Shop Mishimakannami (Shizuoka Pref.)



One of the largest Docomo Shop in Shizuoka Pref.



Reducing waiting time by setting up eleven counters



Accessory & tablet section with abundant product lineup



Spacious waiting space

# Upgrading & Expanding Carrier Shops ②

## au Shop Kita (Kagawa Pref.)



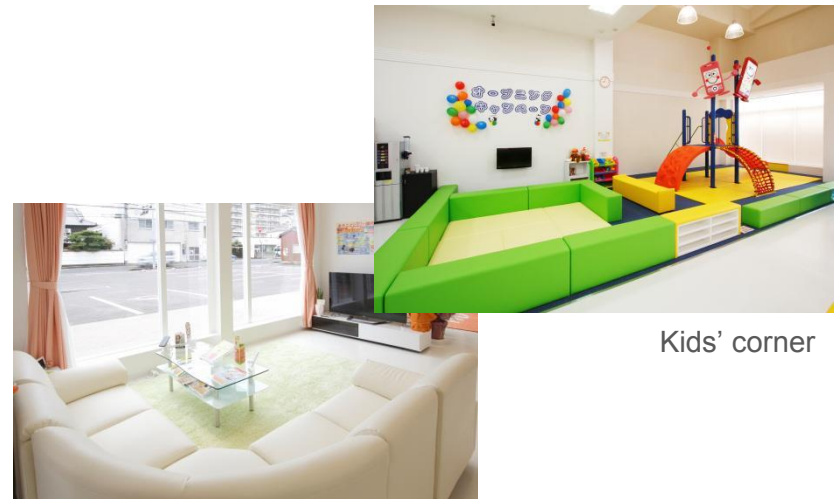
One of the largest au Shop in Shikoku area



Broad space with barrier-free environment



Multipurpose space for local events, etc.



Kids' corner

Waiting space

# Upgrading & Expanding Carrier Shops ③

## Softbank Shop Koshigaya Chuo & Y!mobile Shop Koshigaya Chuo (in Saitama Pref.)



Parallel establishment of Softbank Shop & Y!mobile Shop



Accessory section with abundant product lineup  
(Softbank)



Flagship shop having a floor space of 500 square meters  
(Softbank)



Large-scale kids' space

(Softbank)

# Solution Business Segment Forecasts

## Future Action Plan

### Mobile-phone Business for Corporate Clients

- Offer comprehensive solution services optimized to corporate clients' needs to support them in introducing & utilizing smart devices
- Strengthen tablet solution business in the education industry

### Fixed-line Business

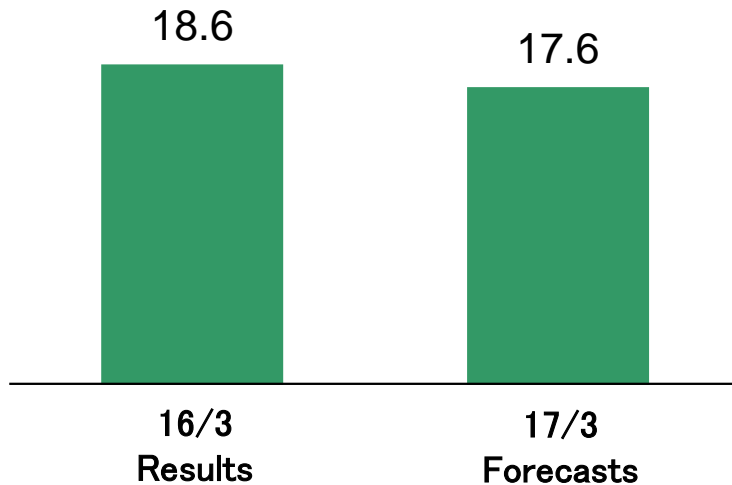
- Promote "TG Hikari" related business



## Mobile-phone Unit Sales Forecast

(10 thousand units)

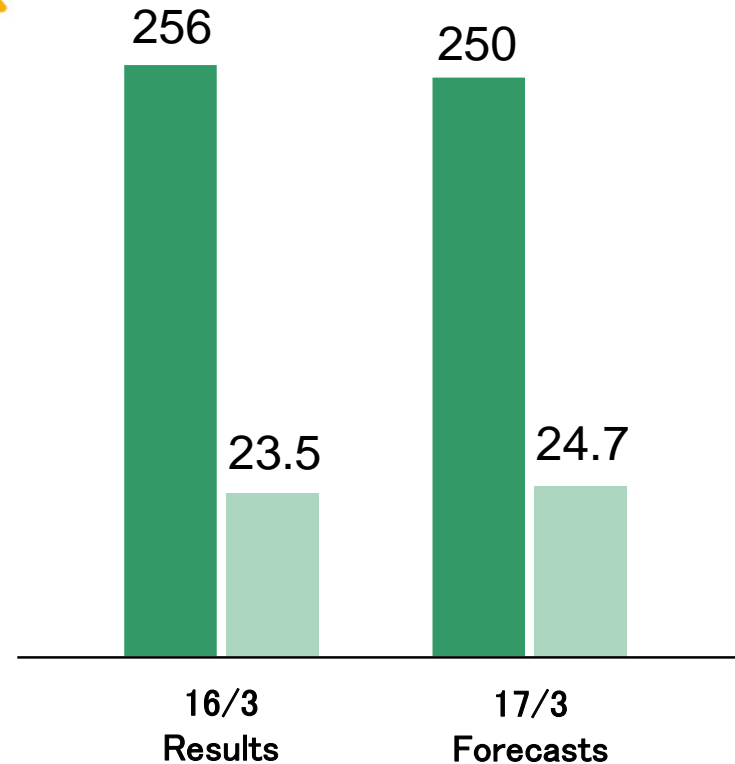
※ Including Wi-Fi models



## Full-year Forecasts

Net Sales Operating Income

(0.1 billion yen)





# Development of Solution Business for Specific Industry

## Action Plan for Education Industry

- Acquired a 40% stake in SRJ Co., Ltd. (under “With us” group) as of March 41, 2016



Provision of Tablet & Support Service



Provision of Educational Service including mgmt. of cram schools

Develop Tablet Solution Business by combining knowhow & experience of two companies



Name	: S R J Co., Ltd.	
Establishment	: February 1998	
Shareholders	: With us Corp.	41.5%
	: T-gaia Corp.	40.0%
Business	: Carrier development, Development of educational programs	



## Offer On-stop Solution Service for Specific Industry

- Package tablet, communication lines, educational contents and monitoring service
- Cover from consulting before introduction of tablets to post-sale service

Education Industry  
(Cram schools & Private schools)

Local governments

Health care Industry

⋮

# Settlement Service & Other Business Segment Forecasts

## Future Action Plan

### Settlement Service

- Broaden both product lineups & sales channel based on the growing demand for Gift Cards to expand sales
- Implement aggressive sales activities

### Overseas Business

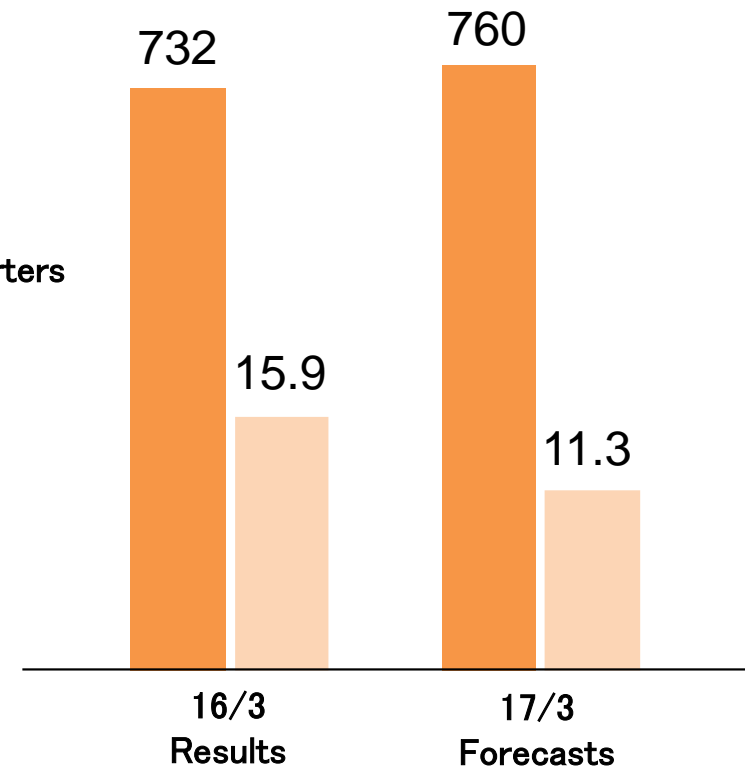
- Mobile-phone Distribution Business in Shanghai
  - Promote efficiency in shop management
  - Explore new income source in cooperation with headquarters in Tokyo
- Settlement Service in Singapore
  - Expand product lineups as well as sales channels to increase sales of Gift Card
  - Consider expansion of Gift Cards Business in south-eastern Asia



## Full-year Forecasts

Net Sales      Operating Income

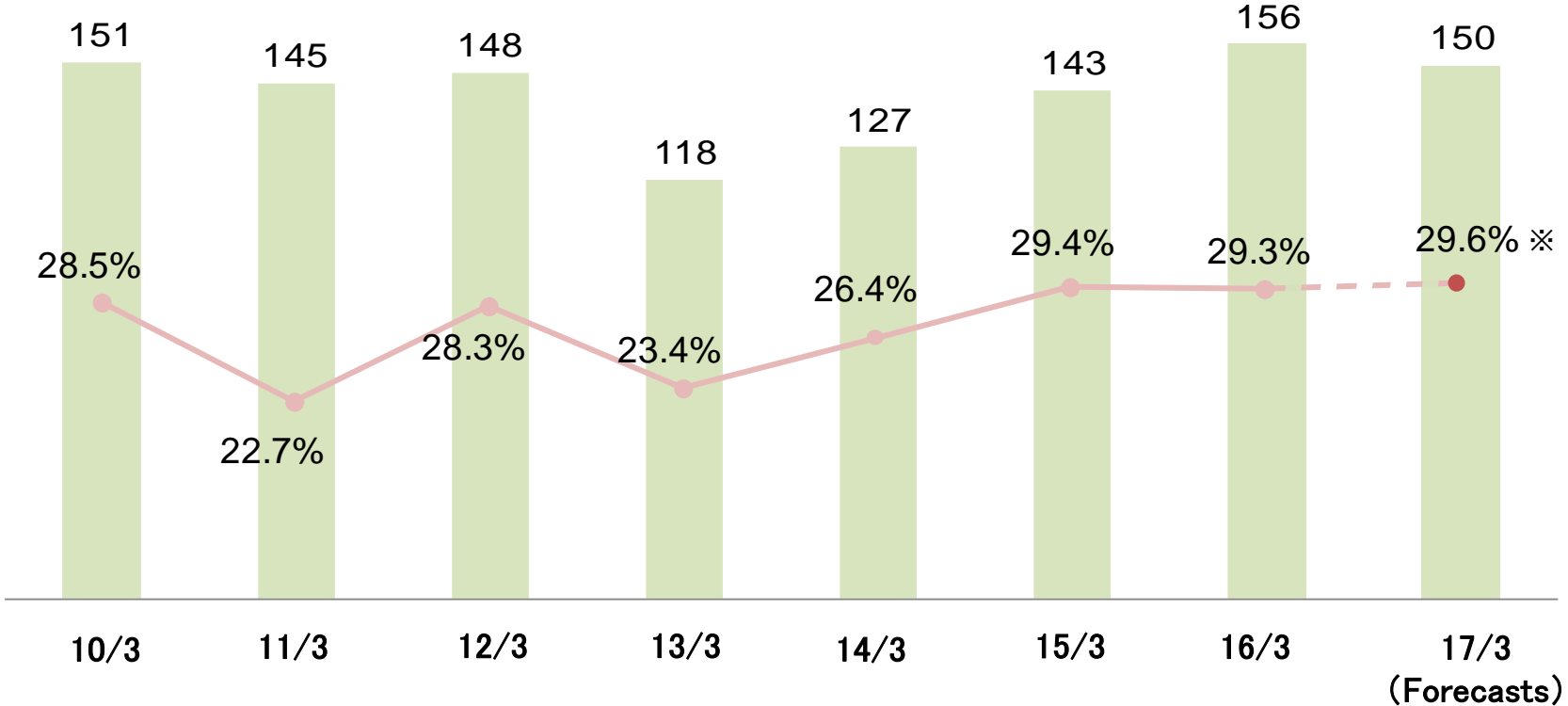
(0.1 billion yen)



# Transition of ROE & Operating Income

## Transition of ROE & Operating Income

Operating Income    ROE: Return on Equity  
(0.1 billion yen)



Maintain high level of ROE

# Return to Shareholders: Dividend Policy

## Return to Shareholders in FY ending March 2017

- April 2016: Acquired own stock of 13,045,400 shares equivalent to 12,771 million yen
- Annual Dividend: 52 yen/share (Interim : 26 yen/share & Yearend : 26 yen/share)

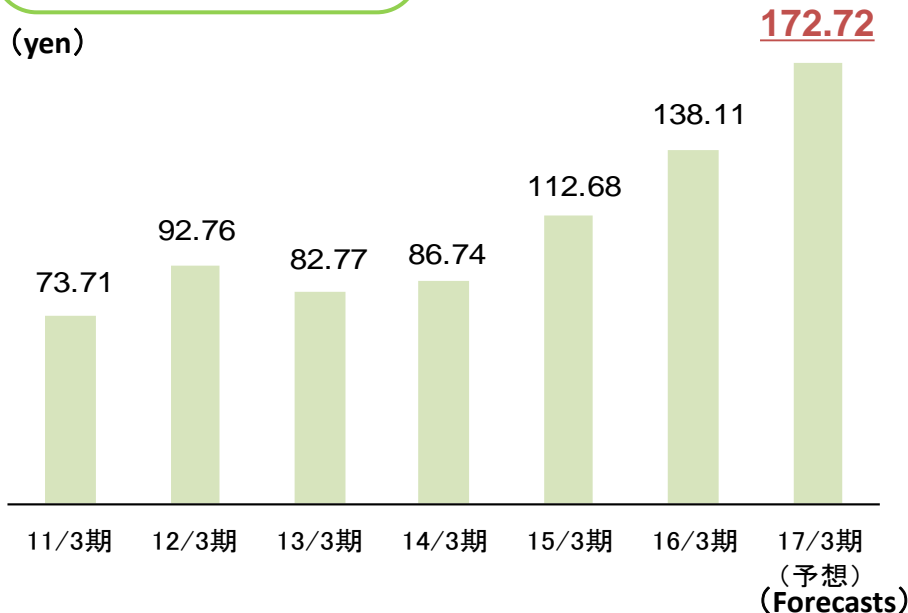
Forecast Dividend Increase of 9 yen / share (Dividend increase for third consecutive year)

## Basic Dividend Policy

Targeting & Maintaining Dividend Payout Ratio over 30% Level

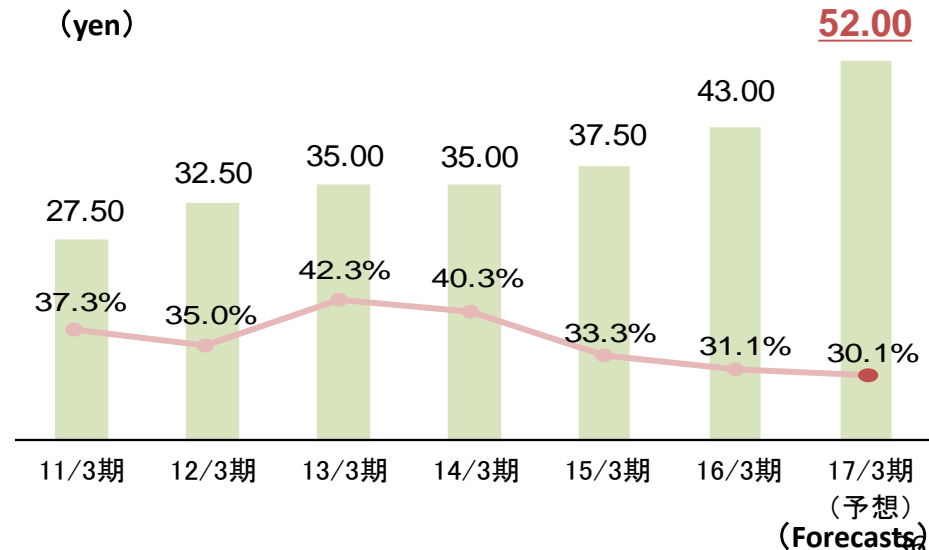
### Net Income per share

(yen)



### Dividend per share & payout ratio

■ Dividend per share (yen)    ● Payout ratio (%)



# Corporate Philosophy

## T G Vision – Corporate Vision of T-Gaia

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**Lead the Way toward the Future  
& Take a Leap for Tomorrow**

### T G Mission

#### – Corporate Mission of T-Gaia –

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- T-Gaia will propose new ways of communication to provide our customers with excitement, delight, and safety.
- T-Gaia will thank its employees as well as their families and provide them with equal opportunities and rewards to challenge something new.
- T-Gaia will develop strong relationships with all the business partners and seek for mutual benefit under the fair and healthy conditions of business transaction.
- T-Gaia will contribute to all societies and regional communities through our global business activities.
- T-Gaia will thank all the stakeholders including our shareholders for their trust and confidence in our practice, and keep enhancing our corporate value.
- As a leading company in the industry, T-Gaia will go ahead of change of the times to develop new markets in addition to expanding our existing businesses.

### T G Action

#### – Our Code of Conduct –

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- We always act with a customer-driven attitude.
- We provide the highest-quality service to be appreciated by everyone.
- We keep moving ourselves higher as professionals.
- We respect and compete with each other to develop our infinite potentials.
- We seek for open & constructive communication.
- We value teamwork to achieve the best performance.
- We always act on high ethical standards and strengthen our compliance structure.
- We are not satisfied with our current situation; we keep challenging something new aggressively with our passion and a sense of speed.

# National Association of Mobile-phone Distributors



- Name : National Association of Mobile-phone Distributors (NAMD)
- Date of Establishment : December 15, 2014
- Location : 4-4-7, Ebisu, Shibuya-ku, Tokyo
- Chairman : Tetsuro Takeoka (current Chairman of T-Gaia Corp.)

**Realize Safe & Secure Environment in Utilizing ICT Services**  
123 Companies with Membership & 82.6% of Carrier Shops have already joined