



T·GAIA

Consolidated Financial Results for the Fiscal Year ended March 2018

(Twelve Months ended March 31st 2018)

May 9th 2018

T-Gaia Corporation/TSE 3788

Disclaimer

This material contains statements about the future performance of T-Gaia Corp., 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 2018

Highlights of Consolidated Financial Results

- Net Income for the year attributable to shareholders of the parent company: **10.16 billion yen** (104.8% compared to the previous FY)

(Operating Income of 14.45 billion yen,
101.3% compared to the previous FY)

- Unit Sales: **4.59 million units** (102.8% compared to the previous FY)

- **QUO CARD Co., Ltd. became a wholly owned subsidiary company**
⇒ Establish the foundation of a new revenue base



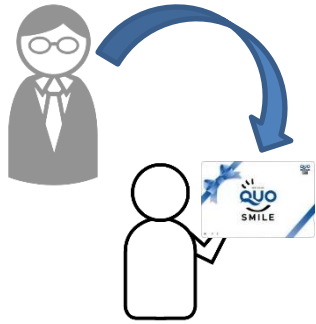
Summary of Consolidated Financial Results

(Unit: billion yen)	17/3 FY Results	18/3 FY Results	y/y Change	19/3 Full-year Forecasts	Achievement Ratio
Net Sales	5,51.59	5,52.77	100.2%	5,65.00	97.8%
Gross Margin (to Net Sales)	61.73 (11.2%)	64.27 (11.6%)	104.1% (+0.4 p)	65.60 (11.6%)	98.0%
SGA Expenses	47.46	49.81	105.0%	50.40	98.8%
Operating Income (to Net Sales)	14.27 (2.6%)	14.45 (2.6%)	101.3% (±0 p)	15.20 (2.7%)	95.1%
Non-operating Income (Income from hoarded cards, etc.)	0.01	0.87	—	—	—
Ordinary Income	14.28	15.33	107.4%	15.20	100.9%
Net Income attributable to shareholders of the parent company	9.69	10.16	104.8%	10.15	100.1%
Mobile-phone Unit Sales (million units)	4.47	4.59	102.8%	4.62	99.4%

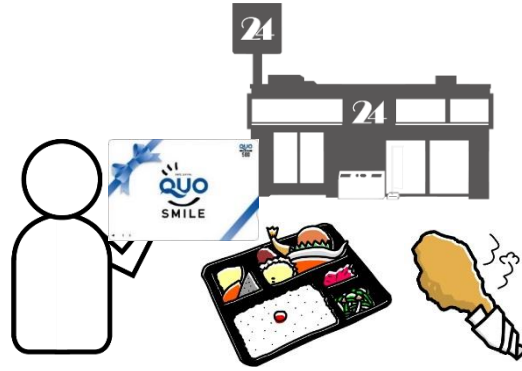
※ From 18/3 4Q as QUO CARD Co., Ltd. has become wholly owned subsidiary, the revocation gain of pre-paid Quo card is included in the Non-operating Profit and Loss. For more information on revocation gain, see next slide for explanation.

About Income from Hoarded QUO Cards

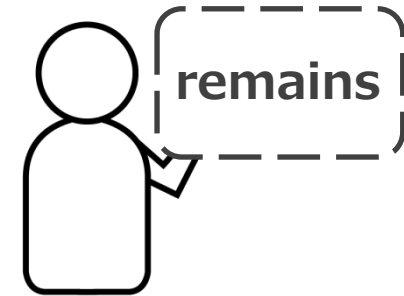
Customer



① Purchase Quo Card worth of 1,000 yen



② Purchase a product worth of 900 yen using the Quo card

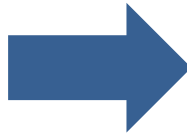


③ Credit worth of 100 yen is still left on the Quo card as remaining amount

QUO CARD Co., Ltd.

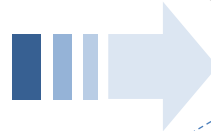
1,000 yen

Deposit



Remains 100yen

Deposit



5 years from the issued date
(based on tax regulations)

UNUSED

Deposit

► a percentage of unused credit from the deposit will be recorded as a "Income from Hoarded QUO Cards"

① At point of sales, 1,000 yen will be recorded as a deposit

② Used amount will be deducted from the deposit

③ Of the remaining 100 yen of the deposit, a percentage, which is assumed to remain unused permanently will be recorded as Income from Hoarded QUO Cards



Financial Results by Business Segment ⁷

Net Sales

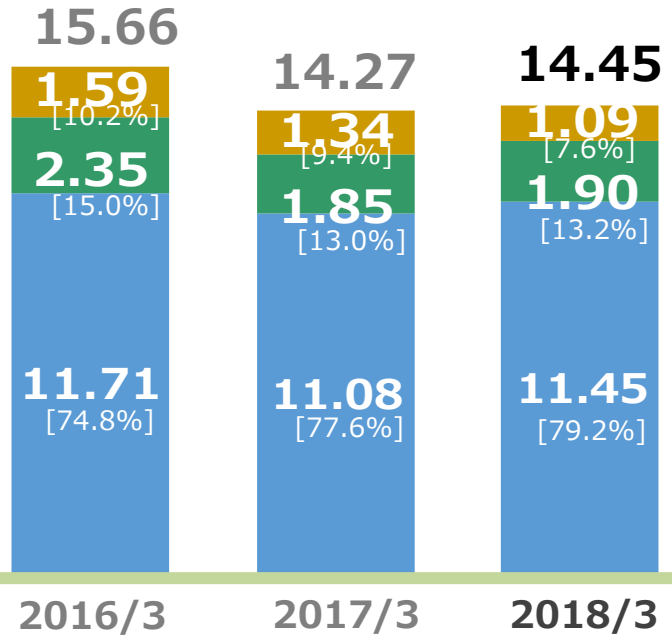
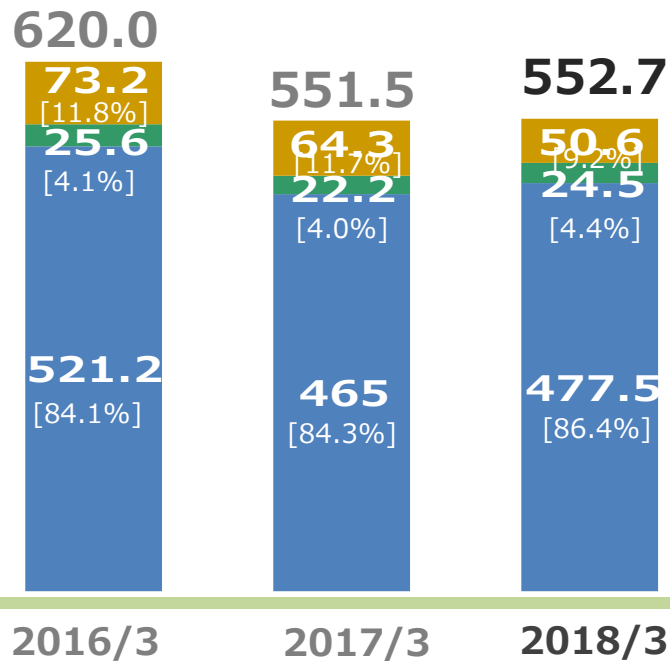
Operating Income

Mobile
Telecom
Business

Enterprise
Solution Business

Settlement Service
& Other Business

(billion yen)

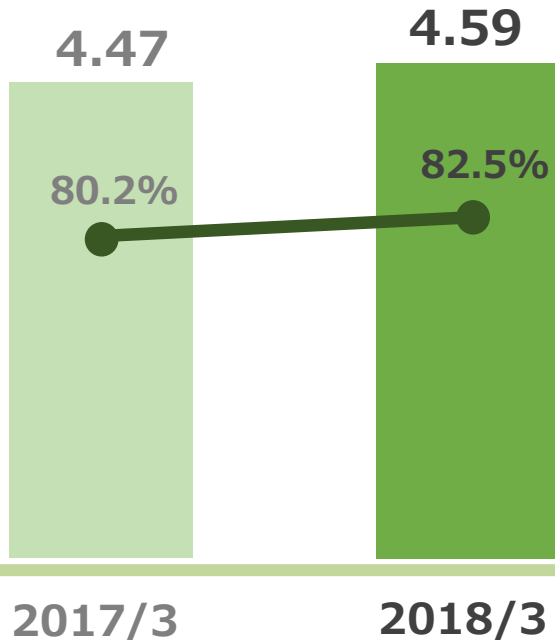




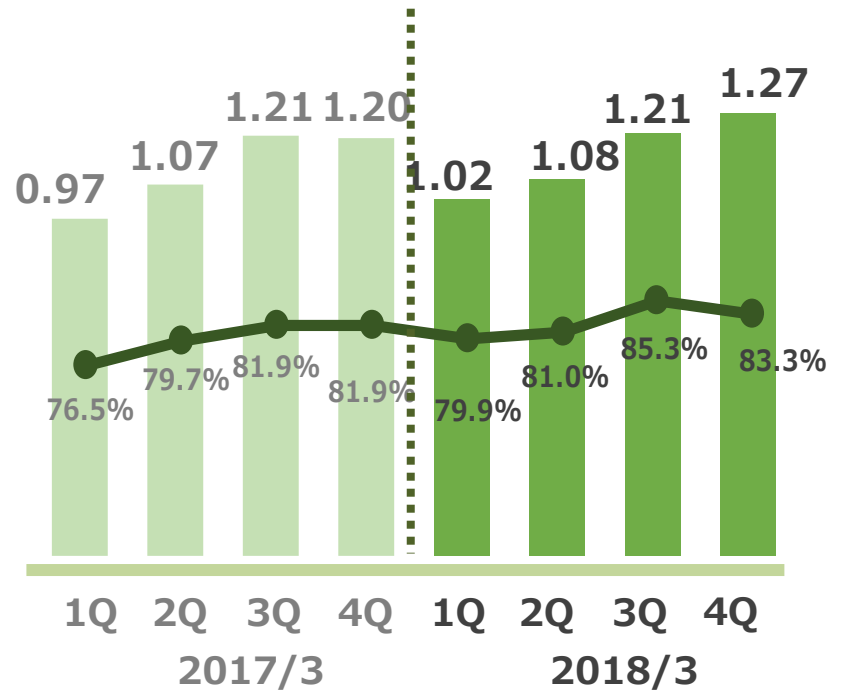
Company-wide Unit Sales

Mobile-phone & Tablet Unit Sales

■ Unit Sales (million units) ● Ratio of Smartphones & Tablets to Unit Sales



Unit Sales on Quarterly Basis



The ratio of smartphones & tablets increased
The new handsets launch in 3Q boosted the market

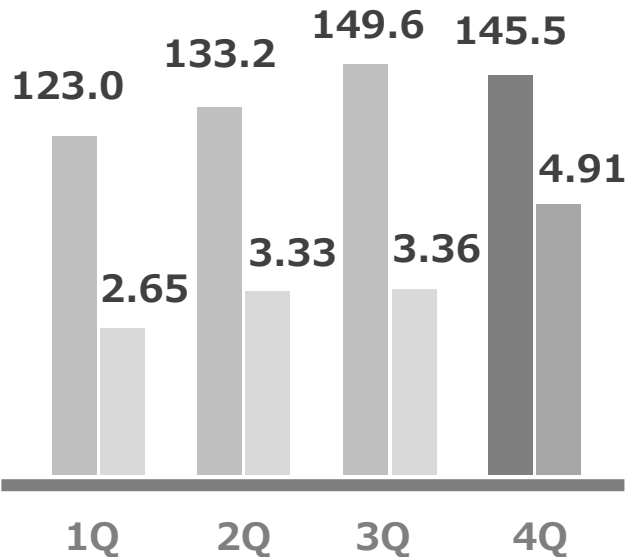
※ Including Wi-Fi models & MVNO-related products



Quarter Accounting Period Comparison

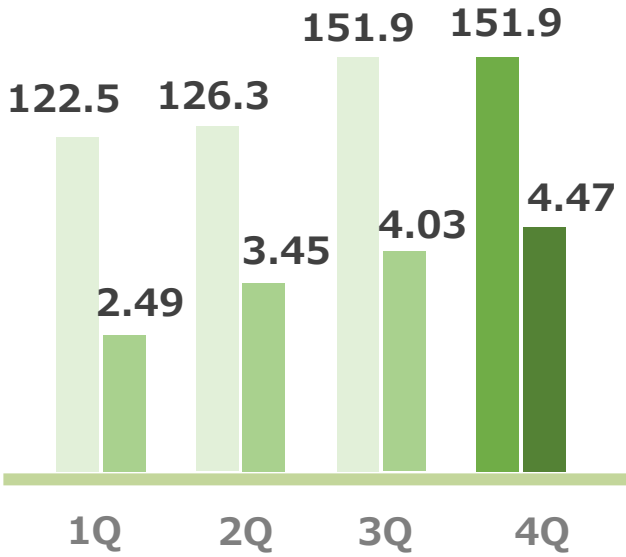
2017/3

Net Sales Operating Income
(billion yen)



2018/3

Net Sales Operating Income
(billion yen)



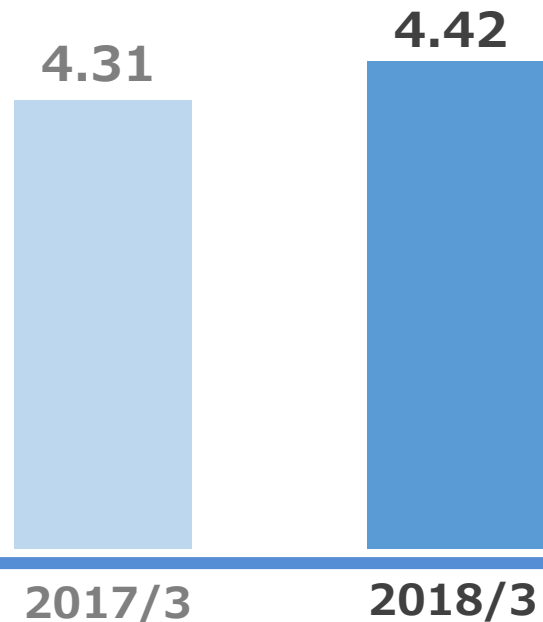
For 4Q period, the net sales has increased compared to the same period in the last fiscal year but the raise in SGA expenses has resulted in a cutback of the operating income



Financial Results of Mobile Telecommunication Business Segment

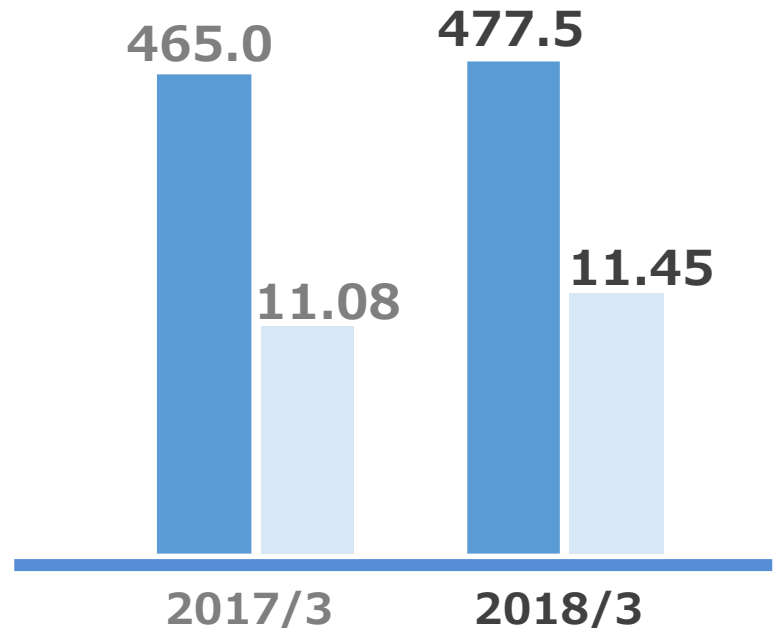
Mobile-phone Unit Sales

(million units)



Financial Results Comparison

■ Net Sales ■ Operating Income (billion yen)



Growth in both net sales & operating income due to steady performance of unit sales

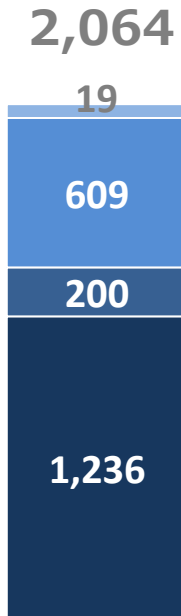
※ Wi-Fi terminals and MVNO handsets included



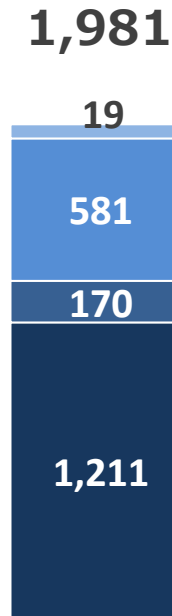
No. of Retail Outlets for Mobile Phones & Accessories

Change in Number of Retail Outlets

- Carrier shop
- Multi-carrier shop
- Shop-in-shop & GMS
- Accessory shop ※1



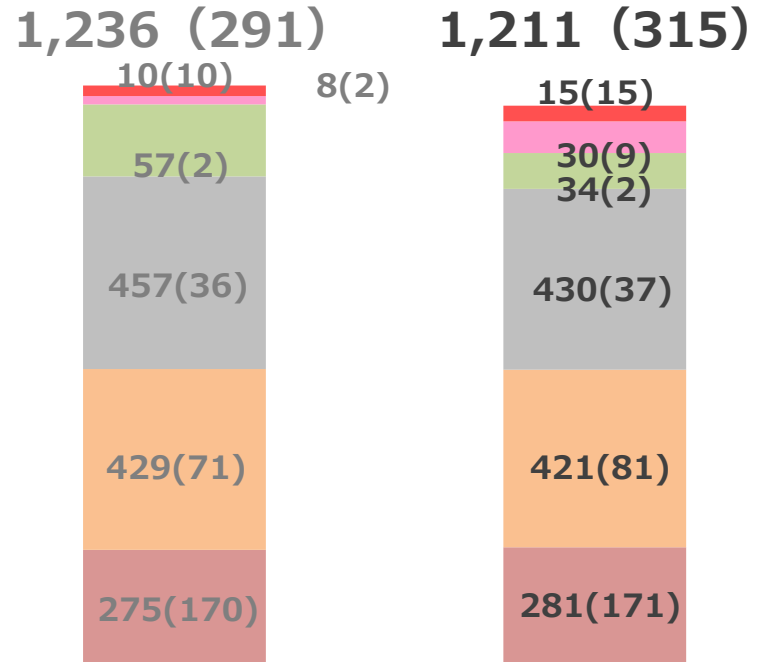
March 2017



March 2018

No. of Carrier Shops ※(): Directly Managed

- Docomo
- au
- SoftBank
- Y!Mobile
- UQ Mobile
- Rakuten



March 2017

March 2018

※1 Including EC store



Strategic Investment in Shops ①

Upgrading & Expanding Carrier Shops



u Shop Hirodaimae



docomo Shop Shimosuzuma-ten



Increase in Unit Sales & Improve CS by Upgrading and Expanding Carrier Shops



Strategic Investment in Shops ②

- Expansion of Rakuten Mobile shop and "Smart-Labo", the accessories shop for smartphones (No. retail outlets as of March 2018)

Rakuten Mobile
12 shops

Collaboration style
3 shops

Accessories shop
16 shops
※ including 1 EC shop



Shinjuku SABNADE



Hankyu Sanbangai



Ikebukuro Sunshine City Alpa

Rakuten Mobile

Rakuten Mobile × Smart  Labo Smart  Labo

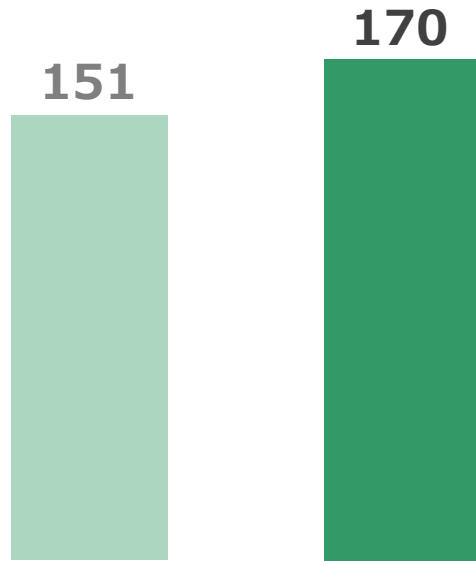
Multiplier Effects of
Rakuten Mobile × Accessories Shop



Financial Results of Enterprise Solution Business

Mobile-phone Sales Units

(thousand)



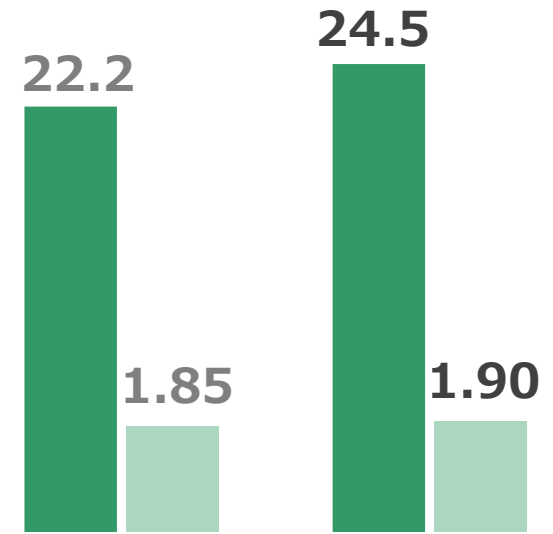
2017/3

2018/3

Financial Results Comparison

(billion yen)

■ Net Sales
■ Operating Income



2017/3

2018/3

Growth in both net sales and operating income due to the promotion of “Work Style Reform” encouraging more companies to use smartphones.

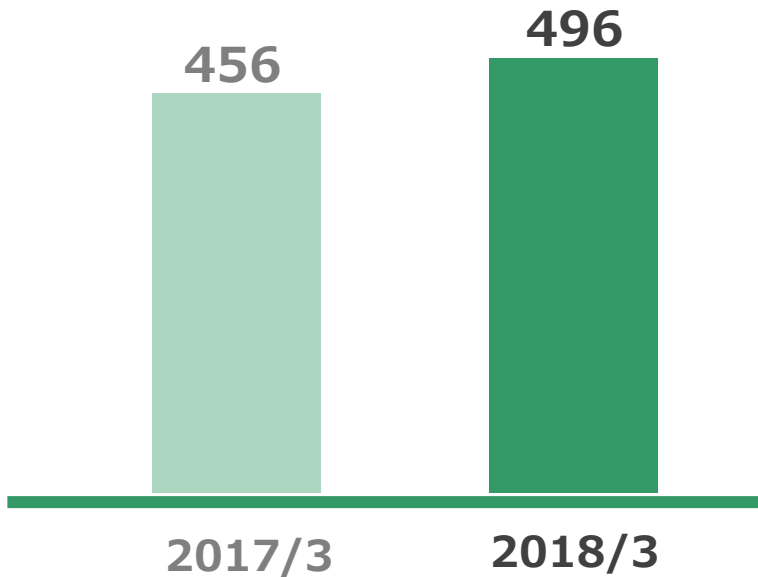
※ Wi-Fi terminals and MVNO handsets included



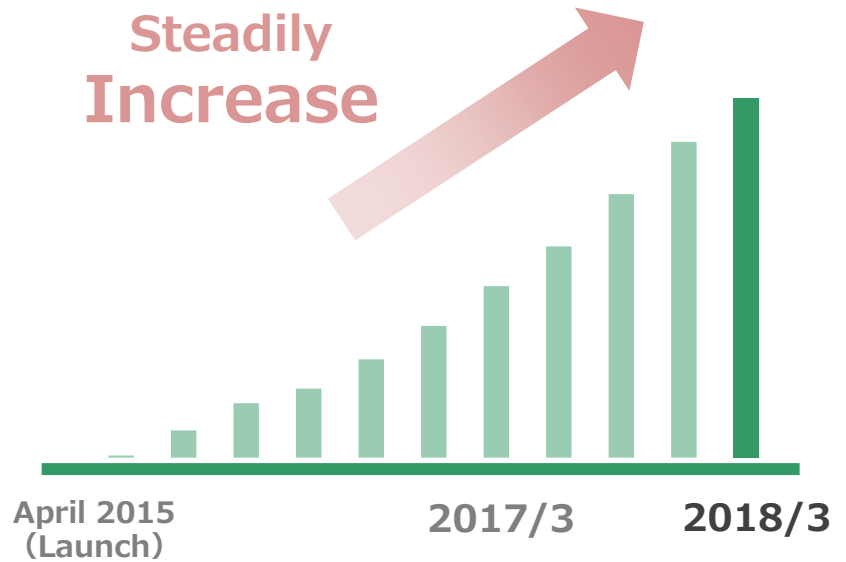
Enterprise Solution Business: Based on Cumulative Commissions

**Total Number of ID
Subscribing to movino star
Service**

(thousand)



**Cumulative Number of
TG Hikari Subscribers
(incl. Resale)**



Cumulative Commissions Increasing Steadily

※ movino star: Communication Line Mgmt. Service for Corporate Clients



Approaches in Solution Service

Helpdesk Service

- Total Number of ID Subscribing to Help Desk Service



2017/3

2018/3



Increasing Steadily
with the Sale of
Mobile terminals

- **Strengthened helpdesk services**

While subscribers increase

- Improved handling skills
- Improved response rate

The number of registered customer of helpdesk services alone is also on the rise

Expansion to other Industries

Applying the knowhow cultivated by the sales in the education industry esp. cram schools, to other industries



Education
and
Caregiving
Industry

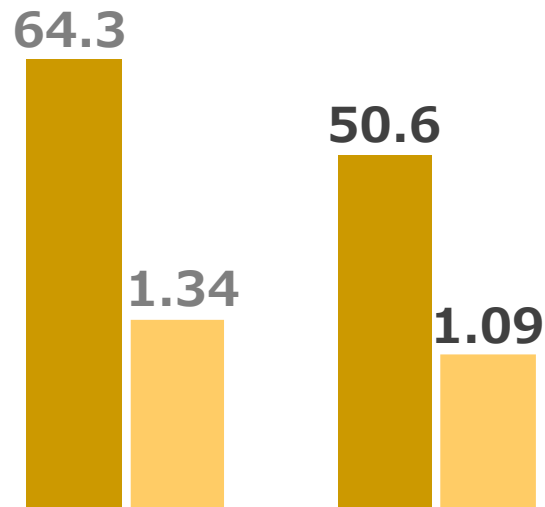
Reinforcing of Our Solution Services



Financial Results of Settlement Service & Other Business Segment

Financial Results Comparison

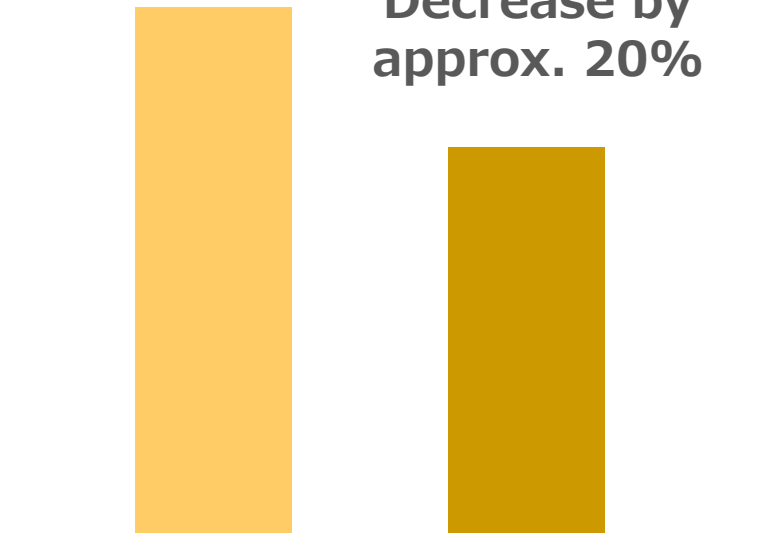
■ Net Sales ■ Operating Income (billion yen)



2017/3 FY 2018/3 FY

Gross Sales of PIN & Gift Cards

Decrease by
approx. 20%



2017/3 FY 2018/3 FY

Decreased net sales and operating income due to industry consolidation of convenience stores and decline of PIN sales

※ Gross Sales : Total amount of face value

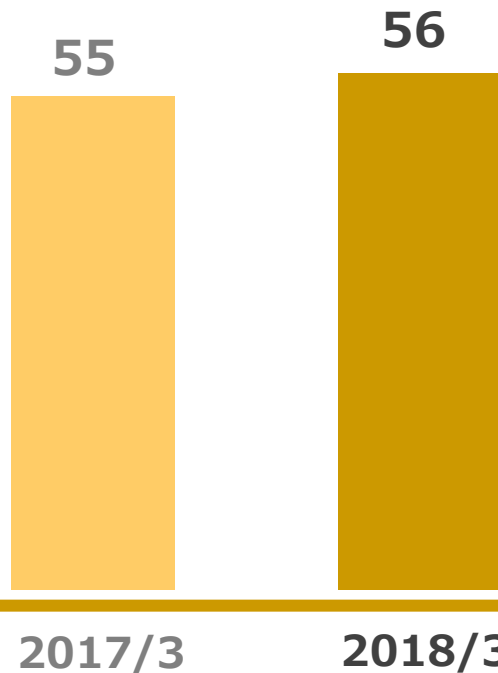


Number of Distributers of PIN & Gift cards Products

18

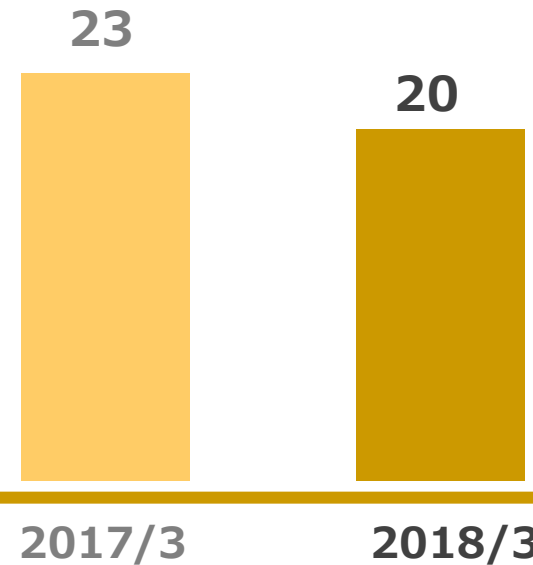
Number of stores handling PIN

(thousand)



Number of stores handling Gift Cards

(thousand)



- Increase in the number of stores handling PIN
- As the convenience store industry faces consolidation, the number of stores handling our gift cards has dropped



The Effects of the Acquisition of QUO CARD Co., Ltd.

● Effects on 2018/3 FY Financial Results

- For 3Q: Only B/S was consolidated
- From 4Q: P/L has been consolidated

● Total Amount of Financial Impact on 2018/3 FY

- Net income of approx. of 500million yen

● Amount, Amortization Method & Amortization Period of Goodwill

- Amount of Goodwill : 913 million yen
- Amortization Method: Equitable Amortization
- Amortization Period: Five years

※ The amount of Goodwill has been calculated and has been conformed in 4Q of 2018/3 FY.
The numbers has not been modified since the end of 3Q.





Settlement Service & Other Business: Overseas Business

The Expansion of Business in South-Eastern Asia

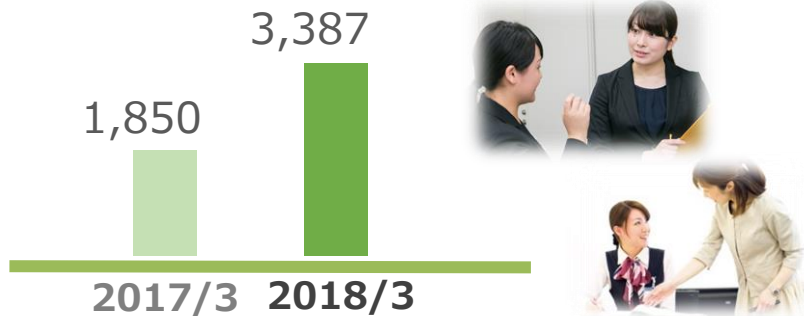


- Entered into the settlement service market in Thailand in following Singapore & Malaysia
- Expand the sale of Gift Cards & Explore the House card processing business among major convenience stores & large supermarkets

Investments in Human Resources

Increase in Permanent Employees

- Number of permanent employees[※]



※ T-Gaia alone

- April 2017, **approx. 1,300** of employees were signed as a permanent staff

- Strategic campus recruiting (April 2018, 218 are hired)

Further Staff Education



CAREER DESIGN  ACADEMY

- Introductory trainings held at Tokyo and Osaka after the adaptation, and effective online training courses are available to meet the needs

By securing human resources by these strategies, the turnover rate of permanent employees has halved

**Consolidated Forecasts for
FY ending March 2019
& Future Development**

During 2017, we have further developed and refined our Corporate Philosophy to a new level, it become more simple and easy to understand, without changing the essence of the previously published in April 2014.

[New Corporate Philosophy from April 2018]

TG Vision – Our Vision -

- We will propose new ways of communication to provide our customers with excitement, delight, and safety

TG Mission – Our Mission -

- We will thank our employees as well as their families and provide them with delightful work environment
- We will develop strong relationships with our business partners, regional communities and shareholders toward our future mutual growth
- As a leading company in the industry, we will go ahead of changes to develop new businesses

TG Action – Our Code of Conduct -

- We will provide the highest-quality service exceeding any of someone's expectations
- We will keep challenging something new aggressively with our passion and a sense of speed
- We will value communication and establish workplace with a culture of openness
- We will value a diversity and realize the best teamwork
- We will move ourselves higher as professionals
- We always act on high ethical standards and strengthen our compliance structure



Our Midterm Goal

Toward the FY 2020 (FY ending March 2021), T-Gaia has set a medium-term goals to realize a 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.

- **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 a strong core business**
- **Create and explore new business opportunities in the mobile and internet industries**
- **Maintain the dividend payout ratio over 30%**

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

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

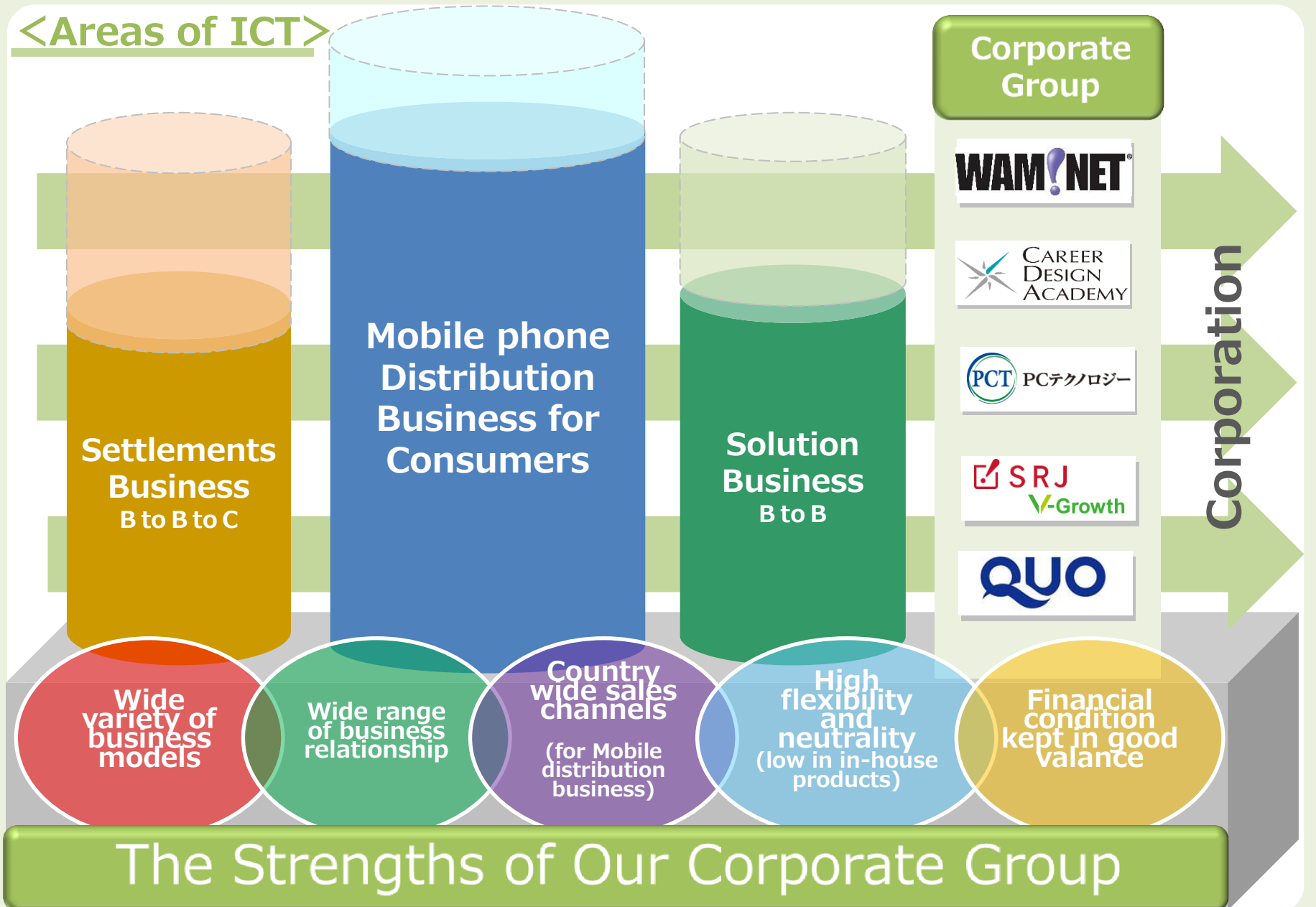
Based on the above medium-term goals and company-wide strategies, T-Gaia will develop the business strategies for each business lines and make every effort to realize them through the concrete action plans in each business departments.

<Our Vision>

A Comprehensive ICT Company

- **Firmly maintain the position as the leading company in the mobile phone distribution sector**
 - For further growth, maximize the productivity of our shops both directly managed and partner owned
- **In terms of ICT business, taking a coordination with our partners and related companies with the aim of utilizing the strengths of our corporate group**
 - By further development and expansion of B to B business including B to B to C business , exulting our total strength as a group company

<Areas of ICT>



Consolidated Forecasts for FY ending March 2019

(Unit: billion yen)	2018/3 FY Full year results	2019/3 Full Year Forecast	Year on year basis (%)	
Net Sales	552.77	540.00	▲12.77	▲2.3%
Gross Margin	64.27	69.50	+5.23	+8.1%
SGA Expense	49.81	54.60	+4.79	+9.6%
Operating Income	14.45	14.90	+0.45	+3.1%
Non-operating Income (Income from Hoarded Cards , etc..)	0.87	5.10	+4.23	+486.2%
Ordinary Income	15.33	20.00	+4.67	+30.4%
Net Income Attributable to Shareholders of the Parent Company	10.16	13.50	+3.34	+32.9%
Mobile-phone Unit Sales (million units)	4.593	4.465	▲0.128	▲2.8%

Mobile Telecommunication Business

Segment Forecasts

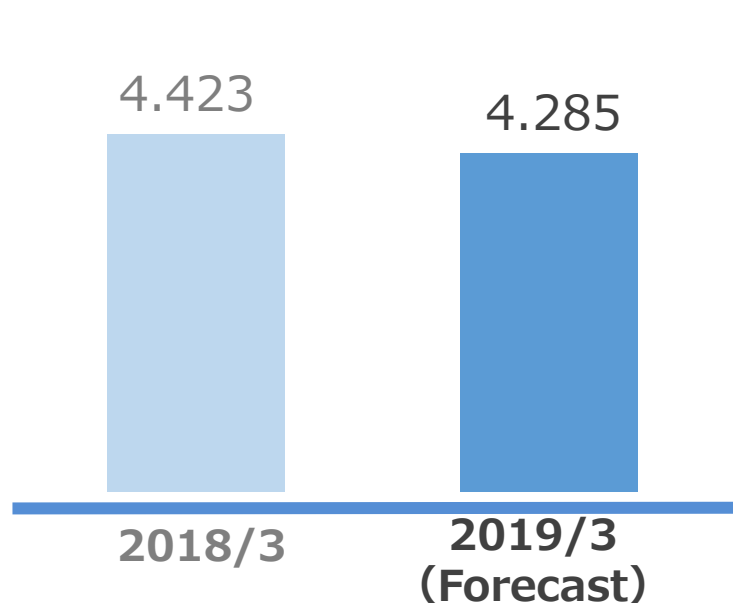
- Continual investments to shops for renovation and relocation
- Further investments in human resources and staff education for strengthening sales skills and improving customer satisfaction
- Enhanced customer support including conducting "smartphone classes" in shops

- Building of model structure for a steady income
- The style of sales shifts: from proposing a "better price" to a "better value", as customer demands change

Unit Sales Forecasts

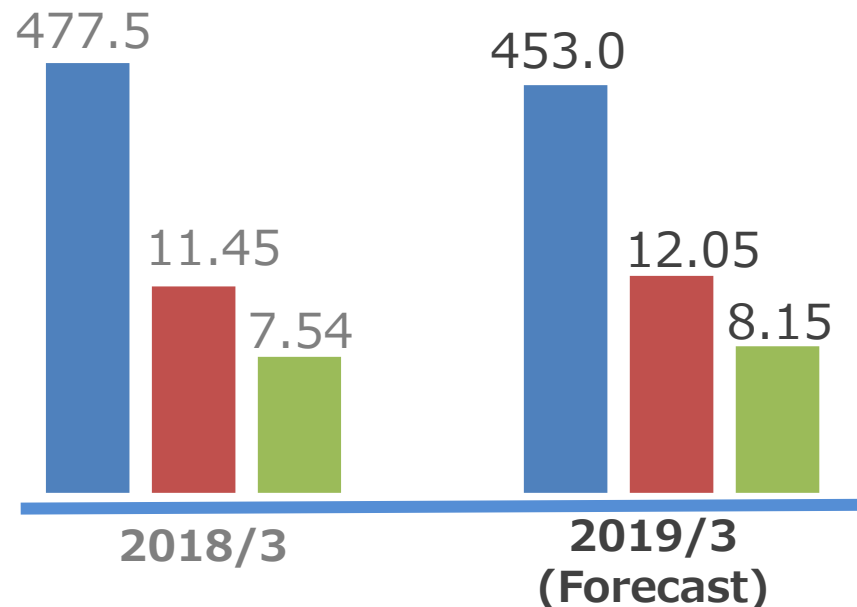
※ includes Wi-Fi terminals and MVNO

(million units)



Financial Results Forecasts

■ Net sales ■ Operating income ■ Net income (billion yen)



Mobile Telecommunication Business: Action Plan ①

29

● Further Growth in 2-in-1 Collaboration Shop (April 2018, running 4 shops)

Rakuten Mobile × **Smart Labo**

I'd hesitate to go in to a mobile phone shop without a purpose but I would drop by to an accessories shop just to have a look.

A mobile phone shop??

No. It's not what we want in our building. ... OK, so an accessories will be sold together?

Humm, I think I like the idea more!

The voices from the owners of a fashion related retail buildings

Customer's voice

The New Concept Attracting More Customers!

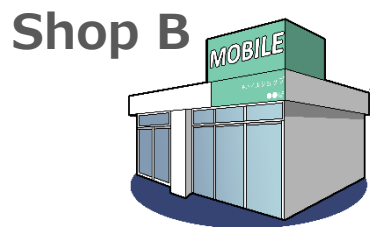
Mobile Telecommunication Business: Action Plan ②

● Utilization of the Camera Solution

For example two different shops thought to have a same volume of customer indicated by the ticketing machine ...



Based on Ticketing machine
No. of customer : 1 ,000

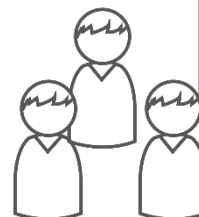


Based on Ticketing machine
No. of customer : 1 ,000

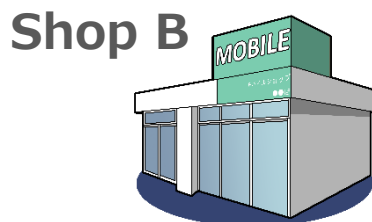
The introduction of camera has identified the true figure.



**Actual No. of
customer: 1,500**



There is always a long wait.. maybe I should just give up and go...



Actual No. of
customer: 1,100

**Identifying the
number of lost
customers made
easy**

Achieve improvement of unit sales and CS by adjusting work hours of staffs to meet the need of customers

Enterprise Solution Business Segment Forecasts

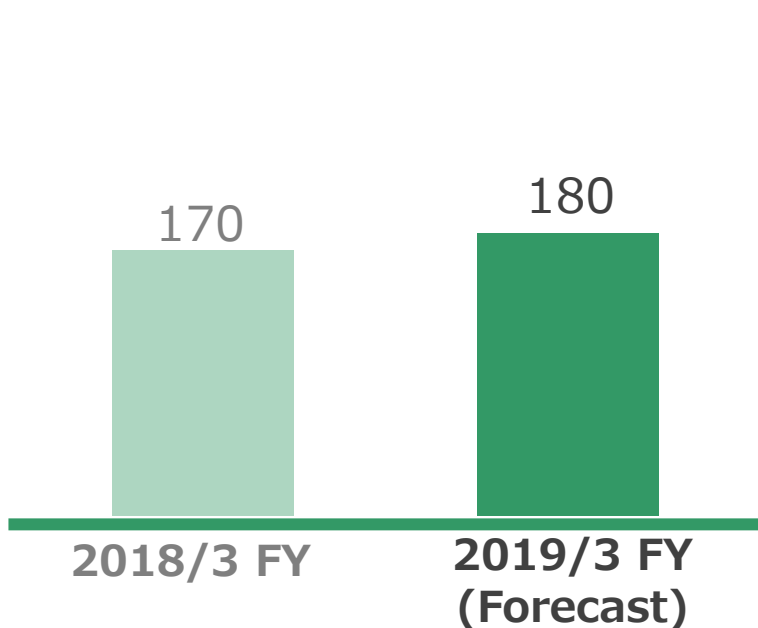
Mobile Solutions for Enterprise

- Expansion of stock income from movino star, etc.
- Provide continual supports and services through helpdesk service, supporting the introduction of smart-devices to enterprise customers
- Strengthen marketing activities targeted for specified industries

Unit Sales Forecasts

※ includes Wi-Fi terminals and MVNO

(thousand)



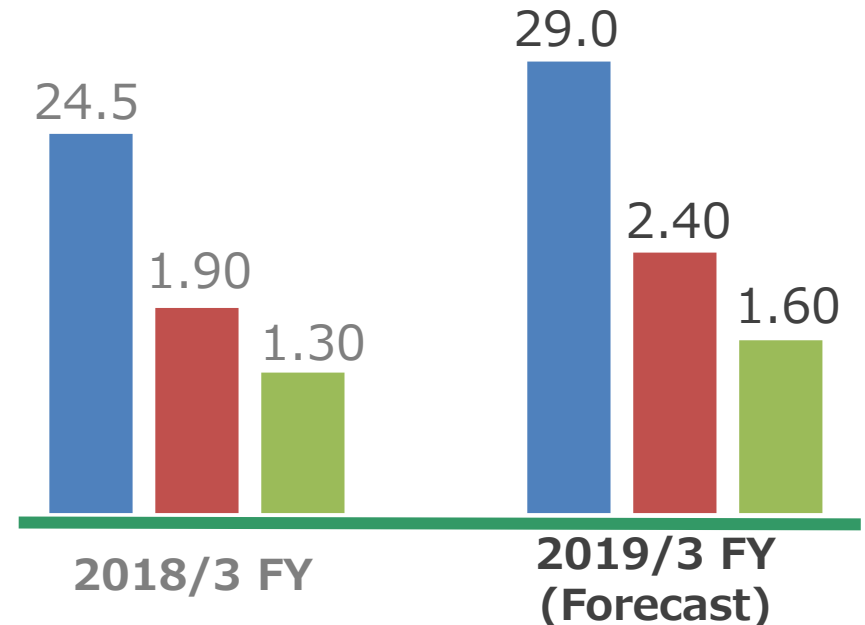
Network Marketing Business

- Enlargement of revenue base of TG-Hikari
- Re-organization and HR managements to improve and strengthen the sales forces



Financial Results Forecasts

■ Net sales ■ Operating income ■ Net income (billion yen)



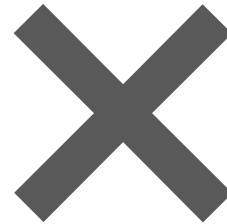
Enterprise Solution Business: Action Plan① 32

- Consolidation of Enterprise Solution Business Division
× Network Marketing Business Division

Sales of Mobile Terminals
and Other Services
To enterprise customers



T-GAIA Smart
SUPPORT



Sales of Landlines and
Fiber-optic broadband
connections
(Wholesale by NTT)



T-GAIA
By T-GAIA

For More Effective & Comprehensive Proposals

● Investment in V-Growth Co., Ltd.



V-Growth

Corporate Name: V-Growth Co., Ltd.

Date of : February 2016

Establishment :

Representative : Atsushi Matsuura

Description of Business : Sales and maintenance service of tablets and Wi-Fi structure targeted at education industry

Investment ratio: 51%

The joint project of tablets sales are being run, the investment completed in April 2018

**A new drive force for
enterprise solution business
targeted at a specified industry**

Settlement Service & Other Business Segment Forecasts

Settlement Service

- Expecting a growth in gross sales through expansion of a product range and sales channels

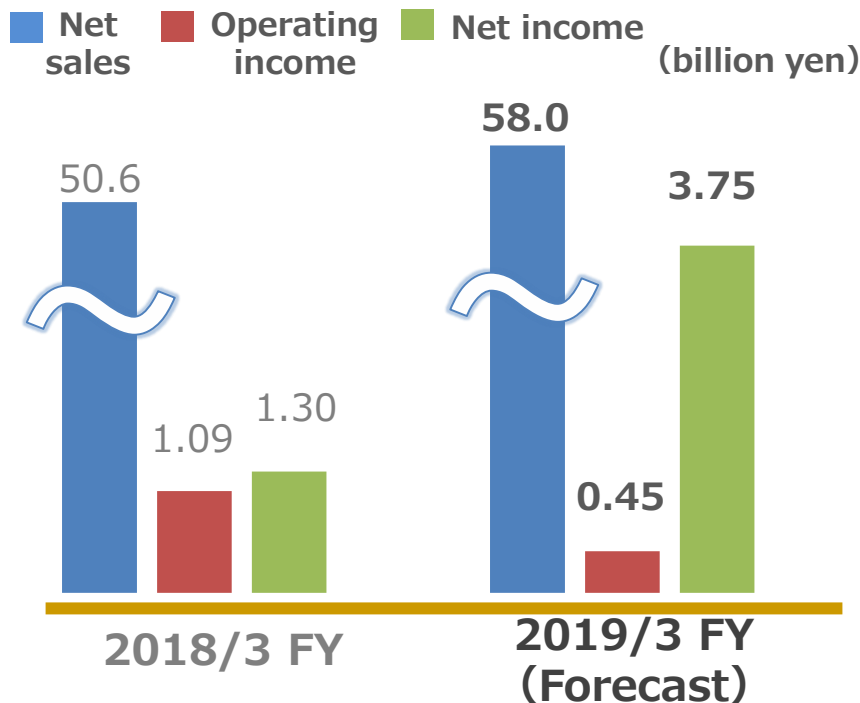
Overseas Business

- Aims for better gross sales by extending our sales channels to high-end supermarkets

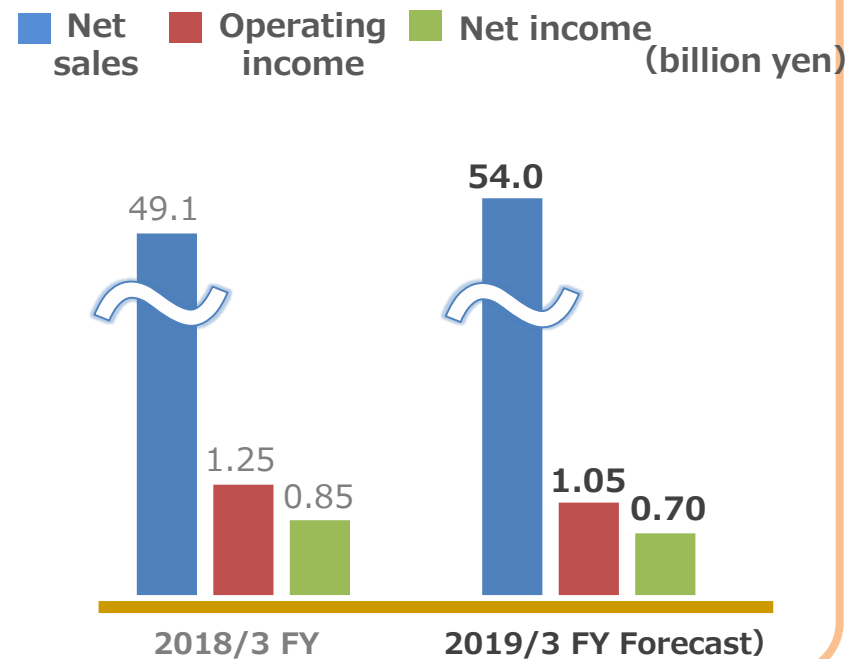
- Aggressive investments to for new settlement services such as realization of digital QUO cards

- Expansion in Southeast Asia

Consolidated Financial Results Forecasts



[Reference data] Non-consolidated Financial Results Forecasts (Excluding QUO Card Co., Ltd.)



※ Income from hoarded Quo Cards is included from 4Q of 2018/3. For more information see slide 6

● T-GAIA & QUO Card: Business Partnership



- Long-term experiences and cultivated know-how on e-money managed on a server
- Large scale sales channel for mobile-phone & corporate client base

COMMON FACTORS

- Both distribution channel centered on convenience stores
- Promotion of digitalization



- Extremely high recognition of "QUO CARD" brand & trust in the market
- High popularity among the gift market for corporate clients

Creation of "Digital QUO CARD"



Digital version of QUO card:
intended to be used in the real shops such as convenience stores

● For Our Environment (ESGs)



We have set up solar panels on 2 of our directly-managed shops in Jan 2018

- To reduce CO2 emission
- Energy costs also reduced



Are solar cells expensive??
Not really!

- Planning to introduce to 19 shops in the 1H of FY ending March 2019
- Arranging for a setup in the warehouse in Shiga



※ESG stands for Environment, Social, Governance

● For Our Society: Gender Equality

● Actively promoting women employees for managerial posts

Launched Project to promote woman employees for managerial position

In July 2017, The ratio of female managers reached

10%

● **2** Female Senior General Mgr.

● Workshops for Female Managers

Regular training conducted by outside female director
※The theme of 3rd training session was “The Tips for the Leaders”



Establishing an environment where female workers will be able to demonstrate their strengths to the full

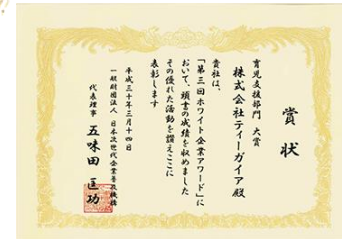
● Establishment of Favorable Working Environment

Diversity and Inclusion



- Promote active role of female employees
(Reached 10% ratio of female managers in the FY ending March 2018)
- Has been awarded 3 stars by Elboshi
- Actively employ & support physically or mentally challenged workers
- Support to achieve a good balance between childcare / nursing care and working

Workstyle Reform



- URL : <https://jws-japan.or.jp/award/>
- Awarded a prize of “White (Excellent) Corporation Grand Prix for “Child-care Support” by Japan White Spread

Promoting favorable workplace environment arrangement

● Overseas Training Program



- Aims to gather information on latest trends and technologies of ICTs in Silicon Valley



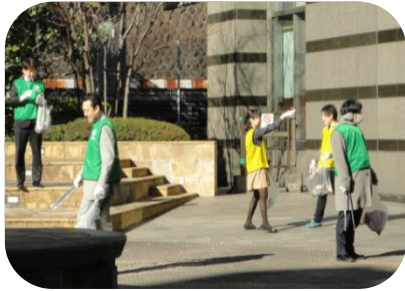
- Aims to strengthen the relationship with our business partners in settlement service business

The information gathered will inspire our growth strategies

● CSR Activities

Volunteering Activities

● Conducting cleaning activities in the area surrounding our Head Office building in Ebisu, Tokyo
A project to pick-up-trash on street are being run with the neighboring companies such as Sapporo Holdings.



● Actively conduct a blood donation to the Japanese Red Cross Society's Blood Program



● The project to sort out used postage stamps are to help the countries in south eastern Asia.



Major Sponsorships



The Eye Mate Inc. – as Support membership
Logo: By courtesy of the Eye Mate Inc.



NPO TABLE FOR TWO INTERNATIONAL
Donating through "CUP FOR TWO" Project
Logo: By courtesy of TABLE FOR TWO International



As part of mecenat activities, sponsor the Japan Philharmonic Orchestra
Logo: By courtesy of Japan Philharmonic Orchestra



Sponsor Japanese Paralympics Committee, Japanese Para-Sports Association
[JPC Official Supporter by courtesy of Japanese Para-Sports Association]

Our employees has also participated

JULY 2017



• the 23rd Deaflympics Samsun in Turkey, Won Bronze medal in 30km Road Cycling – time trial

Yukari Minohara
(on the right)

Joint Activities by National Association of Mobile-phone Distributors

“Trustworthy Carrier Shop” Recognition System



(Sign of the Certification)

The Number of Certified Shops ※As of April 1st 2018

5,478 Carrier shops (66.3% of all shops)

< including 291 shops directly managed by T-Gaia,
100% of all its shops >

e-Net Caravan

※



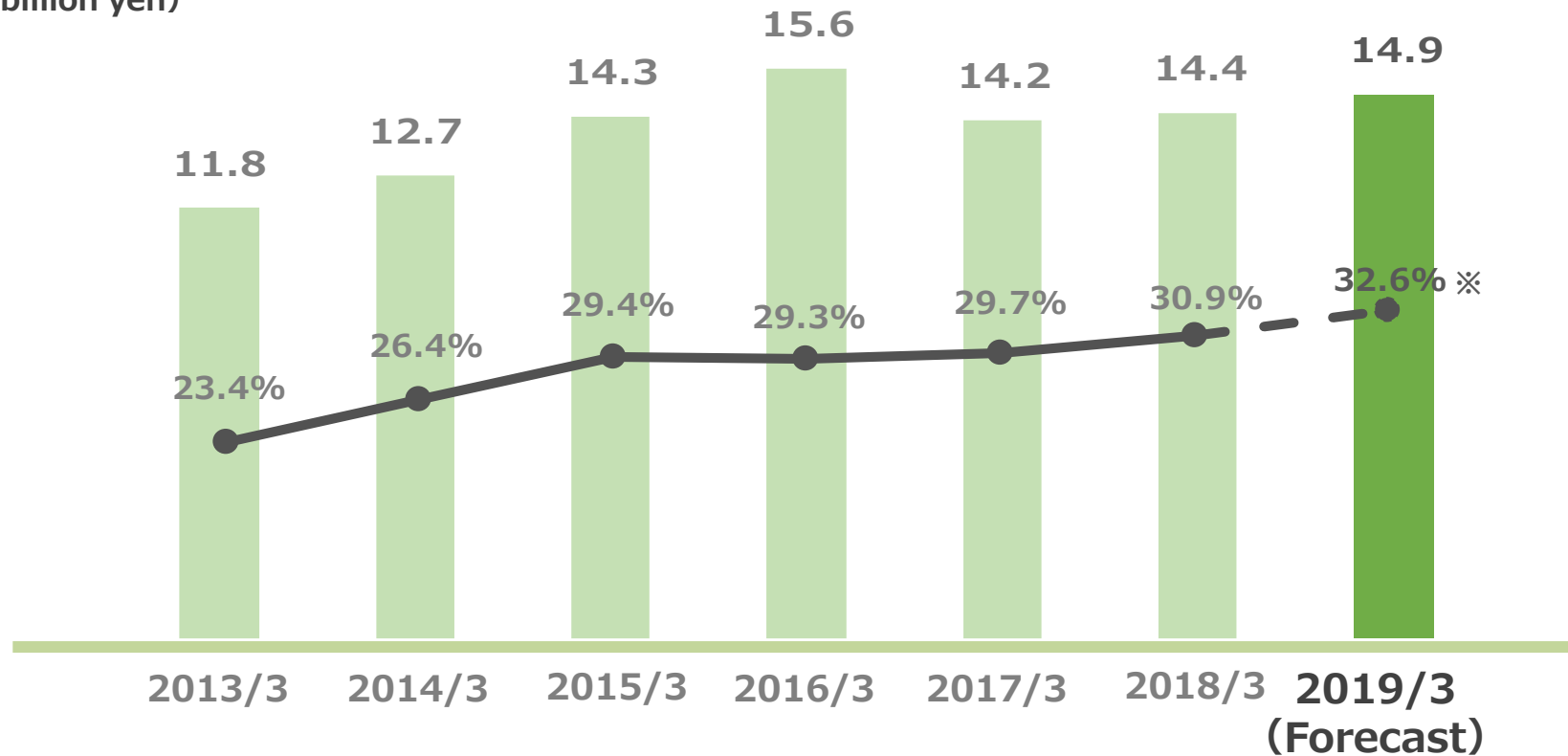
(活動風景)

- As a mobile phone distributor, we actively supports and participate in this program through conducting lessons to educate youths to use internet with safety/security

※ e-Net Caravan is a project to educate young generations, teachers, and parents to use electrical devices with safety and security.

Transition of ROE & Operating Income

Operating Income (billion yen) ● ROE (Return on Equity)



Has been selected as “JPX Nikkei Index 400”
for consecutive years by maintaining high level of ROE

● Trend of Key Financial Index

Year End	2013/3	2014/3	2015/3	2016/3	2017/3	2018/3
Net Income (in billion)	6.58	6.83	7.74	9.49	9.69	10.16
Net Worth (in billion)	28.17	23.59	29.10	35.81	29.36	36.44
Equity ratio of net income (ROE)	23.4%	26.4%	29.4%	29.3%	29.7%	30.9%
Return on investment (ROIC)	9.0%	10.0%	13.5%	17.3%	17.6%	20.3%
Operating Profit on sales	1.6%	1.8%	2.2%	2.5%	2.6%	2.6%
Dividend on equity ratio (DOE)	10.1%	10.0%	9.8%	9.1%	9.9%	9.3%

Return to Shareholders: Dividend Policy

Return to Shareholders in
FY ending March 2019

Forecast dividend increase of 18 yen/share

(increase for the fifth consecutive year)

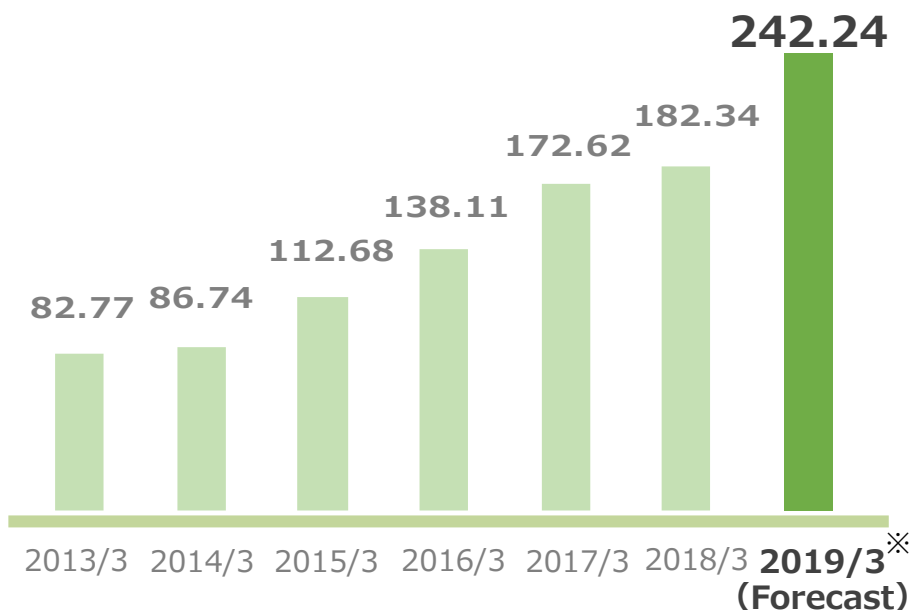
- Annual dividend: **73 yen**/share (Interim: 36.5 yen/share Yearend : 36.5 yen/share)

Basic Dividend Policy

Targeting & maintaining

Dividend payout ratio of more than 30%

Net Income per share (yen)



Dividend per share & Payout Ratio

