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Consolidated Financial Results for the First Quarter of Fiscal Year Ending March 31, 2024 (Three Months Ended June 30, 2023) (Based on J-GAAP)

August 1, 2023

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 Scheduled commencement date of dividend payout: -
 Quarterly financial results supplementary explanatory documents: Yes
 Quarterly financial results presentation: None

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

1. Consolidated Financial Results for the First Quarter of Fiscal Year Ending March 31, 2024 (April 1, 2023 – June 30, 2023)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
1Q FY 2024	96,431	(11.1)	1,039	(54.2)	1,868	(42.8)	1,117	(53.2)
1Q FY 2023	108,497	(2.4)	2,271	(28.9)	3,268	(32.9)	2,388	(25.9)

Note: Comprehensive income (million yen): 1Q FY 2024: 1,165 / [(52.2)%] 1Q FY 2023: 2,438 / [(24.3)%]

	Earnings per share	Diluted earnings per share
	Yen	Yen
1Q FY 2024	20.02	—
1Q FY 2023	42.82	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
1Q FY 2024	239,415	73,984	30.7
FY 2023	246,068	74,887	30.2

Reference: Shareholders' equity (million yen): 1Q FY 2024: 73,505 FY 2023: 74,385

2. Dividends

	Annual dividends				
	1Q-end	Interim	3Q-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY 2023	—	37.50	—	37.50	75.00
FY 2024	—	—	—	—	—
FY 2024 (forecasts)	—	37.50	—	37.50	75.00

Note: Revisions to the dividend forecast most recently announced: None

3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2024 (April 1, 2023 – March 31, 2024)

(Percentages represent year-over-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	459,500	1.3	8,200	17.2	12,400	6.5	8,000	0.8	143.39

Note: Revisions to the financial forecast most recently announced: None

Notes

- (1) Changes in significant subsidiaries during the period (three months) under review
(Changes in subsidiaries accompanying change in the scope of consolidation): Yes
Newly included: 1 company (T-Gaia Asia Pacific Pte. Ltd.)
- (2) Application of accounting procedures specific to creation of quarterly consolidated financial statements: None
- (3) Changes in accounting principles, estimates and restatements
- 1) Changes in accounting principles caused by revision of accounting standards, etc.: None
 - 2) Changes in accounting principles other than those mentioned above: None
 - 3) Changes in accounting estimates: None
 - 4) Restatement: None

- (4) Number of shares issued and outstanding (shares of common stock)

1) Number of shares outstanding (including treasury shares) at the end of the period	1Q FY 2024	56,074,000 shares	FY 2023	56,074,000 shares
2) Number of treasury shares at the end of the period	1Q FY 2024	282,309 shares	FY 2023	282,309 shares
3) Average number of shares outstanding during the period (three months)	1Q FY 2024	55,791,691 shares	1Q FY 2023	55,765,134 shares

* Quarterly financial results reports are exempt from quarterly reviews conducted by certified public accountants or an audit corporation.

* Cautionary statement with respect to forward-looking statements

(Disclaimer on forward-looking statements, etc.)

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 quarterly financial results supplementary explanatory documents)

Financial results supplementary explanatory documents will be posted in Japanese on August 1, 2023.

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1. Qualitative Information Concerning the First Quarter Financial Results

(1) Explanation of operating performance

In the period under review (April to June 2023), amid the continuation of global monetary tightening, etc., the downturn in overseas business conditions has been a downward risk on the business conditions in Japan. Looking ahead, careful attention needs to be paid to the impacts of rises in commodity prices, supply side limitations, fluctuations in the financial and capital markets, etc.

In the market for mobile phone handsets, which is the main business field of the Group (the Company, its consolidated subsidiaries, and its equity-method affiliates), the replacement cycle of mobile phone handsets is lengthening due to soaring smartphone prices and other factors. In addition, some telecommunications carriers are planning to consolidate or abolish carrier shops in the medium to long term.

Meanwhile, in telecommunication services provided by telecommunication carriers, progress has been made on the shift to 5G. Smartphones are more than just communication devices: they play an important role in realizing a smart life for each and every customer by linking with various services such as finance, payment, and entertainment. In this way, great change is underway in the role played by mobile phone distributors, including the Company, and the competitive environment.

Under this business environment, the Group steadily worked toward the realization of the TG Universe (the ecosystem within T-Gaia), the Group-wide strategy in our medium-term management plan (FY2022-FY2024), and initiatives to achieve the TG Material Issues (eight priority issues). With the aim of transforming the well-balanced business portfolio so that it is not dependent on the Consumer Mobile Business Segment, we are actively carrying out growth investments, particularly in the Enterprise Solutions Business Segment and Smart Life & QUO Card Business Segment.

We also set up a project organization in April 2023 to transform our shops, mainly carrier shops, to adopt a customer-centric business model. This is a foothold to promote horizontal collaboration across all businesses, under which, we are working on “provision of smart life-related services at shops,” “DX support for small and medium-sized businesses,” and “collaboration with local governments.” Both our consumer and enterprise client businesses are shifting focus from a product-out approach, or product sales-oriented approach, to a market-in approach, in which we provide services in line with customer requests, aiming to expand revenue.

Consolidated business results for the period under review marked net sales of 96,431 million yen (-11.1% compared with the year-earlier period), with operating profit of 1,039 million yen (-54.2%). Ordinary profit marked 1,868 million yen (-42.8%) and profit attributable to owners of parent posted 1,117 million yen (-53.2%).

The main reason for the decrease in both sales and profit was a decline in commission income due to a fall in the number of contracts for mobile phones such as smartphones (below, “mobile phone contracts”) in the Consumer Mobile Business Segment.

Results by business segment for the period under review are described below.

(Millions of yen)

	Consumer Mobile Business Segment	Enterprise Solutions Business Segment	Smart Life & QUO Card Business Segment	Others and adjustment amounts	Consolidated financial results
Net sales	79,569 (13.2%)	9,400 9.3%	7,443 (9.5%)	18 (16.0%)	96,431 (11.1%)
Profit attributable to owners of parent	302 (71.4%)	153 (75.6%)	575 (12.0%)	85 82.7%	1,117 (53.2%)
Supplementary information – Operating profit	657 (56.3%)	288 (43.4%)	38 (81.2%)	55 2.6%	1,039 (54.2%)

* Percentages represent year-over-year changes

[Consumer Mobile Business Segment]

The Consumer Mobile Business Segment is engaged in intermediary services specializing in contracts for telecommunications services, and other types of contracts provided by each telecommunications carrier, as well as the sales of smartphones, etc. For the Group's shops across Japan, we are aiming to realize shops that are "regional ICT hubs" rather than mere "points of sale," and which provide impressive experience to customers through high quality services and proposals with utility value that meets customer requirements.

The number of mobile phone contracts in the Consumer Mobile Business Segment was 700,000 (a decrease of 15.7% compared to the same period of the previous fiscal year) due to the lengthening replacement cycle of mobile phones caused by soaring smartphone prices and other factors. We have introduced Smart Online Support at our shops, which provides remote support for initial setup and instructions on smartphone use, to make our operations more efficient and increase customer satisfaction through the provision of support tailored to each customer by specialist staff. Also, in addition to consolidating or abolishing shops throughout the previous fiscal year, we have been more effective in providing on-site sales services at shopping malls and for remote locations where there are no local shops, thereby controlling selling, general and administrative expenses.

Sales of original products, especially glass coatings and security products, remained solid, exceeding those of the same period of the previous fiscal year. However, this was not enough to offset the decline in commission income due to a fall in the number of mobile phone contracts.

As a result, net sales marked 79,569 million yen (-13.2% compared with the year-earlier period), with profit attributable to owners of parent of 302 million yen (-71.4%).

[Enterprise Solutions Business Segment]

The Enterprise Solutions Business Segment is engaged in the sale of smartphones, etc. to corporate customers, the provision of solution services related to devices and network management services, etc., and sales and intermediary services specializing in optical communication line service contracts for corporate and individual customers. The Group is expanding products and services to create a one-stop channel for meeting customers' requirements through its Life Cycle Management (LCM) business which revolves around administrative and support services for device life cycles spanning from procurement, propositions, and introduction support for smart devices including PCs, to building Wi-Fi environment, maintenance, operations, and updating services.

The number of mobile phone contracts in the Enterprise Solutions Business Segment was 68,000 (a decrease of 3.9% compared to the same period of the previous fiscal year). We expanded products and services in the LCM business and the number of management IDs for network administrative services (movino star), helpdesks, and the like surpassed the same period of the previous fiscal year. In addition to proposing new business areas such as proposing the building, operation and maintenance of networks that use edge functions, we continue to focus on local government sales against the background of the "Vision for a Digital Garden City Nation" advocated by the Japanese government. On the other hand, depreciation and other expenses increased from the same period of the previous fiscal year due to the enhancement of sales system functions.

In products related to fixed-line telecommunications, the cumulative number of lines owned by the Company's own "TG Hikari" fiber-optics access service rose steadily.

As a result, net sales marked 9,400 million yen (+9.3% compared with the year-earlier period), with profit attributable to owners of parent of 153 million yen (-75.6%).

[Smart Life & QUO Card Business Segment]

The Smart Life & QUO Card Business Segment is mainly engaged in sales of PIN (prepaid codes), gift cards, and smartphone accessories through major nationwide convenience store chains, as well as ESG-related businesses such as renewable energy, healthcare, ICT schools for children, and e-sports. It also includes the Company's consolidated subsidiary QUO CARD Co., Ltd. which is tasked with the issuance and settlement of "QUO Card" and "QUO Card Pay" and the sales and repair/maintenance of card-handling equipment, etc.

As stated in the "Notice of Change in Reportable Segments" dated May 1, 2023, one of the segment names has been changed beginning in the period under review.

In the Smart Life Business, PIN and gift card transaction volumes were down compared with the same period of the previous fiscal year. The demand for a variety of digital content, including games, music, and video streaming, is gradually declining along with changing lifestyles. Sales in the wholesale of smartphone accessories mainly to convenience stores were robust, and sales of wearable device "Fitbit" were also strong.

We are also working on new businesses, including the launch of VOYAGEESIM for Europe, an eSIM data service for travelers to Europe, in April 2023.

In the QUO Card Business, the amount of issuance for QUO Card and Quo Card Pay increased compared to the same period of the previous fiscal year. QUO Card Pay has been adopted in the Tokyo Metropolitan Government's initiative "Tokyo Childbirth and Child Care Support Project" as one of the products offered for childcare products and parenting support services.

As a result, net sales marked 7,443 million yen (-9.5% compared with the year-earlier period), with profit attributable to owners of parent of 575 million yen (-12.0%).

(2) Explanation of financial position

(Assets)

Current assets at the end of the period under review were 194,869 million yen, which was 5,550 million yen lower than at the end of the previous fiscal year. This was mainly due to a 4,112 million yen decrease in notes and accounts receivable - trade. Non-current assets at the end of the period under review were 44,545 million yen, which was 1,103 million yen lower than at the end of the previous fiscal year. This was mainly due to a 1,229 million yen decrease in investment securities due to change in the scope of consolidation.

As a result, total assets posted 239,415 million yen, which was 6,653 million yen lower than at the end of the previous fiscal year.

(Liabilities)

Current liabilities at the end of the period under review were 161,190 million yen, which was 5,009 million yen lower than at the end of the previous fiscal year. This was mainly due to a 2,281 million yen decrease in accounts payable - other and a 2,080 million

yen decrease in accounts payable - trade. Non-current liabilities at the end of the period under review were 4,240 million yen, which was 740 million yen lower than at the end of the previous fiscal year. This was mainly due to a 930 million yen decrease in long-term borrowings.

As a result, total liabilities posted 165,430 million yen, which was 5,750 million yen lower than at the end of the previous fiscal year.

(Net assets)

Net assets at the end of the period under review were 73,984 million yen, which was 903 million yen lower than at the end of the previous fiscal year. This was mainly due to 1,117 million yen recognized in profit attributable to owners of parent and 2,092 million yen in payment of dividends of surplus.

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

There is no change to the full-year consolidated financial forecasts announced on May 1, 2023.

Three months (April to June 2023) net sales represent 21.0% of the full-year estimate, with percentages for operating profit, ordinary profit, and profit attributable to owners of parent at 12.7%, 15.0%, and 13.9%, respectively.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly consolidated balance sheets

(Millions of yen)

	FY2023 As of March 31, 2023	1Q FY 2024 As of June 30, 2023
Assets		
Current assets		
Cash and deposits	47,652	46,199
Notes and accounts receivable - trade	19,687	15,575
Inventories	25,855	23,988
Accounts receivable - other	11,258	11,332
Guarantee deposits	93,219	95,280
Other	2,765	2,506
Allowance for doubtful accounts	(18)	(12)
Total current assets	200,420	194,869
Non-current assets		
Property, plant and equipment	4,227	4,401
Intangible assets		
Goodwill	16,502	16,891
Contract-related intangible assets	1,193	1,176
Other	5,484	5,465
Total intangible assets	23,179	23,532
Investments and other assets	18,240	16,611
Total non-current assets	45,648	44,545
Total assets	246,068	239,415
Liabilities		
Current liabilities		
Accounts payable - trade	10,104	8,024
Current portion of long-term borrowings	3,751	3,786
Accounts payable - other	16,723	14,442
Income taxes payable	971	447
Refund liability	87	98
Provision for bonuses	2,486	1,495
Card deposits	131,028	130,848
Other	1,046	2,047
Total current liabilities	166,199	161,190
Non-current liabilities		
Long-term borrowings	1,871	941
Years of service gratuity reserve provisions	187	166
Retirement benefit liability	369	548
Asset retirement obligations	1,991	1,996
Other	561	587
Total non-current liabilities	4,981	4,240
Total liabilities	171,181	165,430
Net assets		
Shareholders' equity		
Share capital	3,154	3,154
Capital surplus	5,141	5,141
Retained earnings	65,892	64,917
Treasury shares	(260)	(260)
Total shareholders' equity	73,927	72,952
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	318	400
Foreign currency translation adjustment	139	152
Total accumulated other comprehensive income	458	552
Non-controlling interests	501	478
Total net assets	74,887	73,984
Total liabilities and net assets	246,068	239,415

(2) Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income
(Quarterly consolidated statements of income)
(Consolidated three months period)

(Millions of yen)

	1Q FY 2023 (From April 1, 2022 to June 30, 2022)	1Q FY 2024 (From April 1, 2023 to June 30, 2023)
Net sales	108,497	96,431
Cost of sales	91,160	79,266
Gross profit	17,336	17,165
Selling, general and administrative expenses	15,064	16,125
Operating profit	2,271	1,039
Non-operating income		
Interest income	1	0
Dividend income	10	8
Delay damages income	360	-
Hoard profit of prepaid card	776	801
Other	46	72
Total non-operating income	1,194	882
Non-operating expenses		
Interest expenses	11	6
Share of loss of entities accounted for using equity method	8	14
Delay damages	171	-
Store lease termination penalties	0	28
Other	5	4
Total non-operating expenses	198	53
Ordinary profit	3,268	1,868
Extraordinary income		
Gain on sale of non-current assets	10	-
Gain on sale of shares of subsidiaries and associates	-	9
Gain on step acquisitions	305	-
Total extraordinary income	315	9
Extraordinary losses		
Loss on retirement of non-current assets	7	32
Total extraordinary losses	7	32
Profit before income taxes	3,577	1,845
Income taxes - current	549	246
Income taxes - deferred	637	527
Total income taxes	1,187	774
Profit	2,389	1,070
Profit (loss) attributable to non-controlling interests	1	(46)
Profit attributable to owners of parent	2,388	1,117

(Quarterly consolidated statements of comprehensive income)
(Consolidated three months period)

(Millions of yen)

	1Q FY 2023 (From April 1, 2022 to June 30, 2022)	1Q FY 2024 (From April 1, 2023 to June 30, 2023)
Profit	2,389	1,070
Other comprehensive income		
Valuation difference on available-for-sale securities	98	82
Foreign currency translation adjustment	-	10
Share of other comprehensive income of entities accounted for using equity method	(50)	2
Total other comprehensive income	48	94
Comprehensive income	2,438	1,165
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,436	1,210
Comprehensive income attributable to non-controlling interests	1	(45)

- (3) Notes to quarterly consolidated financial statements
 (Notes on the going-concern assumption)
 Not applicable.
 (Notes on significant changes in shareholders' equity)
 Not applicable.
 (Segment information, etc.)
 [Segment information]

I 1Q FY 2023 (from April 1, 2022 to June 30, 2022)

1. Information by reportable segment on net sales, profit / loss amounts and information on disaggregation of revenue

(Millions of yen)

	Reportable segments			Total	Other (Note)	Total
	Consumer Mobile Business Segment	Enterprise Solutions Business Segment	Smart Life & QUO Card Business Segment			
Net sales						
Smart device	52,154	2,429	–	54,583	–	54,583
Prepaid cards, etc.	–	–	3,145	3,145	–	3,145
Fees related Smart device	38,141	2,685	–	40,827	–	40,827
Sales commissions of prepaid card, etc.	–	–	3,103	3,103	–	3,103
Own solution services	–	1,663	–	1,663	–	1,663
TG Hikari & NW related	–	1,745	–	1,745	–	1,745
Other	1,351	78	1,928	3,359	21	3,380
Revenue from contracts with customers	91,647	8,602	8,178	108,428	21	108,449
Other revenue	–	–	47	47	–	47
Sales to external customers	91,647	8,602	8,225	108,475	21	108,497
Intersegment sales or transfers	–	16	30	46	266	313
Total	91,647	8,619	8,255	108,521	288	108,810
Segment profit	1,058	629	653	2,341	47	2,388

Note: The “Other” segment is a segment for businesses that do not fall under reportable segments and deal with the Company’s systems development, operation, and maintenance operations.

2. The difference between total profit or loss of reportable segments and profit or loss reported in the quarterly consolidated statements of income for the period under review, and main items responsible for the difference (Matters concerning difference adjustment)

(Millions of yen)

Profit	Amount
Reportable segments total	2,341
Profit categorized as “Other”	47
Profit attributable to owners of parent in the quarterly consolidated statements of income	2,388

3. Matters concerning the impairment loss from non-current assets or goodwill of reportable segments
 (Material change in the goodwill amount)

In the Enterprise Solutions Business Segment, Relay2, Inc. was made into a consolidated subsidiary in 1Q FY 2023. The increase in the amount of goodwill caused by this event was 1,137 million yen for 1Q FY 2023.

II 1Q FY 2024 (from April 1, 2023 to June 30, 2023)

1. Information by reportable segment on net sales, profit / loss amounts and information on disaggregation of revenue

(Millions of yen)

	Reportable segments			Total	Other (Note)	Total
	Consumer Mobile Business Segment	Enterprise Solutions Business Segment	Smart Life & QUO Card Business Segment			
Net sales						
Smart device	48,486	2,229	–	50,715	–	50,715
Prepaid cards, etc.	–	–	1,002	1,002	–	1,002
Fees related Smart device	29,681	2,399	–	32,080	–	32,080
Sales commissions of prepaid card, etc.	–	–	4,479	4,479	–	4,479
Own solution services	–	2,457	–	2,457	–	2,457
TG Hikari & NW related	–	2,230	–	2,230	–	2,230
Other	1,402	83	1,858	3,344	18	3,362
Revenue from contracts with customers	79,569	9,400	7,340	96,310	18	96,328
Other revenue	–	–	103	103	–	103
Sales to external customers	79,569	9,400	7,443	96,413	18	96,431
Intersegment sales or transfers	426	399	37	863	772	1,636
Total	79,996	9,799	7,481	97,277	791	98,068
Segment profit	302	153	575	1,031	85	1,117

Note: The “Other” segment is a segment for businesses that do not fall under reportable segments and deal with the Company’s systems development, operation, and maintenance operations.

2. The difference between total profit or loss of reportable segments and profit or loss reported in the quarterly consolidated statements of income for the period under review, and main items responsible for the difference (Matters concerning difference adjustment)

(Millions of yen)

Profit	Amount
Reportable segments total	1,031
Profit categorized as “Other”	85
Profit attributable to owners of parent in the quarterly consolidated statements of income	1,117

3. Changes in reportable segments, etc.

Beginning in the period under review, the name of the reportable segment previously referred to as “Payment Service Business and Other Business Segment” has been changed to “Smart Life & QUO Card Business Segment” in light of the nature of its business. Accordingly, the segment information for 1Q FY 2023 is also presented under the new name.

Furthermore, beginning in the period under review, the accessories business, which was included in the Consumer Mobile Business Segment, has been reclassified into the Smart Life & QUO Card Business Segment. Additionally, the segment information for 1Q FY 2023 has not been prepared based on segment classifications reflecting this change, as its impact on net sales and segment profit is immaterial.

4. Matters concerning the impairment loss from non-current assets or goodwill of reportable segments

Not applicable.