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Consolidated Financial Results for the First Quarter of Fiscal Year Ending March 31, 2023 (Three Months Ended June 30, 2022) (Based on J-GAAP)

August 1, 2022

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 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, 2023 (April 1, 2022 – June 30, 2022)

(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 2023	108,497	(2.4)	2,271	(28.9)	3,268	(32.9)	2,388	(25.9)
1Q FY 2022	111,173	45.7	3,194	39.0	4,871	(3.3)	3,224	(5.1)

Note: Comprehensive income (million yen): 1Q FY 2023: 2,438 / [(24.3)%] 1Q FY 2022: 3,222 / [(7.6)%]

	Earnings per share	Diluted earnings per share
	Yen	Yen
1Q FY 2023	42.82	—
1Q FY 2022	57.85	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
1Q FY 2023	229,727	71,382	30.8
FY 2022	241,277	70,483	29.2

Reference: Shareholders' equity (million yen): 1Q FY 2023: 70,793 FY 2022: 70,448

2. Dividends

	Annual dividends				
	1Q-end	Interim	3Q-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY 2022	—	37.50	—	37.50	75.00
FY 2023	—	—	—	—	—
FY 2023 (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, 2023 (April 1, 2022 – March 31, 2023)

(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	483,000	1.4	11,200	6.0	15,400	0.1	10,000	(5.5)	179.32

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: 2 companies (Relay2, Inc. and TG Solutions Corporation)
- (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 2023	56,074,000 shares	FY 2022	56,074,000 shares
2) Number of treasury shares at the end of the period	1Q FY 2023	308,866 shares	FY 2022	308,866 shares
3) Average number of shares outstanding during the period (three months)	1Q FY 2023	55,765,134 shares	1Q FY 2022	55,735,134 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, 2022.

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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 2022), the Japanese economy was faced with concerns including the prolongation of the situation in Ukraine and the impact of restrictions to economic activity in China. Careful attention needs to be paid to factors such as supply side limitations and rises in raw material and other prices, as well as fluctuations in the financial and capital markets.

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), gradual progress was made on the shift to 5G (5th-generation mobile communication system), including in March 2022 when KDDI CORPORATION ended its 3G (3rd-generation mobile communication system) service. However, commission terms and conditions for some telecommunications carriers were revised in the second quarter of the previous fiscal year (July to September 2021). In addition to this, great change is underway in the role played by mobile phone distributors, including the Company, and the competitive environment, including plans to consolidate or abolish carrier shops in the medium to long term.

Also, delays to the delivery of some products caused by a global supply shortage of semiconductors, etc., continued, as the outlook remains unclear.

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, and initiatives to achieve the TG Material Issues (eight priority issues). With the aim of transforming our business portfolio so that it is not dependent on the Consumer Mobile Business Segment, we are actively considering growth investments, particularly in the Enterprise Solutions Business Segment and Payment Service Business and Other Business Segment. We have also established a specialist division that will operate on a Group-wide basis to further grow sales of original products and enhance the productivity of store operations.

The number of contracts for mobile phone numbers (below, “mobile phone contracts”) agreed during the period under review was 900,000 (87.6% of the number recorded in the same period of the previous fiscal year), mainly due to a fall in the number of model change contracts that accompanied a change in the direction of sales measures by telecommunications carriers.

Also, the revisions to commission terms and conditions for some telecommunications carriers mentioned above led to a decline in commission income compared with the same period of the previous fiscal year. However, we are gradually starting to see the effects of efforts to enhance productivity by improving operational efficiency that have been carried out since the second quarter of the previous fiscal year, including an improvement in the operating profit margin.

As a result, consolidated business results for the period under review marked net sales of 108,497 million yen (-2.4% compared with the year-earlier period), with operating profit of 2,271 million yen (-28.9%). Due to a year-on-year decrease in the hoard profit of prepaid card, ordinary profit marked 3,268 million yen (-32.9%) and profit attributable to owners of parent posted 2,388 million yen (-25.9%). Additionally, gain on step acquisitions from consolidated subsidiaries accounted for using equity method was recorded as extraordinary income.

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

	Consumer Mobile Business Segment	Enterprise Solutions Business Segment	Payment Service Business and Other Business Segment	Others and adjustment amounts	(Millions of yen) Consolidated financial results
Net sales	91,647 (3.6%)	8,602 0.7%	8,225 9.2%	21 —	108,497 (2.4%)
Profit attributable to owners of parent	1,058 (38.6%)	629 66.2%	653 (41.8%)	47 —	2,388 (25.9%)
Supplementary information – Operating profit	1,504 (42.0%)	510 (18.2%)	202 —	53 —	2,271 (28.9%)

* 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, including mobiles, and other types of contracts provided by each telecommunications carrier, as well as the sales of mobile phones, 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 please customers and win their trust through high quality services and proposals with utility value that meets customer requirements.

As mentioned above, the number of mobile phone contracts and commission income declined compared with the same period of the previous fiscal year. However, our shops are creating opportunities to make sales and provide services not only at shopping malls, etc., but also by providing sales support for remote locations where there are no local shops, and they are also contributing to the vitalization of regional communities.

Also, we are working to make our operations more efficient by gradually expanding the number of shops that can handle remote initial setup support and to increase customer satisfaction through the provision of support tailored to each customer by specialist staff.

As a result, net sales marked 91,647 million yen (-3.6% compared with the year-earlier period), with profit attributable to owners of parent of 1,058 million yen (-38.6%).

[Enterprise Solutions Business Segment]

The Enterprise Solutions Business Segment is engaged in the sale of mobile phone 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.

As mentioned above, the number of mobile phone contracts declined compared with the same period of the previous fiscal year due to continued delays to the delivery of some ordered products caused by a global supply shortage of semiconductors, etc.

On the other hand, we expanded products and services in the LCM business and the number of management IDs for network administrative services, helpdesks, and the like surpassed the same period of the previous fiscal year. Moreover, the Group focused on proposing new business areas such as proposing the building, operation and maintenance of networks that use edge solutions.

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 8,602 million yen (+0.7% compared with the year-earlier period), with profit attributable to owners of parent of 629 million yen (+66.2%).

[Payment Service Business and Other Business Segment]

The Payment Service Business and Other Business Segment is mainly engaged in sales of PIN (prepaid codes), sales of gift cards, and sales of smartphone accessories through major nationwide convenience store chains. It also includes the 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.

PIN and gift card transaction volumes were down compared with the same period of the previous fiscal year but there continued to be high levels of demand for a variety of digital content, including games, music, and video streaming. Sales in the wholesale of smartphone accessories mainly to convenience stores were robust due to the expansion of sales channels and the broadening of the merchandise lineup.

With respect to other new business, we continue to work on such areas as the operation of ICT schools for children and the hosting of online events for the e-Sports business.

The amount of issuance for QUO Card and Quo Card Pay declined compared to the same period of the previous fiscal year, when there was the special demand related to the COVID-19 pandemic, but we are continuing to focus on expanding the number of member stores which accept these cards.

As a result, net sales marked 8,225 million yen (+9.2% compared with the year-earlier period), with profit attributable to owners of parent of 653 million yen (-41.8%) due to the year-on-year decrease in the hoard profit of prepaid card mentioned above.

(2) Explanation of financial position

(Assets)

Current assets at the end of the period under review were 182,696 million yen, which was 11,846 million yen lower than at the end of the previous fiscal year. This was mainly due to a 13,087 million yen decrease in cash and deposits. Non-current assets at the end of the period under review were 47,031 million yen, which was 295 million yen higher than at the end of the previous fiscal year. This was mainly due to an 824 million yen increase in goodwill and a 672 million yen decrease in deferred tax assets.

As a result, total assets posted 229,727 million yen, which was 11,550 million yen lower than at the end of the previous fiscal year.

(Liabilities)

Current liabilities at the end of the period under review were 150,843 million yen, which was 11,447 million yen lower than at the end of the previous fiscal year. This was mainly due to a 9,000 million yen decrease in current portion of long-term borrowings and a 2,207 million yen decrease in accounts payable - trade. Non-current liabilities at the end of the period under review were 7,500 million yen, which was 1,003 million yen lower than at the end of the previous fiscal year. This was mainly due to a 937 million yen decrease in long-term borrowings.

As a result, total liabilities posted 158,344 million yen, which was 12,450 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 71,382 million yen, which was 899 million yen higher than at the end of the previous fiscal year. This was mainly due to 2,388 million yen recognized in profit attributable to owners of parent and 2,091 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 2, 2022.

Three months (April to June 2022) net sales represent 22.5% of the full-year estimate, with percentages for operating profit, ordinary profit, and profit attributable to owners of parent at 20.3%, 21.2%, and 23.9%, respectively.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly consolidated balance sheets

	FY 2022 (As of March 31, 2022)	1Q FY 2023 (As of June 30, 2022)
(Millions of yen)		
Assets		
Current assets		
Cash and deposits	58,162	45,075
Notes and accounts receivable - trade	17,660	15,098
Inventories	22,239	20,478
Accounts receivable - other	12,621	12,791
Guarantee deposits	81,400	86,870
Other	2,495	2,408
Allowance for doubtful accounts	(37)	(26)
Total current assets	194,542	182,696
Non-current assets		
Property, plant and equipment	3,903	3,745
Intangible assets		
Goodwill	16,563	17,388
Contract-related intangible assets	1,260	1,243
Other	4,885	5,532
Total intangible assets	22,709	24,164
Investments and other assets	20,122	19,120
Total non-current assets	46,735	47,031
Total assets	241,277	229,727
Liabilities		
Current liabilities		
Accounts payable - trade	9,964	7,757
Current portion of long-term borrowings	12,751	3,751
Accounts payable - other	16,576	15,882
Income taxes payable	722	498
Refund liability	-	101
Provision for bonuses	2,719	1,543
Card deposits	118,341	119,308
Other	1,215	2,001
Total current liabilities	162,290	150,843
Non-current liabilities		
Long-term borrowings	5,622	4,684
Years of service gratuity reserve provisions	146	130
Retirement benefit liability	349	358
Asset retirement obligations	1,979	1,980
Other	406	345
Total non-current liabilities	8,503	7,500
Total liabilities	170,794	158,344
Net assets		
Shareholders' equity		
Share capital	3,154	3,154
Capital surplus	5,123	5,123
Retained earnings	62,137	62,434
Treasury shares	(284)	(284)
Total shareholders' equity	70,129	70,426
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	263	362
Foreign currency translation adjustment	55	4
Total accumulated other comprehensive income	318	366
Non-controlling interests	35	589
Total net assets	70,483	71,382
Total liabilities and net assets	241,277	229,727

(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 2022 (From April 1, 2021 to June 30, 2021)	1Q FY 2023 (From April 1, 2022 to June 30, 2022)
Net sales	111,173	108,497
Cost of sales	92,591	91,160
Gross profit	18,582	17,336
Selling, general and administrative expenses	15,387	15,064
Operating profit	3,194	2,271
Non-operating income		
Interest income	1	1
Dividend income	8	10
Delay damages income	—	360
Hoard profit of prepaid card	1,682	776
Other	61	46
Total non-operating income	1,753	1,194
Non-operating expenses		
Interest expenses	21	11
Share of loss of entities accounted for using equity method	40	8
Delay damages	—	171
Other	14	6
Total non-operating expenses	76	198
Ordinary profit	4,871	3,268
Extraordinary income		
Gain on sale of non-current assets	1	10
Gain on sale of investment securities	11	—
Gain on step acquisitions	—	305
Total extraordinary income	13	315
Extraordinary losses		
Loss on retirement of non-current assets	5	7
Total extraordinary losses	5	7
Profit before income taxes	4,879	3,577
Income taxes - current	486	549
Income taxes - deferred	1,166	637
Total income taxes	1,653	1,187
Profit	3,226	2,389
Profit attributable to non-controlling interests	1	1
Profit attributable to owners of parent	3,224	2,388

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

(Millions of yen)

	1Q FY 2022 (From April 1, 2021 to June 30, 2021)	1Q FY 2023 (From April 1, 2022 to June 30, 2022)
Profit	3,226	2,389
Other comprehensive income		
Valuation difference on available-for-sale securities	(30)	98
Share of other comprehensive income of entities accounted for using equity method	26	(50)
Total other comprehensive income	(3)	48
Comprehensive income	3,222	2,438
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,220	2,436
Comprehensive income attributable to non-controlling interests	1	1

- (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 2022 (from April 1, 2021 to June 30, 2021)

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

	Consumer Mobile Business Segment	Enterprise Solutions Business Segment	Payment Service Business and Other Business Segment	Total
Net sales				
Smart device	54,456	2,438	—	56,894
Prepaid cards, etc.	—	—	3,593	3,593
Fees related Smart device	39,396	2,838	—	42,235
Sales commissions of prepaid card, etc.	—	—	2,921	2,921
Own solution services	—	1,274	—	1,274
TG Hikari & NW related	—	1,929	—	1,929
Other	1,242	64	1,017	2,324
Revenue from contracts with customers	95,095	8,546	7,531	111,173
Sales to external customers	95,095	8,546	7,531	111,173
Segment profit	1,723	378	1,122	3,224

2. Total profit or loss of reportable segments, the difference to 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)

The aggregate total amount of segment profit matches the amount of profit attributable to owners of parent stated on the quarterly consolidated statements of income.

3. Matters concerning the impairment loss from non-current assets or goodwill of reportable segments
Not applicable.

II 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				Other (Note)	Total
	Consumer Mobile Business Segment	Enterprise Solutions Business Segment	Payment Service Business and Other Business Segment	Total		
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. Total profit or loss of reportable segments, the difference to 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. Changes in reportable segments, etc.

Popular-Soft Co., Ltd. (which was renamed TG Solutions Corporation on April 1, 2022,) which was previously included in the Enterprise Solutions Business Segment, is reported under “Other,” a segment for businesses that do not fall under reportable segments, from 1Q FY 2023 following a change in business format. Additionally, the segment information for 1Q FY 2022 has not been prepared based on segment classifications reflecting this change, as its impact on segment profit is immaterial.

4. 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.