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## **Internet Disclosure Items for Convocation Notice of the 31st Ordinary General Meeting of Shareholders**

- Notes to Consolidated Financial Statements
- Notes to Non-consolidated Financial Statements

For the 31st Fiscal Year (from April 1, 2021 to March 31, 2022)

### **T-Gaia Corporation**

In accordance with the laws and regulations as well as provisions of Article 15 of the Articles of Incorporation of T-Gaia Corporation (the “Company”), the Company discloses the items listed above on its website (<https://www.t-gaia.co.jp>) so that they can be readily viewed by shareholders.

## Notes to Consolidated Financial Statements

### 1. Notes regarding Significant Accounting Policies for the Preparation of Consolidated Financial Statements

#### (1) Matters concerning the scope of consolidation

##### (i) Status of consolidated subsidiaries:

- Number of consolidated subsidiaries: 4
- Name of consolidated subsidiaries: QUO CARD Co., Ltd.  
WAMNET Japan K.K.  
TG Power Inc.  
T-Gaia Retail Service Corporation

##### (ii) Status of non-consolidated subsidiaries:

- Number of non-consolidated subsidiaries: 7
- Name of primary non-consolidated subsidiaries: PC TECHNOLOGY Co., LTD.  
Infinity Communication Co. Ltd.
- Reasons for excluding them from the scope of consolidation  
Non-consolidated subsidiaries are excluded from the scope of consolidation on the ground of the degree of significance.

#### (2) Matters concerning the application of equity method

##### (i) Status of non-consolidated subsidiaries accounted for by the equity method:

- Number of non-consolidated subsidiaries accounted for by the equity method: 7
- Name of primary companies accounted for by the equity method: PC TECHNOLOGY Co., LTD.  
Infinity Communication Co. Ltd.

##### (ii) Status of related companies accounted for by the equity method:

- Number of related companies accounted for by the equity method: 4
- Name of primary companies accounted for by the equity method: Relay2, Inc.

##### (iii) Status of non-consolidated subsidiaries or related companies not accounted for by the equity method: None

##### (iv) Other specific matters to be disclosed about application of the equity method

For the entities accounted for by the equity method whose account settlement date differs from the consolidated account settlement date, the financial statements as of their respective account settlement date are used. However, important transactions that arise during the period until the consolidated account settlement date are subject to adjustments necessary for the purposes of the consolidation.

#### (3) Matters concerning change in the scope of consolidation or of application of equity method

##### (i) Change in the scope of consolidation:

None

##### (ii) Change in the scope of application of equity method

In the fiscal year under review, TG Farm Inc. became a subsidiary as a result of its new establishment, but the company is included in the scope of application of the equity method on the ground of the degree of significance.

In the fiscal year under review, the Company merged with TGC, Inc., so it is excluded from the scope

of application of the equity method.

**(4) Matters concerning significant accounting policies**

**(i) Assets valuation basis and valuation method:**

**a. Securities:**

Other securities

- Securities other than equity shares, etc., without market quotations

Securities other than equity shares, etc., without market quotations are carried at fair value on the balance sheet date. Differences in valuation are included directly in net assets. The cost of securities sold is determined by the moving-average method.

- Equity shares, etc., without market quotations

Equity shares, etc., without market quotations are stated at cost, cost being determined by the moving-average method.

**b. Inventories:**

- Merchandise

Merchandise is stated at cost, cost being determined by the first-in first-out method (balance sheet value being calculated by reducing book value, based on the decline in profitability). At several consolidated subsidiaries, merchandise is stated at cost based on the moving-average method (balance sheet value being calculated by reducing book value, based on the decline in profitability).

- Supplies

Supplies are stated at cost, cost being determined by the first-in first-out method.

**(ii) Depreciation and amortization method of principal depreciable assets:**

**a. Property, plant and equipment (excluding leased assets):**

Property, plant and equipment is depreciated according to the straight-line method and the declining-balance method.

Equipment, furniture and fixtures of directly-managed shops are depreciated using the straight-line method over a useful life of 3 years. Useful life of principle assets is as follows:

Buildings and structures:	3–34 years
Machinery, equipment and vehicles:	3–17 years
Furniture and fixtures:	1–15 years

**b. Intangible assets (excluding leased assets):**

Calculated by the straight-line method.

Depreciable life of principle assets is as follows:

Contract-related intangible assets:	20 years
Software for internal use:	5 years

Software for sale:

Software for sale is amortized at the greater amount of either the amortization amount based on the expected sales volume or the equally allocated amount over the remaining effective period (3 years).

**C. Leased assets:**

Leased assets related to finance lease transactions that do not transfer ownership of leased property to the lessee are amortized by the straight-line method assuming the lease period as the useful life

and no residual value.

(iii) Recognition of significant allowances:

a. Allowance for doubtful accounts:

To prepare for credit losses on accounts receivable and loans receivable, etc., allowances equal to the estimated amount of uncollectible receivables are provided for general receivables based on the historical write-off ratio, and bad receivables based on case-by-case determination of collectability.

b. Provision for bonuses:

To provide for employees' bonus obligations, the Company designates in the reserve account an amount estimated to have accrued for the fiscal year under review.

c. Years of service gratuity reserve provisions:

To provide for the payment of bonus for employees' services, years of service gratuity reserve provisions is recorded at an estimated amount of payment based on the internal rules.

(iv) Other significant accounting policies for the preparation of consolidated financial statements:

a. Accounting policy for liabilities relating to retirement benefits:

With respect to the retirement lump-sum payment plan, the Company applies a simplified method to the calculations of retirement benefit liability and retirement benefit expenses whereby an amount required for voluntary resignations at the end of the term relating to retirement benefits is treated as liabilities relating to retirement benefits. In addition, some consolidated subsidiaries have adopted defined contribution pension plans and the small- and medium-sized enterprise retirement allowance mutual aid system as defined contribution plans, and defined benefit corporation plans as defined benefit plans. Under the simplified method for the defined benefit corporation plan whereby the most recent year's actuarial pension obligations based on the pension financial calculation is treated as liabilities relating to retirement benefits when the amount of pension assets corresponding to the company's own contributions in accordance with the plan description can be reasonably calculated, while the accounting treatment which is the same for the defined contribution plan is applied when such amount cannot reasonably be calculated.

b. Standards for the yen conversion of material foreign denominated assets and liabilities:

Assets and liabilities and income and expenditure of foreign subsidiaries are converted into yen at the foreign exchange spot rates prevailing on the balance sheet date. Conversion differences are stated in net assets on the foreign currency translation adjustment account.

c. Recognition of significant revenue and expenses:

The typical timing of the recognition of revenue related to revenue from contracts with customers in the main businesses of the Company and its consolidated subsidiaries is as follows.

(Consumer mobile business)

The Company primarily sells smart devices to customers and receives fees from telecommunications carriers as consideration for agency services related to usage contracts for telecommunications services provided by telecommunications carriers.

When selling these products or providing services, revenue is recognized when the products are delivered to customers, or when the provision of service based on agency contracts has been completed. However, for sales of products to agencies of the Company and its consolidated subsidiaries, revenue is recognized when the products are shipped.

Furthermore, in the case of redeemable points for services, etc., to customers at the time of product sales that are effectively a discount when calculating transaction prices, the net amount is recognized after deducting this amount from revenue.

(Enterprise solutions business)

The Company primarily sells smart devices to companies, receives fees from telecommunications carriers as consideration for agency services related to usage contracts for telecommunications services provided by telecommunications carriers, internet service providers, etc., and receives fees from the provision of solutions services related to devices, network services, etc.

When selling these products or providing services, revenue is recognized when the products are shipped to customers, or when the provision of service based on agency contracts, etc., has been completed.

(Payment service business and other business)

The Company primarily sells prepaid cards and various other products, and receives fees from the issuers of prepaid cards, etc., based on consignment arrangements, etc., with these issuers. In addition, consolidated subsidiaries also sell devices as third-party card issuers, and receive fees from performing issuance and settlement services.

When selling these products or providing services, revenue from fees is recognized when the products are delivered to customers, or when sellers, etc., deliver products to end customers based on consignment arrangements.

Furthermore, for product sales where it is judged that the Company and consolidated subsidiaries fall under the classification of agent, the net amount is recorded as revenue after deducting any payments to other parties involved from the amount received in exchange for products provided by those other parties involved.

d. Amortization method and period of goodwill:

Goodwill is equally amortized by the straight-line method over the period (3–20 years) during which the effects could make a difference. However, goodwill with slight value and insignificant importance is subject to one-time amortization at its occurrence.

e. Accounting principles and procedures adopted where relevant accounting standards, etc. are not clear

(Accounting treatment of third-party card issuance)

The accounting treatment of third-party card issuance is to record the face value of the issued card in card deposits, with the used amount corresponding to use reduced from card deposits. The amounts are recorded and aggregated for each card type and issuance year with amounts for which the forecast future use is considered to be extremely low estimated based on past usage and transferred from card deposits to non-operating income.

## **2. Notes regarding Changes in the Accounting Principles**

(Application of Accounting Standard for Revenue Recognition, etc.)

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant revised ASBJ regulations from the beginning of the fiscal year under review, and recognizes the amount of revenue that is expected to be received upon exchange of promised goods or services at the moment the control of said goods or services is transferred to

customers.

Based on the above, as a result of examining transactions with the actual customer or agent, part of the transactions relating to payment service business and other business segment fall under the classification of agent, and the method of recognizing such revenue has changed to recognizing the net amount. Moreover, as a result of examining the consideration payable to customers, because redeemable points for services, etc. to customers at the time of handset sales of mobile phones, etc. in consumer mobile business segment are treated as effectively a discount when calculating the transaction price, the method was changed accordingly to deduct said amounts from net sales.

As a general rule, this change in the accounting principles has been applied retrospectively, but there is no impact on net assets as of the beginning of the fiscal year under review.

(Application of Accounting Standard for Fair Value Measurement, etc.)

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019; the “Accounting Standard for Fair Value Measurement”), etc., from the beginning of the fiscal year under review, and will apply the new accounting policies set forth in the Accounting Standard for Fair Value Measurement, etc., prospectively, in accordance with the transitional treatment set forth in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). Furthermore, there was no impact from this change on consolidated financial statements.

In addition, information related to a breakdown of the fair values of financial instruments for each appropriate category, etc., is provided in “Notes regarding Financial Instruments.”

### 3. Notes regarding Accounting Estimates

#### (1) Estimates of hoard profit of prepaid card

- (i) Amount recorded in the Consolidated Financial Statements of the fiscal year under review

	The fiscal year under review (million yen)
Hoard profit of prepaid card	4,764

- (ii) Information concerning significant accounting estimates relating to identified items

- a. Method of calculating the amount recorded in the Consolidated Financial Statements for the fiscal year under review

When calculating hoard profit of prepaid card, the amounts of change in card deposits (recorded on the Consolidated Balance Sheet in financial liabilities) due to issuance or use of prepaid cards are recorded and aggregated for each card type and issuance year with the amounts for which the forecast future use is considered to be extremely low estimated based on past usage and transferred from card deposits to non-operating income.

- b. Impact on the following fiscal year’s Consolidated Financial Statements

Hoard profit of prepaid card, as noted in a., assumes the best estimate, but if the actual use varies from the estimate, it could have an impact on the following fiscal year’s Consolidated Financial Statements.

Note that as of the end of the fiscal year under review, we are aware that there has been no change in the treatment of financial liabilities under laws and ordinances, and regulations, etc., so we deem there to be no impact on the following fiscal year's Consolidated Financial Statements.

(iii) Impact from COVID-19

We deem the impact on estimates based on actual usage of cards to be insignificant.

**(2) Goodwill and contract-related intangible assets related to TF Mobile Solutions Corporation**

(i) Amount recorded in the Consolidated Financial Statements of the fiscal year under review

	The fiscal year under review (million yen)
Goodwill	15,869
Contract-related intangible assets	1,260
Impairment losses	–

(ii) Information concerning significant accounting estimates relating to identified items

For goodwill arising as a result of the acquisition of TF Mobile Solutions Corporation (it was absorbed by the Company through an absorption-type merger on February 1, 2021) and identified contract-related intangible assets (“goodwill, etc.”), the Company considers whether it must recognize impairment losses on the asset group that includes the goodwill, etc., after assessing whether there are any indications of impairment on the goodwill, etc.

When considering whether it must recognize impairment losses, the Company estimates future cash flows based on business plans, etc., for the asset group that includes the goodwill, etc. Business plans, etc., include estimates based on assumptions that are created based on historical sales data and available information.

In accordance with the policy described above, the Company has judged that it is not necessary to recognize impairment losses for the fiscal year under review.

Furthermore, if, in the following fiscal year, events, etc., occur that were not expected when formulating business plans, the assumptions used for estimating future cash flows may change, and the period when the benefits of goodwill, etc., were initially expected to materialize may be impacted. In such cases, there may be a material impact on the valuation of goodwill, etc., in consolidated financial statements for the following fiscal year.

(iii) Impact from COVID-19

The future impact is uncertain. However, we have retained our assumption that the impact on the estimate of future cash flows is insignificant.

**4. Notes regarding the Consolidated Balance Sheet**

**(1) Presentation of set-off of accounts receivable - trade and accounts payable - trade**

Out of financial assets and liabilities, those accounts payable and accounts receivable that are fully compliant with the requirements that they must concern the same counterparty, that the set-off is legally effective and that the Company has the ability to set-off, and that the Company is willing to settle by set-off, are presented on the consolidated balance sheet as balances after set-off.

Amounts prior to set-off were as follows:

Item	Amount (million yen)
Notes and accounts receivable – trade	66,540
Accounts receivable - other	26,109
Accounts payable - trade	57,317
Accounts payable - other	31,591

**(2) Assets pledged as collateral and the corresponding liabilities**

(i) Assets pledged as collateral

Cash and deposits 2,000 million yen

(ii) Liabilities secured by the above collateral

Accounts payable - other 2,116 million yen

In addition to the above, the Company deposits guarantee deposits as the security deposit for issuance in accordance with Article 14, Paragraph 1 of the Payment Services Act. (Deposit balance of 81,400 million yen for the current fiscal year).

**(3) Accumulated depreciation of property, plant and equipment**

14,122 million yen

The figure of accumulated depreciation includes accumulated impairment losses.

**5. Notes regarding the Consolidated Statement of Changes in Shareholders' Equity**

**(1) Type and number of outstanding shares at the end of the current fiscal year**

Common shares: 56,074,000 shares

**(2) Matters concerning dividends of surplus**

(i) Dividend payment:

(Resolution)	Type of share	Total amount of dividend (million yen)	Dividend per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 18, 2021	Common shares:	2,090	37.50	March 31, 2021	June 21, 2021
Board of Directors meeting on November 1, 2021	Common shares:	2,091	37.50	September 30, 2021	December 6, 2021

(ii) Dividends with a record date in the consolidated fiscal year under review but an effective date in the following consolidated fiscal year:

To be submitted as follows at the 31st Ordinary General Meeting of Shareholders to be held on June 22, 2022

(Resolution)	Type of share	Source of funds	Total amount of dividend (million yen)	Dividend per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 22, 2022	Common shares:	Retained earnings	2,091	37.50	March 31, 2022	June 23, 2022

**6. Notes regarding Financial Instruments**

**(1) Matters concerning the status of financial instruments**

(i) Policies for financial instruments

The Company and its consolidated subsidiaries limit its fund management to short-term deposits, etc.



and procure funds through loans from financial institutions such as banks.

The Company and its consolidated subsidiaries abide by a policy of not entering into derivative transactions.

(ii) Overview of financial instruments and associated risks

Operating receivables including “Notes and accounts receivable – trade,” “Accounts receivable - other,” and “Leasehold deposits” are exposed to the credit risks of trading partners.

“Investment securities” mainly consist of equity shares of the entities with which the Company has business relationships, and these securities are exposed to risks from market price fluctuation.

Operating payables including “Accounts payable - trade” and “Accounts payable - other,” both of which, in most cases, entail a due date for payments within two months, are exposed to liquidity risk.

“Card deposits” are associated with a consolidated subsidiary engaged in the issuance and settlement services of prepaid cards, and consist of financial obligations without interest. “Card deposits” are exposed to liquidity risk.

(iii) System for managing risks associated with financial instruments

a. Credit risk management (risks associated with non-performance of contract by counterparties)

The Company manages risks associated with operating receivables in line with the Credit Management Regulations, under which the Company’s department in charge of risk management periodically monitors the business status of the major trading partners to manage the settlement due dates and outstanding balance for each entity, and ensures the early identification of any concerns on collectability caused by the deterioration in financial positions of trading partners and other reasons at the early stage and the mitigation of risks of doubtful receivables. Consolidated subsidiaries also control risks in a manner similar to that of the Company pursuant to the credit management regulations and other rules of each of the respective subsidiaries.

b. Market risk management (foreign exchange fluctuation risks and interest rate fluctuation risks, etc.)

With respect to investment securities, the Company periodically monitors their fair values and financial positions of the issuing bodies (trading partners) in order to continuously revise the holding status taking into account market conditions and business relations with the trading partners.

Borrowings are managed by groups, and are repaid as need arises when the risk of rising interest grows caused by external factors, in order to minimize the amount of interest payable impacted by interest fluctuation.

c. Management of liquidity risks associated with fund procurement (risks associated with non-repayment on due date)

The Company and its consolidated subsidiaries strive to secure liquidity on hand by preparing and updating capital plans in a timely manner based on reports and other information from the respective divisions.

**(2) Matters concerning the fair value, etc., of financial instruments**

Carrying values stated on the consolidated balance sheet as of March 31, 2022, their fair values, and the valuation differentials are as follows:

(million yen)

	Consolidated balance sheet carrying value*	Fair value*	Differential
Investment securities			
Other securities (Note 1)	485	485	–
Leasehold deposits	4,707	4,606	-101
Long-term borrowings (Note 2)	(18,373)	(18,373)	-0

\* Items recorded as liabilities are indicated in parentheses ( ).

(Note 1) Equity shares, etc., without market quotations (consolidated balance sheet carrying value of 3,256 million yen) are not included in “investment securities” above.

(Note 2) This includes current portion of long-term borrowings.

**\* Matters concerning methods for calculating the fair value of financial instruments**

- Cash and deposits, notes and accounts receivable – trade, and accounts receivable - other

Due to the short-term maturities of these items, fair value and carrying value are almost at parity. They are therefore omitted.

- Guarantee deposits

Guarantee deposits are deposited as a security deposit for issuance in accordance with the Payment Services Act. The amount to be received if settlement was made on the account settlement date is deemed as the fair value. Fair value and carrying value are almost at parity. They are therefore omitted.

- Accounts payable - trade, accounts payable - other, and income taxes payable

Due to the short-term maturities of these items, fair value and carrying value are almost at parity. They are therefore omitted.

- Card deposits

The usage fee should be mandatorily paid in proportion to the card usage track record stated in the notice sent from member stores. The amount for which payment is expected to be demanded in the future as of the account settlement date is deemed as the fair value. Fair value and carrying value are almost at parity. They are therefore omitted.

**(3) Matters concerning the breakdown of each level of fair value of financial instruments, etc.**

The fair values of financial instruments are categorized into the following three levels in accordance with the observability and significance of inputs in the calculation of fair value.

Level 1 fair values:

Fair values calculated using market prices for the assets or liabilities that are the subject of the fair value calculation created on active markets, from among observable fair value calculation inputs

Level 2 fair values:

Fair values calculated using inputs related to the calculation of fair value other than Level 1 inputs, from among observable fair value calculation inputs

Level 3 fair values:

Fair values calculated using inputs related to the calculation of fair value that cannot be observed

When multiple inputs are used that significantly impact the calculation of fair value, the fair value is categorized into the level that is lowest in the hierarchy of the calculation of fair value from among the levels to which each of those inputs belongs.

(i) Financial instruments recorded on the consolidated balance sheet at fair value

(million yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities				
Equity securities	485	–	–	485

(ii) Financial instruments other than financial instruments recorded on the consolidated balance sheet at fair value

(million yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Leasehold deposits	–	4,606	–	4,606
Long-term borrowings	–	18,373	–	18,373

Note: Explanation of valuation techniques used in the calculation of fair value and inputs for the calculation of fair value

(Investment securities)

The Company holds listed shares, which are valued using market prices. As listed shares are traded on active markets, their fair values are categorized as Level 1 fair values.

(Leasehold deposits)

The fair values of leasehold deposits are calculated using the discounted present value method based on future cash flows and interest rates based on appropriate benchmarks, such as the interest rate of Japanese Government Bonds (if the interest rate of Japanese Government Bonds is negative, the discount rate is set at zero), and are categorized as Level 2 fair values.

(Long-term borrowings (including long-term borrowings within one year))

The fair values of long-term borrowings (including long-term borrowings within one year) are calculated using the discounted present value method, based on the total amount of principal and interest and interest rates adjusted for the remaining life of the obligation and credit risk, and are categorized as Level 2 fair values.

## 7. Notes regarding Revenue Recognition

### (1) Information from an analysis of revenue from contracts with customers

Revenue information from analysis by main goods and services is as follows:

(million yen)

	Consumer mobile business	Enterprise solutions business	Payment service business and other business	Total
Smart device	238,841	10,339	–	249,180
Fees related smart device	163,096	11,371	–	174,468
Prepaid cards, etc.	–	–	11,477	11,477
Fees related prepaid cards, etc.	–	–	15,217	15,217
Own solution services	–	5,908	–	5,908
TG Hikari & NW related	–	7,352	–	7,352
Others	5,203	322	7,328	12,854
Revenue from contracts with customers	407,141	35,294	34,022	476,458
Other revenue	–	–	5	5
Sales to external customers	407,141	35,294	34,028	476,464

### (2) Basic information for understanding revenue from contracts with customers

This information is as described in “1. Notes regarding Significant Accounting Policies for the Preparation of Consolidated Financial Statements (4) Matters concerning significant accounting policies (iv) Other significant accounting policies for the preparation of consolidated financial statements C. Recognition of significant revenue and expenses.”

The Company generally receives payment of the promised consideration within two months of when performance obligations are satisfied, and the amounts of consideration do not include any significant financing component.

### (3) Information for understanding amounts of revenue in the fiscal year under review and the following fiscal year onward

#### (i) Balance of contract assets and contract liabilities, etc.

The balance of contract assets and contract liabilities at the end of the previous period and the end of the period under review is as follows:

(million yen)

	The fiscal year under review
Contract assets	
Balance at the end of previous period	–
Balance at the end of period under review	–
Contract liabilities	
Balance at the end of previous period	60

Balance at the end of period under review	64
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Contract liabilities are recorded in “Other” under current liabilities on the consolidated balance sheet. Contract liabilities are mainly the balance of services provided by consolidated subsidiaries for which performance obligations have not been satisfied as of the end of the fiscal year under review. Of revenue recognized in the fiscal year under review, the amount included in the balance of contract liabilities at the end of the previous period is 60 million yen.

(ii) Transaction prices allocated to remaining performance obligations

The total amount of transaction prices allocated to remaining performance obligations at the end of the fiscal year under review is 64 million yen, and the Group expects to recognize these remaining performance obligations as revenue over the next one to two years as the performance obligations are satisfied.

**8. Notes regarding Per Share Information**

- (i) Book value per share 1,263.30 yen
- (ii) Earnings per share 189.74 yen

**9. Significant Subsequent Events**

None

**10. Other Notes**

(Settlement of the provisional accounting treatment for a business combination)

Regarding the business combination with TF Mobile Solutions Corporation carried out on November 2, 2020 (it was absorbed through an absorption-type merger on February 1, 2021), a provisional accounting treatment for a business combination was applied in the previous fiscal year, but this was settled in the fiscal year under review. In accordance with this settlement of the provisional accounting treatment, important revisions to the initial allocation of the acquisition cost have been reflected.

The provisional goodwill amount of 18,020 million yen has been decreased by 941 million yen due to the settlement of the accounting treatment, becoming 17,078 million yen. This decrease in goodwill is due to an increase of 1,357 million yen in contract-related intangible assets and a decrease of 415 million yen in deferred tax assets.

## **Notes to Non-consolidated Financial Statements**

### **1. Notes regarding Matters Related to Significant Accounting Policies**

#### **(1) Assets valuation basis and valuation method**

##### **(i) Securities:**

###### **a. Equity stakes in subsidiaries and related companies:**

Equities are stated at cost, cost being determined by the moving-average method.

###### **b. Other securities:**

###### **- Securities other than equity shares, etc., without market quotations**

Securities other than equity shares, etc., without market quotations are carried at fair value on the balance sheet date. Differences in valuation are included directly in net assets. The cost of securities sold is determined by the moving-average method.

###### **- Equity shares, etc., without market quotations**

Securities without market quotations are stated at cost, cost being determined by the moving-average method.

##### **(ii) Inventories**

###### **- Merchandise**

Merchandise is stated at cost, cost being determined by the first-in first-out method (balance sheet value being calculated by reducing book value, based on the decline in profitability).

###### **- Supplies**

Supplies are stated at cost, cost being determined by the first-in first-out method.

#### **(2) Depreciation and amortization method of non-current assets**

##### **(i) Property, plant and equipment:**

Property, plant, and equipment are depreciated according to the straight-line method and the declining-balance method.

Equipment, furniture and fixtures of directly-managed shops are depreciated using the straight-line method over a useful life of 3 years. Useful life of principle assets is as follows:

Buildings and structures	3–34 years
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Furniture and fixtures	1–15 years
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##### **(ii) Intangible assets:**

Calculated by the straight-line method.

Depreciable life of principle assets is as follows:

Goodwill	3–20 years
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Contract-related intangible assets	20 years
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Software for internal use	5 years
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#### **(3) Recognition of allowances**

##### **(i) Allowance for doubtful accounts:**

To prepare for credit losses on accounts receivable and loans receivable, etc., allowances equal to the estimated amount of uncollectible receivables are provided for general receivables based on the historical write-off ratio, and bad receivables based on case-by-case determination of collectability.

(ii) Provision for bonuses:

To provide for employees' bonus obligations, the Company designates in the reserve account an amount estimated to have accrued for the fiscal year under review.

(iii) Provision for retirement benefits:

To provide for employees' retirement benefits, the Company applies a simplified method to the calculations of provision for retirement benefits and retirement benefit expenses whereby an amount required for voluntary resignations at the end of the term relating to retirement benefits is treated as liabilities relating to retirement benefits.

(iv) Years of service gratuity reserve provisions:

To provide for the payment of bonus for employees' services, the Company records years of service gratuity reserve provisions in an estimated amount of payment based on the internal rules.

**(4) Recognition of revenue and expenses:**

The typical timing of the recognition of revenue related to revenue from contracts with customers in the main businesses of the Company is as follows.

(Consumer mobile business)

The Company primarily sells smart devices to customers and receives fees from telecommunications carriers as consideration for agency services related to usage contracts for telecommunications services provided by telecommunications carriers.

When selling these products or providing services, revenue is recognized when the products are delivered to customers, or when the provision of service based on agency contracts has been completed. However, for sales of products to agencies of the Company, revenue is recognized when the products are shipped.

Furthermore, in the case of redeemable points for services, etc., to customers at the time of product sales that are effectively a discount when calculating transaction prices, the net amount is recognized after deducting this amount from revenue.

(Enterprise solutions business)

The Company primarily sells smart devices to companies, receives fees from telecommunications carriers as consideration for agency services related to usage contracts for telecommunications services provided by telecommunications carriers, internet service providers, etc., and receives fees from the provision of solutions services related to devices, network services, etc.

When selling these products or providing services, revenue is recognized when the products are shipped to customers, or when the provision of service based on agency contracts, etc., has been completed.

(Payment service business and other business)

The Company primarily sells prepaid cards and various other products, and receives fees from the issuers of prepaid cards, etc., based on consignment arrangements, etc., with these issuers.

When selling these products or providing services, revenue from fees is received when the products are delivered to customers, or when sellers, etc., deliver products to end customers based on consignment arrangements.

Furthermore, for product sales where it is judged that the Company falls under the classification of agent, the net amount is recorded as revenue after deducting any payments to other parties involved

from the amount received in exchange for products provided by those other parties involved.

## 2. Notes regarding Changes in the Accounting Principles

(Application of Accounting Standard for Revenue Recognition, etc.)

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant revised ASBJ regulations from the beginning of the fiscal year under review, and recognizes the amount of revenue that is expected to be received upon exchange of promised goods or services at the moment the control of said goods or services is transferred to customers.

Based on the above, as a result of examining transactions with the actual customer or agent, part of the transactions relating to payment service business and other business segment fall under the classification of agent, and the method of recognizing such revenue has changed to recognizing the net amount. Moreover, as a result of examining the consideration payable to customers, because redeemable points for services, etc. to customers at the time of handset sales of mobile phones, etc. in consumer mobile business segment are treated as effectively a discount when calculating the transaction price, the method was changed accordingly to deduct said amounts from net sales.

In principle, this change in accounting policies has been retrospectively applied, but there is no impact on net assets as of the beginning of the fiscal year under review.

## 3. Notes regarding Changes in the Method of Presentation

(Statement of Income)

“Subsidy income” of “Non-operating income,” which was up until the previous fiscal year listed as a separate account, is included in “Other” in the fiscal year under review due to its decrease in financial importance. The “Subsidy income” in the previous fiscal year was 424 million yen.

## 4. Notes regarding Accounting Estimates

### (1) Goodwill and contract-related intangible assets related to TF Mobile Solutions Corporation

(i) Amount recorded in the Non-consolidated Financial Statements of the fiscal year under review

	The fiscal year under review (million yen)
Goodwill	15,869
Contract-related intangible assets	1,260
Impairment losses	–

(ii) Information concerning significant accounting estimates relating to identified items

The method of calculating the amount of (i) is the same as described in “3. Notes regarding Accounting Estimates (2) Goodwill and contract-related intangible assets related to TF Mobile Solutions Corporation” in the Notes to Consolidated Financial Statements.



## 5. Notes regarding the Balance Sheet

### (1) Presentation of set-off of accounts receivable – trade and accounts payable - trade

Out of financial assets and liabilities, those accounts payable and accounts receivable that are fully compliant with the requirements that they must concern the same counterparty, that the set-off is legally effective and that the Company has the ability to set-off, and that the Company is willing to settle by set-off, are presented on the balance sheet as balances after set-off.

Amounts prior to set-off were as follows:

Item	Amount (million yen)
Notes and accounts receivable – trade	66,111
Accounts receivable - other	21,763
Accounts payable - trade	57,286
Accounts payable - other	25,776

### (2) Accumulated depreciation of property, plant and equipment 12,858 million yen

The figure of accumulated depreciation includes accumulated impairment losses.

### (3) Debt guarantee

The Company provides debt guarantee to the following subsidiary.

T-GAIA ASIA PACIFIC PTE. Ltd. 325 million yen

### (4) Accounts payable and receivable in relation to related companies

Short-term accounts receivable: 1,925 million yen

Short-term accounts payable: 60,965 million yen

## 6. Notes regarding the Statement of Income

Transaction balance with related companies

Transaction balance from operating transactions:

Net sales 456 million yen

Operating expenses 5,300 million yen

Transaction balance from non-operating transactions: 1,060 million yen

## 7. Notes regarding the Statement of Changes in Shareholders' Equity

Type and number of treasury shares at the end of the period under review

Common shares: 308,866 shares

## 8. Notes regarding Tax Effect Accounting

### Main reasons for deferred tax assets and deferred tax liabilities

#### Deferred tax assets

Provision for bonuses	717 million yen
Allowance for doubtful accounts	18 million yen
Inventory valuation loss:	53 million yen
Accrued business tax and business office tax:	88 million yen
Excessive depreciation:	774 million yen
Asset retirement obligations	558 million yen
Provision for retirement benefits	106 million yen
Loss on valuation of investment securities:	180 million yen
Asset adjustment:	5,707 million yen
Others	<u>849 million yen</u>
Deferred tax assets subtotal	9,054 million yen
Valuation allowance	<u>-294 million yen</u>
Total deferred tax assets:	8,760 million yen

#### Deferred tax liabilities

Asset retirement obligations	-170 million yen
Valuation difference on available-for-sale securities	-94 million yen
Contract-related intangible assets	<u>-386 million yen</u>
Total deferred tax liabilities:	<u>-651 million yen</u>
Net deferred tax assets:	<u>8,108 million yen</u>

## 9. Notes regarding Transactions with Related Parties

Related companies, etc.

Attribute	Company name, etc.	Ratio of voting rights (%)	Relationship with the related party		Description of transactions	Transaction amount (million yen)	Item	Balance at the end of the period (million yen)
			Posts concurrently held for company officers	Business relationship				
Subsidiary	QUO CARD Co., Ltd.	Directly holding (100%)	3 persons at posts concurrently held	Deposited money Concurrent holding of positions by company officers	Repayment (Note 2)	9,990	Deposits received	60,410
					Deposited money (Note 2)	14,000		
					Payment of interest (Note 2)	71	Others Current liabilities	11

Notes: 1. "Transaction amount" above does not include consumption taxes, and "Year-end balance" includes consumption taxes.

2. Transaction conditions and decision guidelines thereon:

The interest rate on "Deposited money" is determined based on the general terms and conditions of business by taking into account the market interest rate.

Monthly net increase or decrease of amounts pertaining to the borrowing or lending of funds is stated as the total amount.

## 10. Notes regarding Per Share Information

- (1) Book value per share 1,160.02 yen
- (2) Earnings per share 172.00 yen

## 11. Notes regarding Significant Subsequent Events

(Business combinations)

Transactions under Common Control

The Company merged with T-Gaia Retail Service Corporation ("TGRS"), a wholly owned subsidiary, through an absorption-type merger as of April 1, 2022.

The merger was conducted as a simplified merger in accordance with Article 796, Paragraph 2 of the Companies Act for the Company, and as a short-form merger in accordance with Article 784, Paragraph 1 of the Companies Act for TGRS.

### (1) Overview of transaction

- (i) Overview of the company absorbed (fiscal year ended March 31, 2022)
  - Company name T-Gaia Retail Service Corporation
  - Business descriptions Sales services for mobile phones, etc.
  - Total assets 624 million yen
  - Total liabilities 535 million yen
  - Net assets 88 million yen
- (ii) Date of the business combination (effective date)  
April 1, 2022

(iii) Legal form of the business combination

The business combination was an absorption-type merger with the Company as the surviving company, and TGRS was dissolved.

(iv) Name of the company after the business combination

T-Gaia Corporation

(v) Purpose of transaction

TGRS had been engaged in mobile phone sales throughout Japan. However, the Company decided to merge TGRS through an absorption-type merger to strengthen sales of mobile phones and other products in the Company's consumer mobile business and to improve the efficiency of the management system by centralizing the organization.

**(2) Overview of accounting treatment**

The transaction will be treated as a transaction under common control in accordance with the "Accounting Standard for Business Combinations" and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures." Note that the intent is to record gain on extinguishment of tie-in shares from such transaction as extraordinary losses in the Non-consolidated Statement of Income.

**12. Notes regarding Company Subject to Consolidated Dividend Regulations**

The Company is a company subject to consolidated dividend regulations.

**13. Other Notes**

(Business combinations)

(Transactions under common control)

The Company merged with TGC, Inc. ("TGC"), a wholly owned subsidiary, through an absorption-type merger as of April 1, 2021.

The merger was conducted as a simplified merger in accordance with Article 796, Paragraph 2 of the Companies Act for the Company, and as a short-form merger in accordance with Article 784, Paragraph 1 of the Companies Act for TGC.

**(1) Overview of transaction**

(i) Overview of the company absorbed (fiscal year ended March 31, 2021)

- Company name	TGC, Inc.
- Business descriptions	Sales services for mobile phones, etc.
- Total assets	429 million yen
- Total liabilities	259 million yen
- Net assets	169 million yen

(ii) Date of the business combination (effective date)

April 1, 2021

(iii) Legal Form of business combination

TGC was dissolved through an absorption-type merger with the Company as the surviving company.

(iv) Name of the company after the business combination

T-Gaia Corporation

(v) Purpose of transaction

TGC had been engaged in mobile phone sales services in the Kyushu region. However, the Company merged TGC through an absorption-type merger to strengthen sales of mobile phones and other products in the Company's consumer mobile business and to improve the efficiency of the management system by centralizing the organization.

**(2) Overview of accounting treatment**

The transaction was treated as a transaction under common control in accordance with the "Accounting Standard for Business Combinations" and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures." Note that the gain on extinguishment of tie-in shares from such transaction was recorded as extraordinary income in the Non-consolidated Statement of Income.

(Settlement of the provisional accounting treatment for a business combination)

These notes are omitted as the information is provided in "Notes to Consolidated Financial Statements 10. Other Notes."