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

November 4, 2022

Company name: T-Gaia Corporation
 Stock code: 3738
 Representative: Masato Ishida, President & CEO
 Contact: Kaoru Hayashi, Senior Managing Officer & General Manager of Corporate Planning & Strategy Dept.
 Tel: +81-3-6409-1010

Listing: Tokyo Stock Exchange
 URL: <https://www.t-gaia.co.jp/>

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Scheduled commencement date of dividend payout: December 6, 2022

Quarterly financial results supplementary explanatory documents: Yes

Quarterly financial results presentation: Yes (for institutional investors & analysts)

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

1. Consolidated Financial Results for the First Half of Fiscal Year Ending March 31, 2023 (April 1, 2022 – September 30, 2022)

(1) Consolidated results of operations (six 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	%
1H FY 2023	212,828	(3.4)	3,632	(25.8)	5,650	(24.0)	4,140	(23.3)
1H FY 2022	220,337	30.8	4,898	(12.7)	7,429	(20.8)	5,397	(15.8)

Note: Comprehensive income (million yen): 1H FY 2023: 4,393 / [(19.0)%] 1H FY 2022: 5,423 / [(16.3)%]

	Earnings per share	Diluted earnings per share
	Yen	Yen
1H FY 2023	74.23	—
1H FY 2022	96.81	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
1H FY 2023	242,727	73,430	30.0
FY 2022	241,277	70,483	29.2

Reference: Shareholders' equity (million yen): 1H FY 2023: 72,827 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	—	37.50	—	—	—
FY 2023 (forecasts)	—	—	—	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 (six months) under review
(Changes in subsidiaries accompanying change in the scope of consolidation): Yes
Newly included: 2 companies (Relay2, Inc. and CCC FRONTIER Inc. (the trade name changed to UNiCASE Corporation on October 1, 2022))
Excluded: -
- (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	1H FY 2023	56,074,000 shares	FY 2022	56,074,000 shares
2) Number of treasury shares at the end of the period	1H FY 2023	282,266 shares	FY 2022	308,866 shares
3) Average number of shares outstanding during the period (six months)	1H FY 2023	55,775,599 shares	1H FY 2022	55,747,756 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.

(How to obtain quarterly supplementary documents on financial results)

The Company is scheduled to hold an online financial results presentation meeting for institutional investors and analysts on November 4, 2022 (Friday). The Company plans to post the documents used in this presentation on its website on the same day the meeting is held.

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1. Qualitative Information Concerning the First Half Financial Results

(1) Explanation of operating performance

In the period under review (April to September 2022), 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. Careful attention also 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), 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, such as planning to improve online procedures and to consolidate or abolish carrier shops in the medium to long term.

Also, although delays to the delivery of some products caused by a global supply shortage of semiconductors, etc., are being resolved, 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. In April 2022, we established a specialist division that will operate on a Group-wide basis to support efforts in the areas of “growth investments, particularly in the Enterprise Solutions Business Segment and Payment Service Business and Other Business Segment,” and “further growth of sales of original products and enhancement of the productivity of store operations.”

The number of contracts for mobile phone numbers (below, “mobile phone contracts”) agreed during the period under review was 1,740,000 (a decrease of 14.2% compared to the same period of the previous fiscal year), mainly due to an increase in the price of handsets and a fall in the number of model change contracts that accompanied a change in the direction of sales measures by telecommunications carriers. Although we began to see the effects of specific initiatives for raising productivity, such as growing sales of original products and Smart Online Support, which provides remote support for initial setup and usage methods at shops, this was not enough to offset revenue decreases such as the decline in commission income due to the revisions to commission terms and conditions and fall in the number of mobile phone contracts mentioned above.

As a result, consolidated business results for the period under review marked net sales of 212,828 million yen (-3.4% compared with the year-earlier period), with operating profit of 3,632 million yen (-25.8%). Due to a year-on-year decrease in the hoard profit of prepaid card, ordinary profit marked 5,650 million yen (-24.0%) and profit attributable to owners of parent posted 4,140 million yen (-23.3%).

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

	(Millions of yen)				
	Consumer Mobile Business Segment	Enterprise Solutions Business Segment	Payment Service Business and Other Business Segment	Others and adjustment amounts	Consolidated financial results
Net sales	177,100 (5.3%)	18,088 6.9%	17,602 8.0%	36 -	212,828 (3.4%)
Profit attributable to owners of parent	1,605 (41.2%)	1,197 27.5%	1,254 (27.3%)	83 -	4,140 (23.3%)
Supplementary information – Operating profit	2,169 (43.1%)	1,276 13.9%	144 -	41 -	3,632 (25.8%)

* Percentages represent year-over-year changes

[Consumer Mobile Business Segment]

This 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.

In the Consumer Mobile Business Segment, the external environment is becoming increasingly severe, mainly with commission income declining compared with the same period of the previous fiscal year due to revisions to commission terms and conditions and sluggish growth in the number of mobile phone contracts as mentioned above. However, we are creating opportunities to make sales and provide services not only by opening satellite shops, mainly at shopping malls, etc., but also by providing sales support for remote locations where there are no local shops. Additionally, we are expanding the number of shops that can handle Smart Online Support to raise efficiency and focusing on growing sales of coating services for mobile phones, etc., and sales of original products such as security products.

Also, in addition to being selected as an implementation organization for the Ministry of Internal Affairs and Communications’ Project on Digital Utilization Support for Users under FY2022 Initial Budget (Regional Cooperation), we are also contributing to the vitalization of regional communities in ways such as taking on a project to support applications for My Number cards through telecommunications carriers.

As a result, net sales marked 177,100 million yen (-5.3% compared with the year-earlier period), with profit attributable to owners of parent of 1,605 million yen (-41.2%).

[Enterprise Solutions Business Segment]

This segment is engaged in the sale of mobile phone for enterprise 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.

In the Enterprise Solutions Business Segment, the number of mobile phone contracts increased compared with the same period of the previous fiscal year as delays to the delivery of some products caused by a global supply shortage of semiconductors, etc., were being resolved.

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. We also focused on proposing new business areas such as proposing the building, operation and maintenance of networks that use edge solutions, as well as strengthening relationships with local governments against the background of the "Digital Garden City Nation Vision" advocated by the Japanese government.

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 18,088 million yen (+6.9% compared with the year-earlier period), with profit attributable to owners of parent of 1,197 million yen (+27.5%).

[Payment Service Business and Other Business Segment]

This 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.

In Payment Service Business, 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.

The amount of issuance for QUO Card and Quo Card Pay increased compared to the same period of the previous fiscal year, mainly due to adoption in various local government initiatives, but some shipping and administrative expenses were incurred in advance. QUO CARD Co., Ltd. continued to focus on adding member stores to increase convenience for users.

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. We also expanded our renewable energy business while contributing to customers' efforts to address climate change, including through contracts for the installation of solar power generation systems concluded between our consolidated subsidiary TG Power Inc. and the stores of major restaurant chains and electronic goods retailers.

As a result, net sales marked 17,602 million yen (+8.0% compared with the year-earlier period), with profit attributable to owners of parent of 1,254 million yen (-27.3%) 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 195,153 million yen, which was 611 million yen higher than at the end of the previous fiscal year. This was mainly due to a 1,234 million yen increase in cash and deposits and a 5,470 million yen increase in guarantee deposits despite a 5,500 million yen decrease in notes and accounts receivable - trade. Non-current assets at the end of the period under review were 47,573 million yen, which was 838 million yen higher than at the end of the previous fiscal year. This was mainly due to a 615 million yen increase in goodwill.

As a result, total assets posted 242,727 million yen, which was 1,449 million yen higher than at the end of the previous fiscal year.

(Liabilities)

Current liabilities at the end of the period under review were 162,497 million yen, which was 206 million yen higher than at the end of the previous fiscal year. This was mainly due to a 9,663 million yen increase in card deposits despite a 9,000 million yen decrease in current portion of long-term borrowings. Non-current liabilities at the end of the period under review were 6,800 million yen, which was 1,703 million yen lower than at the end of the previous fiscal year. This was mainly due to a 1,875 million yen decrease in long-term borrowings.

As a result, total liabilities posted 169,297 million yen, which was 1,497 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 73,430 million yen, which was 2,946 million yen higher than at the end of the previous fiscal year. This was mainly due to 4,140 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.

Six months (April to September 2022) net sales represent 44.1% of the full-year estimate, with percentages for operating profit, ordinary profit, and profit attributable to owners of parent at 32.4%, 36.7%, and 41.4%, respectively.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly consolidated balance sheets

(Millions of yen)

	FY 2022 (As of March 31, 2022)	2Q FY 2023 (As of September 30, 2022)
Assets		
Current assets		
Cash and deposits	58,162	59,397
Notes and accounts receivable - trade	17,660	12,160
Inventories	22,239	22,236
Accounts receivable - other	12,621	11,717
Guarantee deposits	81,400	86,870
Other	2,495	2,800
Allowance for doubtful accounts	(37)	(29)
Total current assets	194,542	195,153
Non-current assets		
Property, plant and equipment	3,903	3,523
Intangible assets		
Goodwill	16,563	17,179
Contract-related intangible assets	1,260	1,226
Other	4,885	5,624
Total intangible assets	22,709	24,030
Investments and other assets	20,122	20,019
Total non-current assets	46,735	47,573
Total assets	241,277	242,727
Liabilities		
Current liabilities		
Accounts payable - trade	9,964	7,807
Current portion of long-term borrowings	12,751	3,751
Accounts payable - other	16,576	17,457
Income taxes payable	722	1,508
Refund liability	-	100
Provision for bonuses	2,719	2,714
Card deposits	118,341	128,004
Other	1,215	1,153
Total current liabilities	162,290	162,497
Non-current liabilities		
Long-term borrowings	5,622	3,747
Years of service gratuity reserve provisions	146	162
Retirement benefit liability	349	373
Asset retirement obligations	1,979	1,995
Other	406	521
Total non-current liabilities	8,503	6,800
Total liabilities	170,794	169,297
Net assets		
Shareholders' equity		
Share capital	3,154	3,154
Capital surplus	5,123	5,141
Retained earnings	62,137	64,186
Treasury shares	(284)	(260)
Total shareholders' equity	70,129	72,222
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	263	405
Foreign currency translation adjustment	55	199
Total accumulated other comprehensive income	318	605
Non-controlling interests	35	602
Total net assets	70,483	73,430
Total liabilities and net assets	241,277	242,727

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

(Millions of yen)

	1H FY 2022 (From April 1, 2021 to September 30, 2021)	1H FY 2023 (From April 1, 2022 to September 30, 2022)
Net sales	220,337	212,828
Cost of sales	184,225	178,209
Gross profit	36,111	34,618
Selling, general and administrative expenses	31,212	30,985
Operating profit	4,898	3,632
Non-operating income		
Interest income	2	2
Dividend income	8	10
Delay damages income	–	360
Hoard profit of prepaid card	2,518	1,724
Other	105	137
Total non-operating income	2,634	2,235
Non-operating expenses		
Interest expenses	43	19
Share of loss of entities accounted for using equity method	30	8
Delay damages	–	171
Other	29	19
Total non-operating expenses	103	218
Ordinary profit	7,429	5,650
Extraordinary income		
Gain on sale of non-current assets	1	19
Gain on sale of investment securities	807	–
Gain on bargain purchase	–	244
Gain on step acquisitions	–	305
Total extraordinary income	809	570
Extraordinary losses		
Loss on sale of non-current assets	4	0
Loss on retirement of non-current assets	11	21
Total extraordinary losses	16	22
Profit before income taxes	8,222	6,197
Income taxes - current	1,852	1,594
Income taxes - deferred	969	496
Total income taxes	2,822	2,091
Profit	5,400	4,106
Profit (loss) attributable to non-controlling interests	3	(33)
Profit attributable to owners of parent	5,397	4,140

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

(Millions of yen)

	1H FY 2022 (From April 1, 2021 to September 30, 2021)	1H FY 2023 (From April 1, 2022 to September 30, 2022)
Profit	5,400	4,106
Other comprehensive income		
Valuation difference on available-for-sale securities	(1)	142
Foreign currency translation adjustment	–	133
Share of other comprehensive income of entities accounted for using equity method	24	10
Total other comprehensive income	23	287
Comprehensive income	5,423	4,393
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,420	4,427
Comprehensive income attributable to non-controlling interests	3	(33)

(3) Quarterly consolidated statements of cash flows

(Millions of yen)

	1H FY 2022 (From April 1, 2021 to September 30, 2021)	1H FY 2023 (From April 1, 2022 to September 30, 2022)
Cash flows from operating activities		
Profit before income taxes	8,222	6,197
Depreciation	1,018	1,143
Amortization of goodwill	696	654
Increase (decrease) in refund liability	–	100
Increase (decrease) in provision for bonuses	37	(5)
Increase (decrease) in retirement benefit liability	10	39
Increase (decrease) in years of service gratuity reserve provisions	(104)	16
Interest and dividend income	(10)	(12)
Interest expenses	43	19
Delay damages income	–	(360)
Delay damages	–	171
Share of loss (profit) of entities accounted for using equity method	30	8
Loss (gain) on sale of investment securities	(807)	–
Loss (gain) on step acquisitions	–	(305)
Gain on bargain purchase	–	(244)
Decrease (increase) in trade receivables	7,634	5,595
Decrease (increase) in accounts receivable - other	2,882	928
Decrease (increase) in inventories	2,721	237
Decrease (increase) in guarantee deposits	(4,770)	(5,470)
Increase (decrease) in trade payables	(1,002)	(2,333)
Increase (decrease) in accounts payable - other	(2,785)	869
Increase (decrease) in card deposits	3,106	9,663
Other, net	(723)	(554)
Subtotal	16,199	16,358
Interest and dividends received	111	132
Delay damages received, net	–	189
Interest paid	(49)	(25)
Income taxes refund (paid)	(3,756)	(856)
Net cash provided by (used in) operating activities	12,505	15,798
Cash flows from investing activities		
Net decrease (increase) in time deposits	(100)	–
Purchase of property, plant and equipment	(608)	(228)
Purchase of software	(763)	(746)
Proceeds from sale of investment securities	856	–
Purchase of investment securities	(50)	(129)
Purchase of shares of subsidiaries and associates	(89)	–
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(375)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	–	230
Net increase (decrease) in loans to affiliates	(279)	(20)
Payments of guarantee deposits	–	(654)
Other, net	(55)	105
Net cash provided by (used in) investing activities	(1,089)	(1,819)

(Millions of yen)

	1H FY 2022 (From April 1, 2021 to September 30, 2021)	1H FY 2023 (From April 1, 2022 to September 30, 2022)
Cash flows from financing activities		
Repayments of long-term borrowings	(1,875)	(10,875)
Dividends paid	(2,088)	(2,091)
Other, net	(1)	(1)
Net cash provided by (used in) financing activities	(3,966)	(12,968)
Effect of exchange rate change on cash and cash equivalents	-	51
Net increase (decrease) in cash and cash equivalents	7,449	1,062
Cash and cash equivalents at beginning of period	47,601	56,162
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	-	172
Increase in cash and cash equivalents resulting from merger	112	-
Cash and cash equivalents at end of period	55,163	57,397

- (4) 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)

I 1H FY 2022 (from April 1, 2021 to September 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	107,228	4,796	-	112,024
Prepaid cards, etc.	-	-	7,065	7,065
Fees related Smart device	77,438	5,389	-	82,827
Sales commissions of prepaid card, etc.	-	-	6,054	6,054
Own solution services	-	2,751	-	2,751
TG Hikari & NW related	-	3,836	-	3,836
Other	2,440	151	3,182	5,774
Revenue from contracts with customers	187,107	16,924	16,303	220,335
Other revenue	-	-	1	1
Sales to external customers	187,107	16,924	16,304	220,337
Segment profit	2,731	939	1,725	5,397

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)

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
 (Material change in the goodwill amount)

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), the allocation of the acquisition cost had not yet been completed. Although the amount of goodwill was a provisional calculation, the allocation of the acquisition cost was completed, and the accounting treatment was confirmed in the second quarter of the current fiscal year. Therefore, the amount of goodwill in the Consumer Mobile Business Segment has been revised.

II 1H FY 2023 (from April 1, 2022 to September 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	103,073	5,576	–	108,650	–	108,650
Prepaid cards, etc.	–	–	6,810	6,810	–	6,810
Fees related Smart device	71,308	5,564	–	76,873	–	76,873
Sales commissions of prepaid card, etc.	–	–	6,421	6,421	–	6,421
Own solution services	–	3,267	–	3,267	–	3,267
TG Hikari & NW related	–	3,506	–	3,506	–	3,506
Other	2,718	173	4,294	7,186	36	7,223
Revenue from contracts with customers	177,100	18,088	17,526	212,715	36	212,751
Other revenue	–	–	76	76	–	76
Sales to external customers	177,100	18,088	17,602	212,791	36	212,828
Intersegment sales or transfers	–	37	58	95	743	838
Total	177,100	18,125	17,660	212,886	779	213,666
Segment profit	1,605	1,197	1,254	4,057	83	4,140

Note: The “Other” segment is a segment for businesses that do not fall under reportable segments and includes 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	4,057
Profit categorized as “Other”	83
Profit attributable to owners of parent in the quarterly consolidated statements of income	4,140

3. Changes in reportable segments, etc.

Popular-Soft Co., Ltd. (name changed to 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 1H 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 from 1Q FY 2023. The increase in the amount of goodwill caused by this event was 1,137 million yen.

(Information concerning gain on bargain purchase)

In the Consumer Mobile Business Segment, we recognized a gain on bargain purchase associated with the acquisition of shares of CCC FRONTIER Inc. (name changed to UNiCASE Inc. on October 1, 2022) and its conversion into a consolidated subsidiary in the second quarter of the current fiscal year. This gain on bargain purchase amounted to 244 million yen.