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Convocation Notice of the 32nd Ordinary General Meeting of Shareholders (Matters not Appearing in Delivered Paper-based Documents)

Matters not prescribed in requested paper-based documents for delivery pursuant to laws, regulations, and the Articles of Incorporation from among those matters for which measures for providing information in electronic format are to be taken

- Consolidated Financial Statements
  Consolidated Statement of Changes in Shareholders' Equity
  Notes to Consolidated Financial Statements
- Non-consolidated Financial Statements
  Non-consolidated Statement of Changes in Shareholders' Equity
  Notes to Non-consolidated Financial Statements

For the 32nd Fiscal Year (from April 1, 2022, to March 31, 2023)

T-Gaia Corporation

The aforementioned matters are not included in the paper-based documents delivered to shareholders who request said paper-based documents, pursuant to the provisions of laws, regulations, and Article 15 of the Articles of Incorporation.
Furthermore, for this Ordinary General Meeting of Shareholders, the Company will uniformly send paper-based documents stating that the aforementioned items are excluded from the matters subject to measures for electronic provision, regardless of whether or not there is a request for delivery of paper-based documents.

Consolidated Statement of Changes in Shareholders' Equity

(from April 1, 2022, to March 31, 2023)

(million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	3,154	5,123	62,137	(284)	70,129
Changes during the fiscal year					
Dividends of surplus			(4,183)		(4,183)
Profit attributable to owners of parent			7,938		7,938
Acquisition of treasury shares				(0)	(0)
Disposal of treasury shares		18		24	42
Changes in items other than shareholders' equity during the fiscal year (net)					
Total changes during the fiscal year	–	18	3,755	24	3,797
Balance at end of period	3,154	5,141	65,892	(260)	73,927

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	263	55	318	35	70,483
Changes during the fiscal year					
Dividends of surplus					(4,183)
Profit attributable to owners of parent					7,938
Acquisition of treasury shares					(0)
Disposal of treasury shares					42
Changes in items other than shareholders' equity during the fiscal year (net)	55	84	139	466	606
Total changes during the fiscal year	55	84	139	466	4,404
Balance at end of period	318	139	458	501	74,887

Note: The figures have been rounded down to the nearest million yen.

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: 10
- Name of primary consolidated subsidiaries: QUO CARD Co., Ltd.
  - WAMNET Japan K.K.
  - TG Power Inc.
  - TG Solutions Corporation
  - Relay2, Inc.
  - UNiCASE Co., Ltd.
  - MOBILETRUST Co., Ltd.

(ii) Status of non-consolidated subsidiaries

- Number of non-consolidated subsidiaries: 6
- 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: 6
- Name of primary companies accounted for by the equity method: PC TECHNOLOGY Co., LTD.
  - Infinity Communication Co. Ltd.

(ii) Status of associates accounted for by the equity method

- Number of associates accounted for by the equity method: 3
- Name of primary companies accounted for by the equity method: Value Design Singapore Pte. Ltd.

(iii) Status of non-consolidated subsidiaries or associates not accounted for by the equity method

None

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

None

(3) Matters concerning fiscal years of consolidated subsidiaries

Of the consolidated subsidiaries, Relay2, Inc. has an account settlement date of December 31. Financial statements as of that date are used when preparing consolidated financial statements, and necessary adjustments are made to reflect significant transactions between consolidated subsidiaries that occurred between that date and the consolidated account settlement date. The account settlement date of other consolidated subsidiaries is the same as the consolidated account settlement date.

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

(i) Change in the scope of consolidation

- Relay2, Inc., which was previously an equity method affiliate, is included in the scope of consolidation following the acceptance of a third-party allotment of shares and the acquisition of additional shares.
- Popular Soft Co., Ltd. (which changed its trade name to TG Solutions Corporation on April 1, 2022), which was an equity method non-consolidated subsidiary, is included in the scope of consolidation as it became material.
- CCC Frontier Co., Ltd. (which changed its trade name to UNiCASE Co., Ltd. on October 1, 2022) is included in the scope of consolidation following the acquisition of its shares.
- Acquired shares of MOBILETRUST Co., Ltd. are included in the scope of consolidation following the acquisition of its shares.
- T-Gaia Retail Service Corporation, which was a consolidated subsidiary, merged with the Company and, therefore, is excluded from the scope of consolidation.

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

Relay 2, Inc., which was previously an equity method affiliate, is no longer accounted for by the equity method because it is included in the scope of consolidation following the acceptance of a third-party allotment of shares and the acquisition of additional shares.

Popular Soft Co., Ltd. (which changed its trade name to TG Solutions Corporation on April 1, 2022), which was an equity method non-consolidated subsidiary, is no longer accounted for by the equity method because it is included in the scope of consolidation as it became material.

(5) 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 consolidated 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, with cost being determined by the moving-average method.

b. Inventories

- Merchandise
  - Merchandise is stated at cost, with cost being determined by the first-in, first-out method (consolidated 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 (consolidated balance sheet value being calculated by reducing book value based on the decline in profitability).
- Supplies
  - Supplies are stated at cost, with 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 are depreciated according to the straight-line method and the declining-balance method.

Building equipment, structures, and furniture and fixtures of directly managed shops are depreciated using the straight-line method over a useful life of three years. Useful life of principal 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 principal assets is as follows:

Contract-related intangible assets:	20 years
Software for internal use:	Number of expected available 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 (three years).

c. Leased assets

Leased assets related to finance lease transactions that transfer ownership of leased property to the lessee are amortized by the same method as that applied to owned non-current 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, 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. Refund liability

In the event of a short-term cancellation by a mobile phone subscriber who received a subscription application through the Company or a sales agency, the Company has set aside an estimated amount for refunds of the short-term cancellation commission based on the actual refund amount in order to prepare for the payment of the commission to be refunded to the telecommunications carrier with which the Company has concluded an agency agreement.

d. Years of service gratuity reserve provisions

To provide for the payment of bonus for employees' services, years of service gratuity reserve provisions are 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 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 are 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 of foreign consolidated subsidiaries are converted into yen at the foreign exchange spot rates prevailing on the consolidated balance sheet date of those subsidiaries, and income and expenditure are converted into yen at the average exchange rates during the period. Conversion differences are stated in foreign currency translation adjustment and non-controlling interests under net assets.

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 solution 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 its 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 immaterial balance is expensed.

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 deposit 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 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	4,140

(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

As noted above in “a.,” hoard profit of prepaid card 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, the Company is aware that there has been no change in the treatment of financial liabilities under laws, ordinances, and regulations. Therefore, there is no impact on the following fiscal year's consolidated financial statements.

(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	15,015
Contract-related intangible assets	1,193
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 (hereinafter, "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.

3. Notes regarding the consolidated balance sheet

(1) Presentation of setoff 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 setoff is legally effective and that the Company has the ability to setoff, and that the Company is willing to settle by setoff are presented on the consolidated balance sheet as balances after setoff.

Amounts prior to setoff were as follows:

Item	Amount (million yen)
Notes and accounts receivable - trade	58,914
Accounts receivable - other	26,898
Accounts payable - trade	47,835
Accounts payable - other	33,859

(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 2,285 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 93,219 million yen for the fiscal year under review)

(3) Accumulated depreciation of property, plant and equipment

14,542 million yen

The figure of accumulated depreciation includes accumulated impairment losses.

4. Notes regarding the consolidated statement of changes in shareholders' equity

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

Common shares: 56,074,000 shares

(2) Matters concerning dividends of surplus

(i) Dividend payment

Resolution	Type of shares	Total amount of dividends (million yen)	Dividend per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 22, 2022	Common shares	2,091	37.50	March 31, 2022	June 23, 2022
Board of Directors' meeting on November 4, 2022	Common shares	2,092	37.50	September 30, 2022	December 6, 2022

(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 32nd Ordinary General Meeting of Shareholders to be held on June 22, 2023:

Planned resolution	Type of shares	Source of dividends	Total amount of dividends (million yen)	Dividend per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 22, 2023	Common shares	Retained earnings	2,092	37.50	March 31, 2023	June 23, 2023

5. Notes regarding financial instruments

(1) Matters concerning the status of financial instruments

(i) Policies for financial instruments

The Company and its consolidated subsidiaries limit their 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)

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, 2023, 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)	459	459	–
Leasehold deposits	4,542	4,369	-172
Long-term borrowings (Note 2)	(5,622)	(5,622)	-0

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

(Note 1) Equity shares, etc., without market quotations (consolidated balance sheet carrying value of 3,189 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, the carrying values approximate fair value. 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. The carrying value approximates fair value. They are therefore omitted.
- Accounts payable - trade, accounts payable - other, and income taxes payable
  Due to the short-term maturities of these items, the carrying values approximate fair value. 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. The carrying value approximates fair value. 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	459	–	–	459

(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	–	4,369	–	4,369
Long-term borrowings	–	5,622	–	5,622

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.

6. 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	Others	Total
Smart device	227,299	11,884	–	–	239,183
Fees-related smart device	148,150	11,402	–	–	159,553
Prepaid cards, etc.	–	–	8,927	–	8,927
Fees-related prepaid cards, etc.	–	–	16,854	–	16,854
Own solution services	–	6,709	–	–	6,709
TG Hikari & NW related	–	7,304	–	–	7,304
Others	6,065	350	8,236	262	14,915
Revenue from contracts with customers	381,515	37,651	34,017	262	453,447
Other revenue	–	–	156	–	156
Sales to external customers	381,515	37,651	34,174	262	453,604

(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 (5) 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

The balance of contract assets and contract liabilities at the beginning and the end of the period is as follows:

(million yen)

	The fiscal year under review
Contract assets	
Balance at the beginning of the period	–
Balance at the end of the period	–
Contract liabilities	
Balance at the beginning of the period	64
Balance at the end of the period	73

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 beginning of the previous period is 64 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 73 million yen, and the Group expects to recognize these remaining performance obligations as revenue over the next one year to two years as the performance obligations are satisfied.

7. Notes regarding per share information

(i) Net assets per share 1,333.28 yen
(ii) Earnings per share 142.31 yen

8. Significant Subsequent Events

None

9. Other Notes

(Business combinations)

Business combination through acquisition

(1) Overview of business combinations

(i) Name of the acquired company and its business content (Acquisition of shares of Relay2, Inc.)
- Name of the acquired company Relay2, Inc.
- Business content
  Development and sales of cloud Wi-Fi solutions with edge computing functions

(ii) Main reason for the business combination
From the perspective of stable operation of Relay2, Inc. and company-wide synergies with the Group, the Company increased its shareholding ratio and made it a consolidated subsidiary.

(iii) Date of the business combination
April 27, 2022

(iv) Legal form of the business combination

Acquisition of shares in cash

(v) Name of the company after the business combination

Unchanged.

(vi) Percentage of voting rights acquired

Percentage of voting rights before the business combination 28.32%

Percentage of additional voting rights acquired on the date of the business combination 23.00%

Percentage of voting rights after the acquisition 51.32%

(vii) The basis for determining the acquirer

This is due to the Company's acceptance of a third-party allotment of shares and acquisition of additional shares in cash.

(2) Period of the acquired company's business results included in the consolidated financial statements

Since the account settlement date of the acquired company is December 31, there is a difference of three months from the consolidated account settlement date. Because the deemed acquisition date is April 1, the consolidated statement of income for the fiscal year under review includes the results for the period from April 1, 2022 to December 31, 2022.

(3) Acquisition cost of the acquired company and breakdown by type of consideration

Market value of shares owned immediately prior to the business combination on the date of the business combination	659 million yen
Consideration for the acquisition (Cash)	1,089 million yen
Acquisition cost	1,748 million yen

(4) Difference between the acquisition cost of the acquired company and the total acquisition cost for each transaction that led to the acquisition

Gain on step acquisitions 305 million yen

(5) Amount of goodwill generated, reason for generation, amortization method and period

(i) Amount of goodwill generated

1,137 million yen

(ii) Reason for generation of goodwill

Since the acquisition cost exceeded the net amount allocated to acquired assets and assumed liabilities, the excess amount was recorded as goodwill.

(iii) Amortization method and period

Equal depreciation over the period with the effect of excess profitability

Business combination through acquisition

(1) Overview of business combinations

(i) Name of the acquired company and its business content (Acquisition of shares of CCC Frontier Co., Ltd.)

- Name of the acquired company CCC Frontier Co., Ltd.
- Business lines

  Telecommunications sales business, retail business, and wholesale business

(ii) Main reason for the business combination

In its core e-commerce (EC) and retail businesses (stores), the company is developing its own brand “UNiCASE” for various cases and accessories for smartphones and tablets.

Utilizing the company’s EC site management capabilities and large number of site visits (natural inflow), the Company will work to strengthen online marketing, including raising awareness of its own brand “Bellezza Calma.”

Using this as a foothold in the medium to long term, the Company acquired shares of CCC Frontier Co., Ltd. and made it a consolidated subsidiary with the aim of further expanding online sales not only for accessories but also for its own business in general.

(iii) Date of the business combination

September 30, 2022

(iv) Legal form of the business combination

Acquisition of shares in cash

(v) Name of the company after the business combination

UNiCASE Co., Ltd. (trade name changed on October 1, 2022)

(vi) Percentage of voting rights acquired

100%

(vii) The basis for determining the acquirer

This was due to the Company’s acquisition of shares in exchange for cash.

(2) Period of the acquired company’s business results included in the consolidated financial statements

Financial results for the period from October 1, 2022, to March 31, 2023, are included in the consolidated statement of income.

(3) Acquisition cost of the acquired company and breakdown by type of consideration

The acquisition price was determined after consultation with the counterparty taking into account the results of various due diligence conducted by an outside organization.

(4) Reason for generation of goodwill and amount

(i) Amount of goodwill generated

244 million yen

(ii) Reason for generation of goodwill

Since the market value of net assets of the acquired company at the time of the business combination exceeded the acquisition cost, the excess amount was recorded as goodwill.

Non-consolidated Statement of Changes in Shareholders' Equity

(from April 1, 2022, to March 31, 2023)

(million yen)

	Shareholders' equity						
	Share capital	Capital surplus			Retained earnings		
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings: Retained earnings brought forward	Total retained earnings
Balance at beginning of period	3,154	5,640	34	5,675	17	55,863	55,881
Changes during period							
Dividends of surplus						(4,183)	(4,183)
Profit						6,652	6,652
Disposal of treasury shares			18	18			
Net changes in items other than shareholders' equity							
Total changes during period	–	–	18	18	–	2,468	2,468
Balance at end of period	3,154	5,640	52	5,693	17	58,332	58,349

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of period	(284)	64,425	263	263	64,688
Changes during period					
Dividends of surplus		(4,183)			(4,183)
Profit		6,652			6,652
Acquisition of treasury shares	(0)	(0)			(0)
Disposal of treasury shares	24	42			42
Net changes in items other than shareholders' equity			55	55	55
Total changes during period	24	2,511	55	55	2,566
Balance at end of period	(260)	66,937	318	318	67,255

Note: The figures have been rounded down to the nearest million yen.

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. Shares of subsidiaries and associates

Shares of subsidiaries and associates are stated at cost, with 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 non-consolidated 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, with cost being determined by the moving-average method.

(ii) Inventories

- Merchandise

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

- Supplies

• Supplies are stated at cost, with 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.

Building equipment, structures, and furniture and fixtures of directly managed shops are depreciated using the straight-line method over a useful life of three years. Useful life of principal assets is as follows:

Buildings and structures:	3–34 years
Furniture and fixtures:	1 year–15 years

(ii) Intangible assets

Calculated by the straight-line method.

Depreciable life of principal assets is as follows:

Goodwill:	3–20 years
Contract-related intangible assets:	20 years
Software for internal use:	5 years

(3) Recognition of allowances

(i) Allowance for doubtful accounts

To prepare for credit losses on accounts receivable and loans receivable, 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) Refund liability

In the event of a short-term cancellation by a mobile phone subscriber who received a subscription application through the Company or a sales agency, the Company has set aside an estimated amount for refunds of the short-term cancellation commission based on the actual refund amount in order to prepare for the payment of the commission to be refunded to the telecommunications carrier with which the Company has concluded an agency agreement.

(iv) 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.

(v) 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 solution 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 accounting estimates

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	15,015
Contract-related intangible assets	1,193
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 "2. Notes regarding accounting estimates (2) Goodwill and contract-related intangible assets related to TF Mobile Solutions Corporation" in the notes to consolidated financial statements.

3. Notes regarding the non-consolidated balance sheet

(1) Presentation of setoff 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 setoff is legally effective and that the Company has the ability to setoff, and that the Company is willing to settle by setoff are presented on the non-consolidated balance sheet as balances after setoff.

Amounts prior to setoff were as follows:

Item	Amount (million yen)
Notes and accounts receivable - trade	58,359
Accounts receivable - other	22,704
Accounts payable - trade	47,621
Accounts payable - other	26,745

(2) Accumulated depreciation of property, plant and equipment 12,865 million yen

The above figure of accumulated depreciation includes accumulated impairment losses.

(3) Debt guarantee

The Company provides lease guarantee to the following subsidiary:

TG Power Inc. 11 million yen

(4) Accounts payable and receivable in relation to subsidiaries and associates

Short-term accounts receivable: 2,703 million yen

Short-term accounts payable: 63,858 million yen

4. Notes regarding the non-consolidated statement of income

Transaction balance with subsidiaries and associates

Transaction balance from operating transactions:

Net sales:	898 million yen
Operating expenses:	1,870 million yen
Transaction balance from non-operating transactions:	1,148 million yen

5. Notes regarding the non-consolidated statement of changes in shareholders' equity

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

Common shares: 282,309 shares

6. Notes regarding tax effect accounting

Main reasons for deferred tax assets and deferred tax liabilities

Deferred tax assets	
Provision for bonuses:	705 million yen
Allowance for doubtful accounts:	10 million yen
Inventory valuation loss:	29 million yen
Accrued business tax and business office tax:	82 million yen
Excessive depreciation:	719 million yen
Asset retirement obligations:	541 million yen
Provision for retirement benefits:	111 million yen
Loss on valuation of investment securities:	180 million yen
Asset adjustment:	4,099 million yen
Others:	1,024 million yen
Deferred tax assets subtotal:	7,505 million yen
Valuation allowance:	-279 million yen
Total deferred tax assets:	7,226 million yen
Deferred tax liabilities	
Asset retirement obligations:	-150 million yen
Valuation difference on available-for-sale securities:	-119 million yen
Contract-related intangible assets:	-365 million yen
Total deferred tax liabilities:	-634 million yen
Net deferred tax assets:	6,591 million yen

7. Notes regarding transactions with related parties

Subsidiaries, 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)
			Concurrent holding of positions by company officers	Business relationship				
Subsidiary	QUO CARD Co., Ltd.	Directly holding (100%)	2 persons at posts concurrently held	Deposited money Concurrent holding of positions by company officers	Repayment Note Deposited money Note	16,910 19,600	Deposits received	63,100
					Payment of interest Note	79	Other current liabilities	0

Note: 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.

8. Notes regarding revenue recognition

Information that is the basis for understanding revenue from contracts with customers is omitted because it is the same as the information in "6. Notes regarding revenue recognition" in notes to consolidated financial statements.

9. Notes regarding per share information

(1) Net assets per share: 1,205.48 yen

(2) Earnings per share: 119.25 yen

10. Notes regarding significant subsequent events

None

11. Notes regarding the Company subject to consolidated dividend regulations

The Company is a company subject to consolidated dividend regulations.

12. Other notes

(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 on 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 description 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

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 loss on extinguishment of tie-in shares from such transaction was recorded as extraordinary losses in the non-consolidated statement of income.