Annual Securities Report

(Report in accordance with Article 24, paragraph (1) of
the Financial Instruments and Exchange Act)

The 32nd fiscal year (from April 1, 2022 to March 31, 2023)

T-Gaia Corporation
E05392

【社外秘/CONFIDENTIAL】T-Gaia Corp.

Table of Contents

Cover page

Cover

Document Filed	Annual Securities Report
Applicable Law	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act
Filed to	Director-General, Kanto Local Finance Bureau
Filing Date	June 22, 2023
Fiscal Year	The 32nd Fiscal year (From April 1, 2022 to March 31, 2023)
Company Name	株式会社ティーガイア (Kabushiki Kaisha T-Gaia)
Company Name in English	T-Gaia Corporation
Title and Name of Representative	Masato Ishida, President and Representative Director
Address of Head Office	1-18 Ebisu 4-chome, Shibuya-ku, Tokyo
Telephone Number	+81-3-6409-1111
Contact Person	Hiroyuki Sugai, Director, Executive Vice President, CFO
Nearest Contact Place	1-18 Ebisu 4-chome, Shibuya-ku, Tokyo
Telephone Number	+81-3-6409-1111
Contact Person	Hiroyuki Sugai, Director, Executive Vice President, CFO
Place Where Available for Public Inspection	T-Gaia Corporation, Tokai Regional Headquarters (11-11 Nishiki 1-chome, Naka-ku, Nagoya City, Aichi Prefecture) T-Gaia Corporation, West Japan Regional Headquarters (6-20 Dojima 1-chome, Kita-ku, Osaka City, Osaka Prefecture) Tokyo Stock Exchange, Inc. (2-1 Nihombashi Kabuto-cho, Chuo-ku, Tokyo)

Part One Company Information

I. Company Overview

1. Changes in Key Financial Data, etc.

(1) Consolidated financial data, etc.

Business term	28th	29th	30th	31st	32nd
Fiscal year	Year ended March 31, 2019	Year ended March 31, 2020	Year ended March 31, 2021	Year ended March 31, 2022	Year ended March 31, 2023
Net sales (millions of yen)	526,929	474,150	422,973	476,464	453,604
Ordinary profit (millions of yen)	20,593	19,194	19,793	15,381	11,637
Profit attributable to owners of parent (millions of yen)	13,842	12,628	13,042	10,579	7,938
Comprehensive income (millions of yen)	13,858	12,555	13,197	10,579	7,959
Net assets (millions of yen)	46,745	55,102	64,026	70,483	74,887
Total assets (millions of yen)	178,994	181,378	233,826	241,277	246,068
Net assets per share (yen)	838.54	988.23	1,148.26	1,263.30	1,333.28
Earnings per share (yen)	248.40	226.59	234.01	189.74	142.31
Diluted earnings per share (yen)	–	–	–	–	–
Equity ratio (%)	26.1	30.4	27.4	29.2	30.2
Return on equity (%)	33.3	24.8	21.9	15.7	11.0
Price-earnings ratio (times)	7.4	9.0	8.2	8.6	11.7
Cash flows from operating activities (millions of yen)	20,483	30,998	19,338	18,864	9,996
Cash flows from investing activities (millions of yen)	(3,479)	(4,642)	(32,711)	(2,484)	(3,558)
Cash flows from financing activities (millions of yen)	(8,296)	(8,868)	17,849	(7,931)	(17,165)
Cash and cash equivalents at end of period (millions of yen)	25,482	43,125	47,601	56,162	45,652
Number of employees (persons)	3,884	4,090	5,088	5,056	4,955
[Separately, average number of temporary employees]	[2,435]	[2,155]	[2,193]	[2,103]	[2,072]

(Note) Information on diluted earnings per share is omitted as there are no dilutive shares.

【社外秘/CONFIDENTIAL】T-Gaia Corp.

(2) The reporting company's key financial data, etc.

Business term	28th	29th	30th	31st	32nd
Fiscal year	Year ended March 31, 2019	Year ended March 31, 2020	Year ended March 31, 2021	Year ended March 31, 2022	Year ended March 31, 2023
Net sales (millions of yen)	521,716	469,580	399,307	471,907	447,773
Ordinary profit (millions of yen)	16,741	16,986	16,928	13,252	10,021
Profit (millions of yen)	11,280	11,660	11,397	9,590	6,652
Share capital (millions of yen)	3,154	3,154	3,154	3,154	3,154
Total number of outstanding shares (shares)	79,074,000	56,074,000	56,074,000	56,074,000	56,074,000
Net assets (millions of yen)	44,532	51,898	59,269	64,688	67,255
Total assets (millions of yen)	129,914	125,478	169,442	170,068	161,337
Net assets per share (yen)	799.09	931.21	1,063.41	1,160.02	1,205.48
Dividend per share (yen) [Interim dividend per share]	75.00 [36.50]	75.00 [37.50]	75.00 [37.50]	75.00 [37.50]	75.00 [37.50]
Earnings per share (yen)	202.41	209.23	204.49	172.00	119.25
Diluted earnings per share (yen)	–	–	–	–	–
Equity ratio (%)	34.3	41.4	35.0	38.0	41.7
Return on equity (%)	27.7	24.2	20.5	15.5	10.1
Price-earnings ratio (times)	9.1	9.8	9.4	9.5	14.0
Dividend payout ratio (%)	37.1	35.8	36.7	43.6	62.9
Number of employees (persons) [Separately, average number of temporary employees]	3,725 [2,388]	3,895 [2,098]	4,181 [2,066]	4,227 [2,001]	4,525 [1,976]
Total shareholder return (%) [Comparative index: TOPIX] (%)	64.5 [92.7]	74.2 [81.7]	72.3 [113.8]	65.4 [113.4]	69.1 [116.7]
Highest stock price (yen)	3,230	2,844	2,338	2,081	1,893
Lowest stock price (yen)	1,832	1,638	1,761	1,585	1,593

(Notes) 1. Information on diluted earnings per share is omitted as there are no dilutive shares.
2. The highest and lowest stock prices are those on the Tokyo Stock Exchange Prime Market from April 4, 2022, and those before that date were on the First Section of the Tokyo Stock Exchange.

【社外秘/CONFIDENTIAL】T-Gaia Corp.

2. History

Month/Year	Event
Feb 1992	Mitsui Electronic Telecommunication Services was solely established by Mitsui & Co., Ltd. for the purpose of selling information and telecommunication electronics.
Mar 1994	MC Telenet was solely established by Mitsubishi Corporation.
Apr 1994	Mitsui & Co., Ltd., the parent company of Mitsui Electronic Telecommunication Services, established Bussan Telecommunication in Aichi Prefecture.
Jun 1995	Sumisho Telemates was solely established by Sumitomo Corporation.
Jun 1997	Mitsui & Co., Ltd., the parent company of Mitsui Electronic Telecommunication Services, established Bussan Telecommunication Osaka in Osaka Prefecture.
Apr 2001	Mitsui Electronic Telecommunication Services was merged with Bussan Telecommunication and Bussan Telecommunication Osaka to form Mitsui & Associates Telepark Corp.
Jul 2001	Sumisho Telemates was merged with MC Telenet to become MS Communications Co., Ltd.
Dec 2003	Mitsui & Associates Telepark Corp. acquired all shares issued by JRC Mobitec Co., Ltd. and made it a consolidated subsidiary.
Apr 2004	Mitsui & Associates Telepark Corp. became listed on the Second Section of the Tokyo Stock Exchange.
Jul 2004	Mitsui & Associates Telepark Corp. succeeded, through a company split, the business conducted by JRC Mobitec Co., Ltd. in regions other than Kyushu and Okinawa. Mitsui & Associates Telepark Corp. changed the trade name of the surviving company in Kyushu and Okinawa to Mobitec Co., Ltd. and made it a non-consolidated subsidiary.
Oct 2004	Mitsui & Associates Telepark Corp. changed the trade name to Telepark Corp.
Mar 2005	Telepark Corp. listed on the First Section of the Tokyo Stock Exchange.
Jul 2005	MS Communications Co., Ltd. made Calsonic Communication Co., Ltd. a subsidiary.
Apr 2006	MS Communications Co., Ltd. absorbed and merged Calsonic Communication Co., Ltd.
Oct 2007	Telepark Corp. acquired all shares issued by Telecom Sanyo Co., Ltd. and made it a consolidated subsidiary.
Apr 2008	Telepark Corp. absorbed and merged Telecom Park Co., Ltd. (former Telecom Sanyo Co., Ltd.).
Jun 2008	Telepark Corp. absorbed and merged Mobitec Co., Ltd.
Oct 2008	Telepark Corp. was merged on equal terms with MS Communications Co, Ltd. to form T-Gaia Corporation.
Jun 2009	T-Gaia Corporation relocated its head office to Shibuya-ku, Tokyo.
Mar 2014	T-Gaia Corporation acquired a majority of shares issued by WAMNET Japan K.K. and made it a consolidated subsidiary.
Dec 2017	T-Gaia Corporation acquired all shares issued by QUO CARD Co., Ltd. and made it a consolidated subsidiary.
Mar 2020	T-Gaia Corporation made Model T Co., Ltd. (present TG Power Inc.) a consolidated subsidiary.
Nov 2020	T-Gaia Corporation acquired all shares issued by Personals Mobile Business Split Preparation Co., Ltd., the successor to the mobile phones sales business of Fujitsu Personal System Limited, in an incorporation-type company split and made Personals Mobile Business Split Preparation Co., Ltd. a consolidated subsidiary. T-Gaia Corporation changed the trade name of Personals Mobile Business Split Preparation Co., Ltd. to TF Mobile Solutions Corporation. T-Gaia Corporation made a subsidiary of TF Mobile Solutions Corporation (T-Gaia Retail Service Corporation) its consolidated subsidiary.
Feb 2021	T-Gaia Corporation absorbed and merged TF Mobile Solutions Corporation.
Apr 2022	Due to the restructuring of market segments of the Tokyo Stock Exchange, T-Gaia Corporation moved from the First Section to the Prime Market of the Tokyo Stock Exchange.
	T-Gaia Corporation absorbed and merged T-Gaia Retail Service Corporation.
	T-Gaia Corporation created TG Solutions Corporation a consolidated subsidiary.
	T-Gaia Corporation created Relay2, Inc. a consolidated subsidiary.
Sep 2022	T-Gaia Corporation acquired all shares issued by CCC FRONTIER Inc. (current UNiCASE Corporation) and made it a consolidated subsidiary.
Nov 2022	T-Gaia Corporation acquired all shares issued by MOBILETRUST CO., LTD. and made it a consolidated subsidiary.

【社外秘/CONFIDENTIAL】T-Gaia Corp.

3. Business Description

As of the end of the fiscal year under review, T Gaia Corporation, its consolidated subsidiaries, and its equity-method affiliates (the “Group”) is comprised of T-Gaia Corporation (the “Company”), 10 consolidated subsidiaries and 9 equity-method affiliates. Main business lines are the Consumer Mobile Business centered on sales of mobile phones for consumers, the Enterprise Solutions Business engaged in sales of mobile phones for corporate users and sales and intermediary services for optical communication line service contracts, and the Payment Service Business and Other Business (*) engaged in PIN and gift card sales.

(1) Consumer Mobile Business

This segment is mainly engaged in intermediary services specializing in mobile and other telecommunications services contracts and the sales of mobile phones The intermediary services for telecommunications service contracts are intermediary services for contracts for the telecommunications services provided by each telecommunications carrier (e.g., NTT DOCOMO, INC., KDDI CORPORATION, SoftBank Corp., and Rakuten Mobile, Inc.) to consumers based on agency service contracts between the Group and those telecommunications carriers, and it receives commissions from telecommunications carriers as consideration for intermediary service after the conclusion of contracts. The intermediary services for telecommunications service contracts and sales of mobile phones to consumers are conducted at the Group’s sales channels across the country, which include not only shops run by the Company, but also secondary agents, such as home appliance retail stores and general agencies.

(2) Enterprise Solutions Business

This segment is mainly engaged in the sales of mobile phone to corporate customers, the provision of solution services related to devices, network services, and the sales and intermediary services specializing in optical communication line service contracts for corporate and individual customers. The Group carries out intermediary services for contracts for the telecommunication services provided by each telecommunications carrier based on agency service contracts with telecommunications carriers, such as NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION and NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION, internet service providers, etc., in addition to telecommunications carriers in the Consumer Mobile Business, and receives commissions from telecommunications carriers as consideration for intermediary service after the conclusion of contracts.

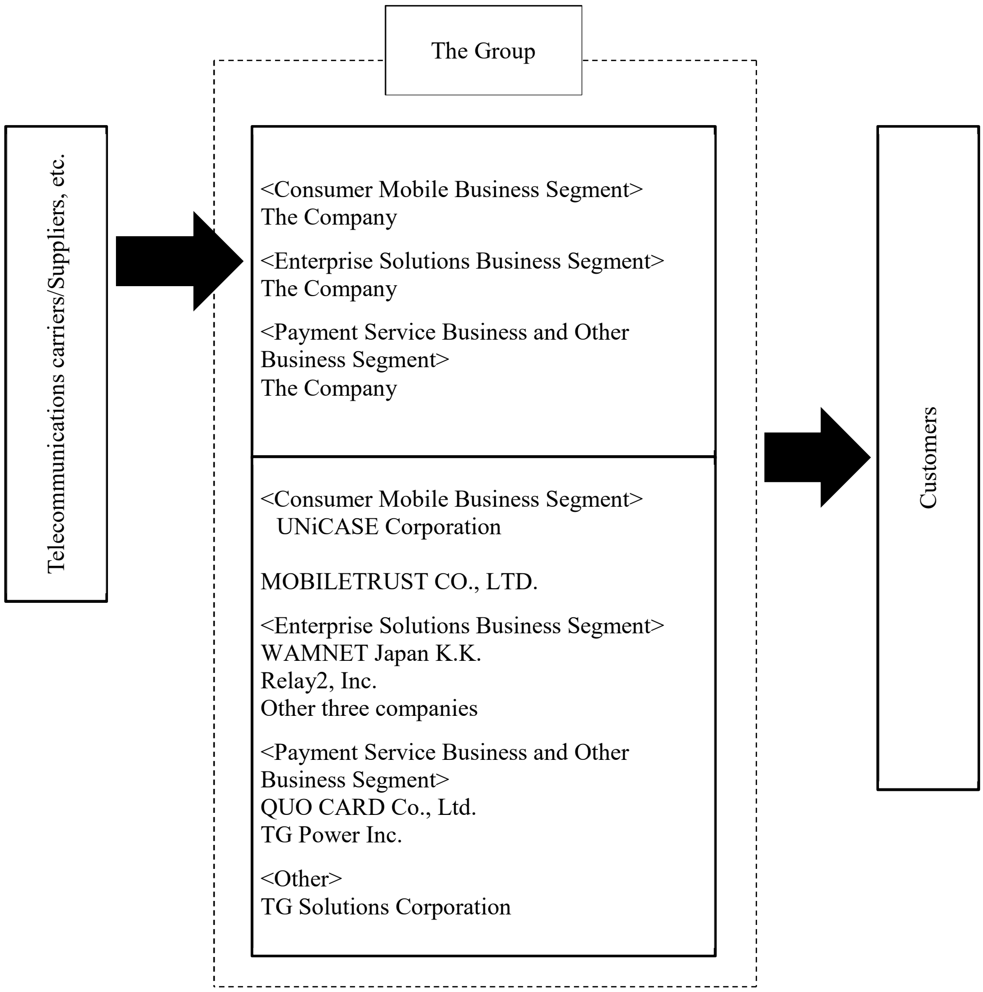
(3) Payment Service Business and Other Business(*)

This segment is mainly engaged in sales of e-money related products using PIN sales systems through major nationwide convenience store chains, sales of gift cards, and sales of smartphone accessories. The segment is also tasked with the issuance and settlement of “QUO Card” and “QUO Card Pay” and the sales and repair/maintenance of card-handling equipment, etc.

*. The Group will change the name of “Payment Service Business and Other Business” to “Smart Life & QUO Card Business” from the fiscal year ending March 2024.

【社外秘/CONFIDENTIAL】T-Gaia Corp.

The chart below illustrates the scheme of our business segments.



(Note) The Group has nine equity-method affiliates that are not included in the chart.

4. Overview of Associated Companies

Company name	Address	Share capital (millions of yen)	Principal business activities	Owning/Owned ratio of voting rights (%)	Relationship
(Other associated company) Sumitomo Corporation (Note) 1	Chiyoda-ku, Tokyo	220,047	General trading company	Owned 41.8	–
(Other associated company) Hikari Tsushin, Inc. (Notes) 1, 2	Toshima-ku, Tokyo	54,259	Mobile telecommunications business, sales of office automation equipment, and intermediary service for fixed lines, etc.	Owned 28.0 (28.0)	–
(Consolidated subsidiary) QUO CARD Co., Ltd. (Note) 3	Chuo-ku, Tokyo	1,810	Issuance and settlement of cards (prepaid cards, etc.) Sales and repair/maintenance of cards and card-handling equipment	100.0	Custody of funds Interlocking directors
WAMNET Japan K.K.	Chuo-ku, Tokyo	200	Digital content network management service provider, development and sales of fax server software	97.5	–
TG Power Inc.	Shibuya-ku, Tokyo	100	Development, sales and operation of renewable energy business and related consulting	100.0	Borrowing and lending of funds
TG Solutions Corporation	Shibuya-ku, Tokyo	100	Development, sales, operation and maintenance of information service business, as well as development and sales of own company's products	100.0	Entrustment of operation, maintenance, etc., of information system.
Relay2, Inc. (Note) 3	California, the U.S.A.	US$64 million	Development and sales of cloud Wi-Fi solutions with edge computing	51.3	–
UNiCASE Corporation	Shibuya-ku, Tokyo	100	Telecommunications sales business, retail sales business and wholesale business	100.0	–
MOBILETRUST CO., LTD.	Hino City, Tokyo	10	Sales of mobile phone handsets, etc.	100.0	A sales agent of the Company.
Three other companies					

(Notes)
1. This company files Annual Securities Report.
2. The figures in the parentheses for owned ratio of voting rights show the percentage of indirectly-owned voting rights.
3. This company is a specified subsidiary.
4. The Group has six non-consolidated subsidiaries accounted for by the equity method that are not included in the table.

【社外秘/CONFIDENTIAL】T-Gaia Corp.

5. Data on Employees

(1) Consolidated companies

As of March 31, 2023

Segment	Number of employees (persons)
Consumer Mobile Business	3,548 (1,799)
Enterprise Solutions Business	629 (64)
Payment Service Business and Other Business	276 (138)
Corporate (common)	502 (71)
Total	4,955 (2,072)

(Notes) 1. The number of employees refers to the number of working employees (excluding those who are on loan from a Group company to a company outside the Group and including those who are on loan from a company outside the Group to a Group company), and the average number of temporary employees per year is separately shown in parentheses.

2. The number of employees in the Corporate (common) portion refers to the number of those who belong to the Company's administrative divisions and information system divisions.

(2) Reporting company

As of March 31, 2023

Number of employees (persons)	Average age (years old)	Average length of service (years)	Average annual salary (yen)
4,525 (1,976)	39.3	11.4	4,973,990

Segment	Number of employees (persons)
Consumer Mobile Business	3,436 (1,766)
Enterprise Solutions Business	557 (63)
Payment Service Business and Other Business	98 (91)
Corporate (common)	434 (56)
Total	4,525 (1,976)

(Notes) 1. The number of employees refers to the number of working employees (excluding those who are on loan from the Company to a company outside the Company and including those who are on loan from a company outside the Company to the Company), and the average number of temporary employees per year is separately shown in parentheses.

2. The average annual salary includes bonuses and extra wages.

3. The number of employees in the Corporate (common) portion refers to the number of those who belong to the Company's administrative divisions and information system divisions.

(3) Labor unions

There is no labor union formed by the Group's employees. A harmonious relationship has nevertheless been maintained between employers and employees.

【社外秘/CONFIDENTIAL】T-Gaia Corp.

(4) Percentage of female managers, rate of male employee's taking child-care leave and wage variance between male and female employees

(i) Reporting company

The fiscal year under review				
Percentage of female managers (%) (Note) 1	Rate of male employee's taking child-care leave (%) (Note) 2	Wage variance between male and female employees (%) (Note) 1		
		Total employees	Regular employees within those	Part-time and fixed-term employees within those
10.7	80.9	73.6	73.5	84.7

(Notes) 1. This is calculated based on provisions of the Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015).

2. This is the rate of taking either a company-specific leave of absence for the purpose of child care or child-care leave, etc. (including childcare leave at birth (paternity leave after childbirth)) calculated according to Article 71-4, Item (ii) of the Enforcement Regulations for the Law Concerning the Welfare of Workers Who Take Care of Children or Other Family Members, Including Child Care and Family Care Leave (Ministry of Labour Ordinance No. 25 of Oct. 15, 1991) based on provisions of the Law concerning the Welfare of Workers Who Take Care of Children or Other Family Members Including Child Care and Family Care Leave (Law No. 76 of 1991).

(ii) Consolidated subsidiaries

Not applicable.

【社外秘/CONFIDENTIAL】T-Gaia Corp.

II. Business Overview

1. Management Policies, Business Environment, Issues to Be Addressed, Etc.

The Group’s management policies, business environment, issues to be addressed, etc. are as follows. Note that the forward-looking statements contained herein are determined by the Group at the end of the fiscal year under review.

(1) Management policies

Toward sustainable growth based on the Corporate Philosophy shown below, the Group strengthens its revenue base by boosting the productivity of all the existing businesses and aggressively exploring new business segments. The Group also strives to heighten its corporate value by enhancing transparency in management and fulfilling its social responsibilities.

The Corporate Philosophy is used to serve as a basis for the Group’s internal judgment and decision-making, as well as for its personnel evaluation and daily business operations.

<Corporate philosophy>

TG Vision - T-Gaia's Corporate Vision -

T-Gaia will propose new ways of communication
to provide our customers with excitement, delight, and safety.

TG Mission - T-Gaia's Corporate Mission -

- We pledge to care for our employees and their families to ensure that everyone finds joy in work.
- We pledge to establish strong relationships of trust with our business partners, communities, and shareholders to strive for sustainable development together.
- As an industry leader, we pledge to stay ahead of changes and continuously take on new business opportunities.

TG Action - T-Gaia's Code of Conduct -

- We pursue services that go above and beyond customers’ appreciation.
- We take on new challenges proactively through our passion and with a sense of speed.
- We value communications to build a culture of openness and trust in the workplace.
- We respect our employees' diversity to foster the best teamwork.
- We strive for constant self-improvement as a team of professionals.
- We always act on high ethical standards and strengthen our compliance structure.

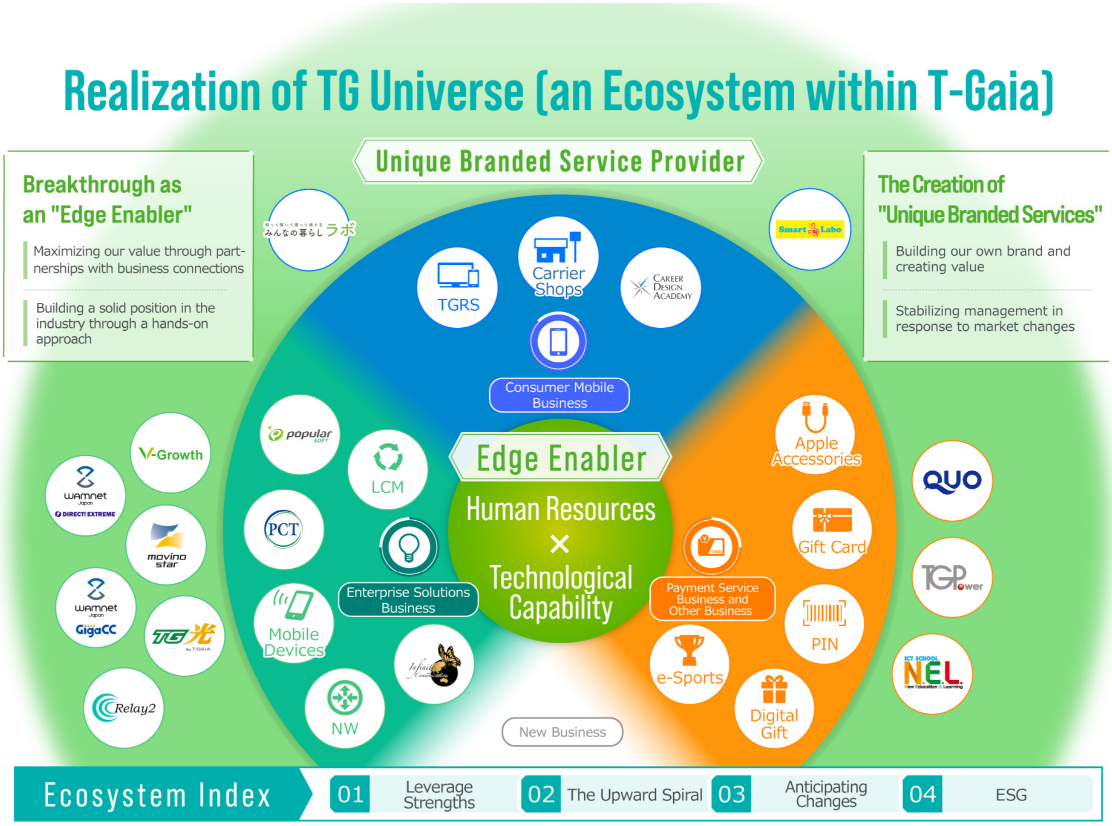
【社外秘/CONFIDENTIAL】T-Gaia Corp.

(2) Management strategy, etc.

In the Medium-Term Management Plan (FY 2022-FY 2024) published in May 2021, we set the realization of the TG Universe (the ecosystem within T-Gaia) as our management strategy.

Centering on “Human Resources x Technological Capability,” “TG Universe” describes two growth drivers: “Edge Enabler” businesses (behind-the-scene businesses that straddle the boundaries between individuals and companies and between companies and that do not put the Company’s name up front) on the inside and “Unique Branded Service Provider” businesses (businesses that provide original service with our own brand) on the outside. In addition to enhancing and expanding the TG Universe, we will grow to become a corporate group that continually creates value for a prosperous future by resolving social issues.

<Management strategy>



【社外秘/CONFIDENTIAL】T-Gaia Corp.

(3) Objective metrics, etc., for measuring the achievement of management goals

We are seeking to increase our overall earnings by increasing the earnings of the Enterprise Solutions Business and the Payment Service Business and Other Business, all the while maintaining the current earnings of the Consumer Mobile Business, which is our core business.

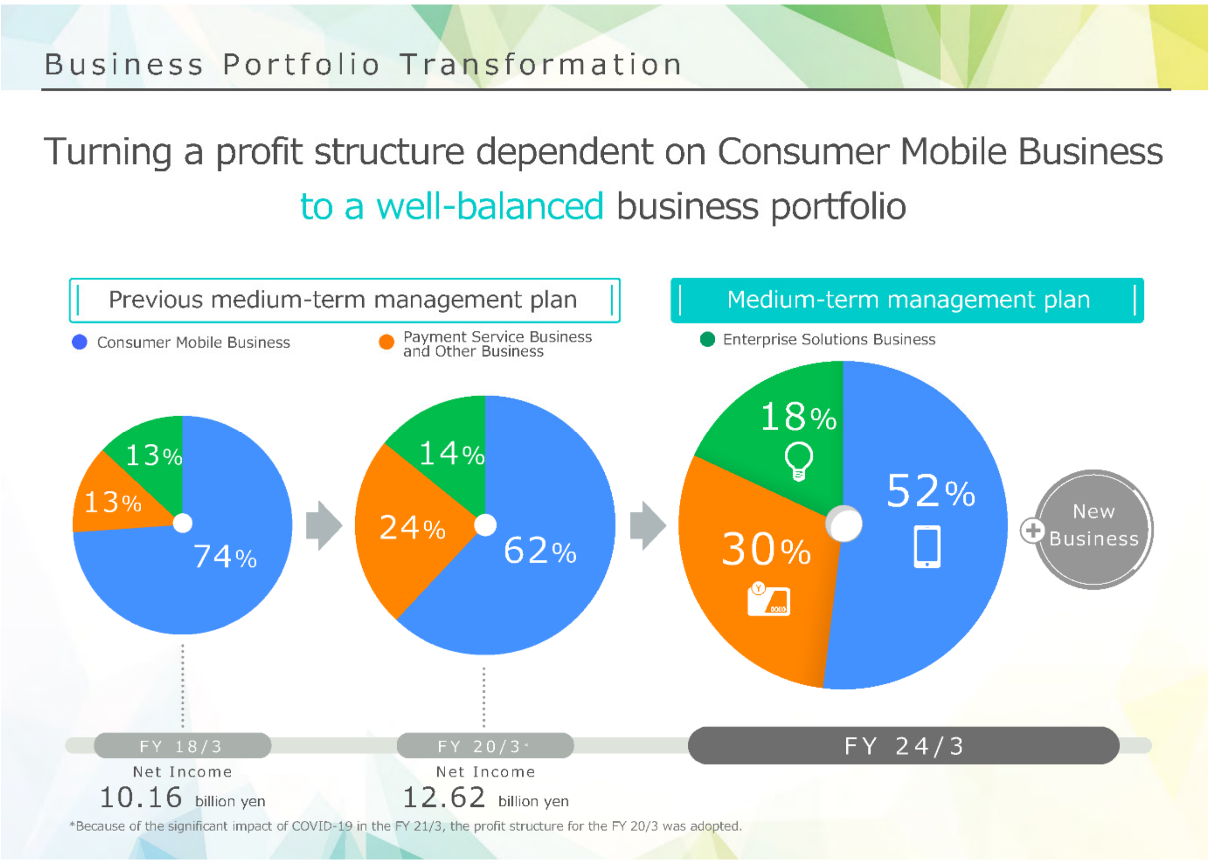
In the fiscal year ending March 2024, which is the last fiscal year of the Medium-Term Management Plan (FY 2022-FY 2024), we believe that role change of carrier shop and change in the business portfolio that doesn't depend on mobile business are further required considering that proportion of online contracts is gradually rising in addition to lengthening tendency of a replacement-by-purchase cycle.

Based on the assumption that the business environment with rising prices, etc., in the background will continue to be difficult, increased operating profit is expected in the consolidated forecast for the fiscal year ending March 31, 2024, owing to the continued expansion of proprietary business and organizational/personnel optimization with the objective of increased company-wide productivity.

As a result, the forecast is net sales of 459,500 million yen (+1.3% compared with the previous year), operating profit of 8,200 million yen (+17.2%), non-operating income of 4,200 million yen (-9.6%), including hoard profit of prepaid card, ordinary profit of 12,400 million yen (+6.5%), and profit attributable to owners of parent of 8,000 million yen (+0.8%).

Decrease of Non-operating income is mainly due to the impact from recording Delay damages as Non-operating expenses in the fiscal year under review. Forecast of hoard profit of prepaid card is estimated at the same level of the fiscal year under review.

<Business portfolio>



(4) Business and financial issues of priority

(i) Important business matters (material issues)

In the formulation of the Medium-Term Management Plan (FY 2022-FY 2024), we specified eight material issues (TG Material Issues). We will position TG Material Issues as an important element in the formulation of strategies for each business and in the business decision-making process. Furthermore, we aim to achieve business growth for the entire Group by solving the issues facing society through all of our business activities.

01-04: Key issues in management strategy for realizing the TG Universe

05-08: Important matters underpinning the aforementioned management strategy

(ii) Initiatives in each segment

<Consumer Mobile Business>

The business environment in the consumer mobile business segment is undergoing major changes, including a reduction in the commission income received from telecommunications carriers and an increase in the proportion of online contracts. The Group will continue to enhance the significance of the existence of shops in order for the shops to develop into "regional ICT hubs" instead of mere "points of sale."

Specifically, we will draw in more customers to shops and increase proprietary earnings using original content, e-Sports, and gym classes, improve back-office work, and optimize business and increase productivity by introducing remote initial setup support.

Also, we will contribute to the Ministry of Internal Affairs and Communications' "Digital Garden City Nation Vision" and "Solving Digital Divide" by means of smartphone classes and sales support for remote locations where there are no local shops.

<Enterprise Solutions Business>

By expanding its products and services in the Life Cycle Management (LCM) business and new business areas such as edge computing, the Group will evolve into a comprehensive network service provider that also works on corporate internal network infrastructure based on the provision of fixed-line telecommunications.

Also, the Group will adapt to increasingly cloud-based corporate business (market changes) by strengthening cooperation between Group companies and partner companies, including the organization of Group-wide project teams.

【社外秘/CONFIDENTIAL】T-Gaia Corp.

<Payment Service Business and Other Business>

The Group will continue to increase transaction volumes by expanding the range of PIN and gift card products for online services, mainly games. In addition, we will utilize our digital code distribution server to strengthen sales to corporate customers in collaboration with QUO CARD Co., Ltd., our consolidated subsidiary.

QUO CARD Co., Ltd. will continue to work on expanding the number of member stores of QUO Card Pay and to increase issuance by developing various campaigns.

In Other Business, we will strengthen our efforts in new businesses that respond to ESG, such as e-Sports, ICT classes, smart agriculture, and renewable energy business.

(iii) Corporate governance

The Group positions compliance involving everyday observation of laws and regulations and internal rule and the preservation of ethics as one of the most critical issues in the performance of business operations. We will continue with initiatives to quickly detect and respond to risk and conduct awareness activities through measures such as enhancement of training about compliance and use of inhouse SNS.

In addition, the Company is also taking measures to strengthen governance systems, including making a majority of members of the Board of Directors independent Outside Directors. The Company complies with all principles of Japan’s Corporate Governance Code, which was revised in June 2021.

【社外秘/CONFIDENTIAL】T-Gaia Corp.

2 Concept and measures of sustainability

The Group will contribute to the sustainable growth of society through business activities according to the T-Gaia Group's Sustainability Policy formulated in 2021. The Group will work on resolving various social issues and continue to create value for a prosperous future.

(1) Governance

The Company evaluates and manages environmental and social issues through a company-wide committee (Sustainability Committee). The Sustainability Committee is an advisory body to the Management Conference, and formulates and deliberates on policies, strategies, and measures to improve the Company's sustainability on environmental and social issues. The committee reports its discussions to the Management Conference depending on the degree of their importance, and recommends submitting important issues to the Board of Directors.

・Board of Directors

The Board of Directors receives reports on policies, strategies, measures, and company-wide risks formulated and deliberated by the Sustainability Committee, and makes decisions on important matters. It oversees initiatives related to sustainability in general.

・Management Conference (Chairperson: President and Chief Executive Officer)

The Management Conference discusses policies, strategies, measures and company-wide risks of sustainability related to company management. It receives reports from the Sustainability Committee and determines whether to submit them to the Board of Directors for discussion and reporting.

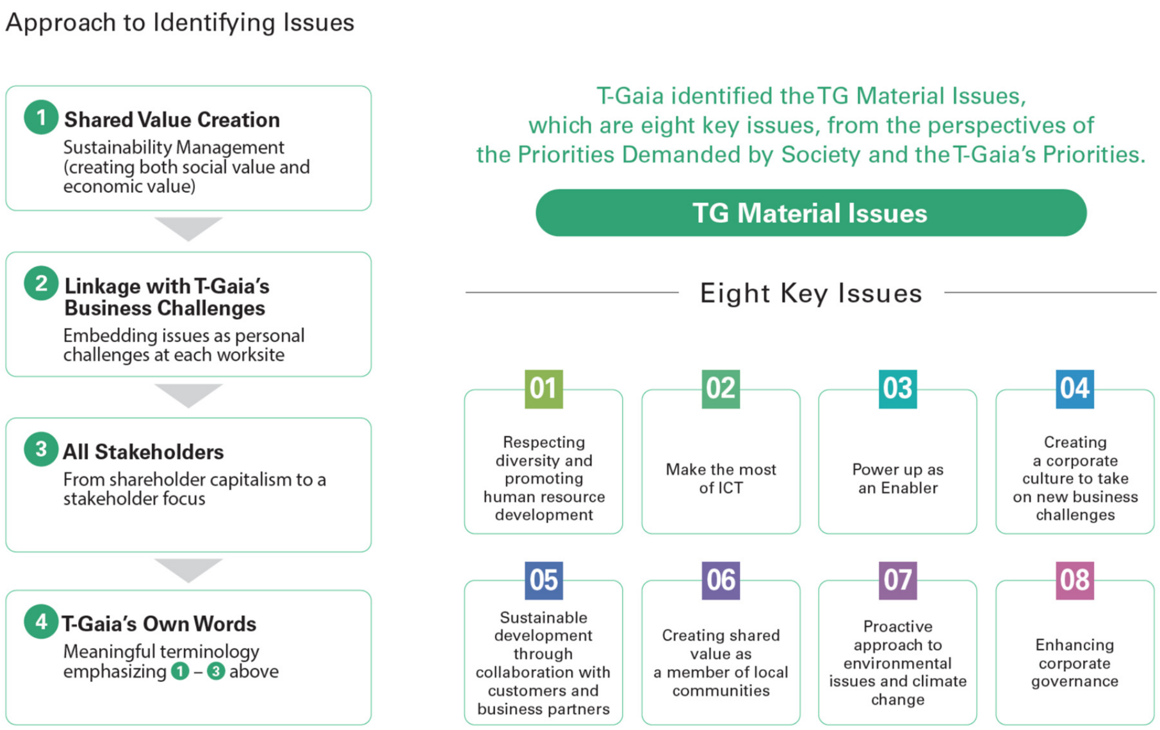
・Sustainability Committee (Chairperson: the corporate officer responsible for sustainability)

The Sustainability Committee formulates and deliberates on sustainability policies, strategies, and measures so that the Company will contribute to solving environmental and social issues. Further, it manages climate change-related risks in cooperation with the Risk Management Committee.

(2) Risk management

In TG Material Issues, we recognize approach to environmental and social issues as one of the key issues. The Risk Management Committee identifies, evaluates, and manages various risks related to the Group's business activities. The Risk Management Committee also collaborates with the Sustainability Committee, which handles strategies and measures related to environmental and social response, to address issues related to sustainability of the Group.

<Approach to identifying material issues>



【社外秘/CONFIDENTIAL】T-Gaia Corp.

・Risk Management Committee (Chairperson: CFO)

The Risk Management Committee identifies and assesses all business material issues, and works with the Sustainability Committee to manage environment and society-related risks.

(3) Strategy, indicators and goals

(i) Response to climate change issues

The Company has established a greenhouse gas (Scope 1, 2) reduction target of substantially zero emission on its business activities by 2040 (medium-term target as of 2030: a 50% reduction compared with fiscal 2019). In order to achieve the target, the Company aims to introduce the proportion of electricity derived from renewable energy as 50% as of fiscal 2030 and 100% as of fiscal 2040. In January 2023, the Company participated in the “Declaration of 100 Renewable Energy, RE Action.”

Not only the Company, but the Group as a whole will also continue to proactively promote climate change measures to realize sustainable society.

As one of climate change measures, the Company has divided analysis of the impact of climate change risks and opportunities on our business strategies and financial plans into four steps in accordance with the recommendations of the “Task Force on Climate-related Financial Disclosures (TCFD),” for which the Company expressed support in December 2021: “Risk Materiality Assessment,” “Scenario Selection (4°C and 1.5°C),” “Business Impact Assessment,” and “Consideration of Response Measures.”

・Risk materiality assessment

Intensification of extreme weather events may cause losses to our business, such as disruption of supply chains, including damage to our own stores. At the same time, growing demand for renewable energy business may create opportunities for significant financial benefits for the Company.

Details of the risk materiality assessment are as follows.

Large (profit: 10% or more), medium (profit: less than 10% to 1% or more), small (profit: less than 1%)

<Major risks>

Type		Risk	Major Risks	Assessment
Transition	Policies/ Regulations	Carbon pricing (carbon tax)	- New regulations that significantly increase carbon taxation and emissions trading	Small
		Response to GHG emissions regulations	- Increase in price of fossil fuels and fossil fuel-derived electricity	Small
		Renewable energy/energy-saving policies	- Cost of renewable energy procurement and energy-saving measures	Small
	Market	Changes in energy costs	- Demand grows for low-cost fossil fuel-derived electricity but not for renewable energy electricity	Small
	Reputation	Changes in reputation with investors	- Impact on stock prices due to a lower valuation caused by a delay in responding to investor requests for environmental disclosures	Large
Physical	Acute	Intensification of extreme weather events	- Decline in sales due to damage or closure of sales offices, delay in product procurement due to supply chain disruptions - Damage to solar power generation facilities due to extreme weather events - Increase in fire insurance premiums	Medium
	Chronic	Rise in average temperatures	- Increase in cooling costs - Decrease in sales at sales offices due to reduced outings	Small

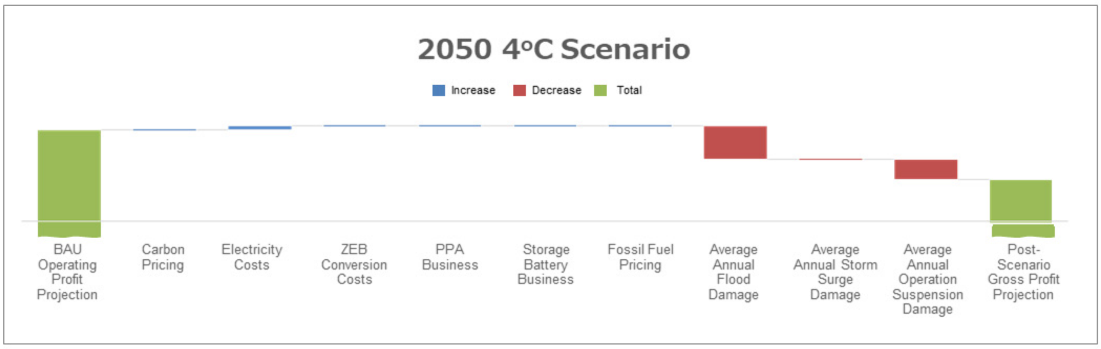
<Major opportunities>

Type		Opportunity	Major Opportunities	Assessment
Transition	Policies/ Regulations	Emissions trading	- Increase in revenue from the sale of emission credits earned from reductions due to solar power generation	Small
		Renewable energy policies	- Increase in sales from increased PPA installations due to an increase in demand for renewable energy electricity	Medium
		Energy-saving policies	- Reduction in operating costs through the use of subsidy programs	Small
	Technology	Adoption of renewable energy/energy-saving technologies	- Reduction in capital investment costs from the advancement of renewable energy technology and lower price of storage batteries	Small
		Advancement of low-carbon technologies	- Increase in sales from the introduction of high-efficiency solar cells	Small
	Reputation	Changes in reputation with investors	- Decrease in capital procurement costs through proactive response to investor requests	Large
Physical	Acute	Intensification of extreme weather events	- Increase in sales of remote work products - Increase in sales from increased demand for self-consumption soler power generation and uninterruptible power supply solutions as BCP measures	Small
	Chronic	Rise in average temperatures	- Increase in traveling sales due to the spread of on-site sales shops	Small

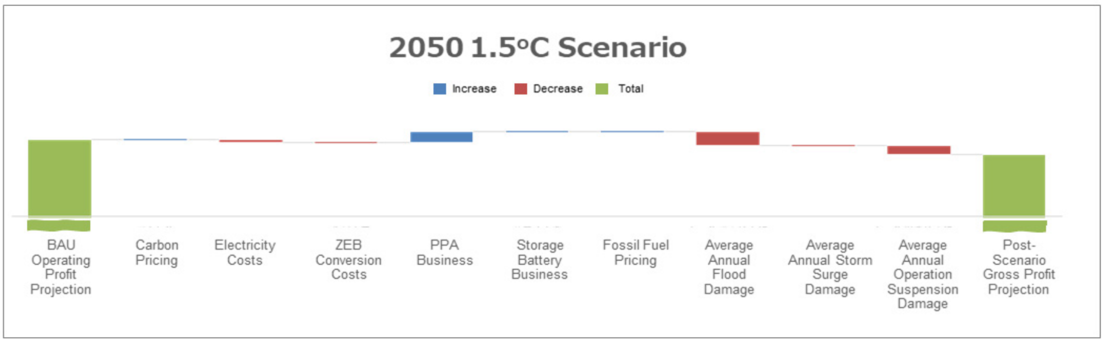
・Scenario selection (4°C and 1.5°C) and business impact assessment

Based on a qualitative analysis of risks and opportunities related to climate change, the Company uses the "4°C scenario" and the "1.5°C scenario" to evaluate their respective business impacts.

The 4°C scenario assumes an increase in damage to stores due to intensification of extreme weather events, the risks of flooding and landslide disaster around 390 directly managed shops nationwide was confirmed with hazard maps, and the impact was rated as "medium." We have reviewed our BCP measures and are taking steps to ensure that business continuity will not be affected significantly.



The 1.5°C scenario assumes that policies and regulations, such as carbon taxes, will be strengthened in line with the transition to a decarbonized society. Based on the results of Scope 1, 2, and 3 calculations, we have established targets for the introduction of renewable energy electricity ("renewable electricity") and GHG reductions, but have determined that the financial impact of achieving these targets will be limited. It was also found that demand for renewable electricity, including solar power generation, is expected to increase, which could lead to expanded business opportunities in the Group's renewable energy business. In order to steadily capture business opportunities, we will work to establish a supply system and provide renewable electricity in a variety of ways.



・Consideration of response measures

As a response to the identified risks and opportunities, the Company has established a Sustainability Policy. We are also reviewing our BCP measures and will continue to consider specific countermeasures.

GHG emissions results in Scope 1, 2, and 3 are available on our website and in our Integrated Report.

Please refer to Integrated Report regarding the Company's efforts for the environment such as climate change issues.

(ii) Human capital and diversity

We advocate "Respect for Diversity and Promotion of Human Resources Development," "Realization of Diversity and Inclusion," and "Promotion of Health Management" as the core of the personnel management strategy, and we are promoting various measures aiming at realization of work environment where all employees are able to continue working excitedly in order to realize the shape of which the Company wishes to be.

While the business environment surrounding the Company has been rapidly changing, the type of human resources required to realize the business strategy is also largely changing. In order to respond to this change, we promote employees' autonomous learning and support their development as well as we aim at creating work environment where each employee is able to actively contribute in his/her own way.

Regarding indicators of percentage of female managers, rate of male employee's taking child-care leave and wage variance between male and female employees, please refer to "5. Data on Employees of I. Company Overview."

Policy on human resources development

・Development and utilization of human resources by various support and program

We promote each employee's autonomous learning and support his/her development as well as we continue to develop and utilize human resources through various support and program aiming at creating work environment where each employee is able to actively contribute in his/her own way.

Preparation of opportunity and environment to challenge aiming at support for employees' carrier development	・Internal job posting program ・FA system ・Side business permission ・Human resource exchange with business companies
Acquisition of knowledge and skills in accordance with the role through "TG Training Program" which supports employees' development	・Rank-based training ・Training for shop staff
Gaining company-wide viewpoints and management skills for the purpose of development of next generation leaders through a systematic method	・Sending to business schools Development program of management human resources
Development of human resources who can utilize knowledge of the cutting-edge technology and provide value to own company and customers	・Development project of digital human resources
Promotion of communication with partner companies and collection of the latest ICT information, etc.	・Overseas trainee system
Promoting employees' autonomous carrier development as well as optimizing deployment and development of human resources through visualization of human resources	・Utilization of HR information system ・Carrier assessment ・Implementation of utilization plan of human resources

In-house environment improvement policy

・Diversity and inclusion to create innovation

Aiming to create work environment where all employees, who have various backgrounds and values, are able to actively contribute with a feeling of joy to work, we will work on realizing diversity and inclusion and promoting diversified working styles without being limited by time or place.

【社外秘/CONFIDENTIAL】T-Gaia Corp.

Implementation of development training of next generation managers and training for managers that contributes to promotion of active participation by women (target: achieving 15% of proportion of female managers by fiscal 2025)	・Promotion of active participation by women Proportion of female managers: 11.3%(*1)
Implementation of a periodical interview, an exchange meeting, PC skill support, etc., aiming to provide assistance for job retention (target: 2.5% of employment rate of persons with disabilities in fiscal 2022)	・Employment of persons with disabilities and support for job retention Employment rate of persons with disabilities: 2.6%(*1)
Implementing promotion of male employees' taking child-care leave, provision of support for coping with both of infertility treatment and working, and information exchange meetings for employees taking maternity leave or child-care leave	・Providing support to employees coping with child-care, family-care, infertility treatment, etc. Rate of male employee's taking child-care leave: 80.9%(*1, 2)
Expansion of ways of working and support of career choices for senior human resources	・Flexibility use of the side job/part-time job system Implementation of training on carrier and life plan
Development of facilities and systems that support diverse SOGIs, and implementation of in-house awareness activities	・Establishment of outside consultation window and installation of genderless "Toilet for everybody" ・Introduction of "Same-sex partnership system," and "Use of in-house common name," ・Implementation of Ally Seminar
Promotion of diversified working styles and efforts to improve labor productivity	・Expansion of super flex-time system and teleworking ・Promotion of paper-less operation. ・Promotion of digital utilization such as RPA and AI. ・Promotion of remote work at regional headquarters, branches, etc.

*1 The results of Proportion of female managers and Employment rate of persons with disabilities show the status as of April 2023 respectively.

*2 Fiscal 2022 rate of male employee's taking child-care leave, calculated including the Company's own care leave system (Care Leave System for Supporting Child-rearing Father)

・Promotion of Health Management based on the "Declaration of T-Gaia's Health Management"

Considering that it is dispensable for the Company's business development that employees and their family members are healthy and filled with energy, the Company implements various health-related measures including the improvement of work environment and providing proactive support for employees maintenance and enhancement of "mental" and "physical" health so that each employee will be able to actively work on his/her duties.

Conducting health guidance based on results of periodical health check and thorough medical examination, recommending to take stress check, etc.	・Inspection tours on work place by industrial physicians ・Interview with a public health nurse
Installation of interview room with counselors, Implementation of line-care and self-care training to enhance mental health literacy	・TG-Support Lounge ・Mental health education
Development of measures aimed at improving labor productivity through recovery from exhaustion and stress reduction	・Operation of a massage room ・Promotion of making exercise habits entrenched
Establishment of a support system for employees who balance work with treatment for cancer and other illnesses and injuries	・Introduction of "Specific disease-leave program" system ・Preparation of Group Long-Term Disability Income Indemnity Insurance (GLTD)

【社外秘/CONFIDENTIAL】T-Gaia Corp.

Strengthening efforts and developing systems to prevent the spread of infectious diseases	・Introduction of “Special leave for infectious disease prevention” system ・Placement of antigen examination kits and PCR test kits ・Implementation of vaccination to prevent COVID-19 and influenza at a workplace
Support for employee smoking cessation, efforts to prevent passive smoking, and implementation of in-house awareness activities	・Establishment of “T-Gaia Non-smoking Day” ・Providing Online Smoking-Cessation Program without charge

(iii) Cooperation with supply chain

The Group established “T-Gaia Group CSR Procurement Policy” to carry out sustainable procurement, and “T-Gaia Group Human Rights Policy” to strengthen working on human rights issues, in February 2023. We will continue to cooperate with supply chain and contribute to the sustainable development of society through business activities.

【社外秘/CONFIDENTIAL】T-Gaia Corp.

3 Risk Factors for Our Business, etc.

Among the matters concerning the business overview, financial information, etc., stated in this Annual Securities Report, our management recognize the following as major risk factors that might significantly impact the Group's financial position, operational results, and cash flows.

Forward-looking statements contained herein are determined by the Group as of the filing date of this Report.

(1) Macroeconomic factors

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. Concerning future prospects, 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.

(2) Business-specific risk factors

(i) Market circumstances surrounding the telecommunications industry and business policies of telecommunications carriers

The Group receives commissions from telecommunications carriers as consideration for intermediary services related to usage contracts for telecommunications services provided by telecommunications carriers. Terms and conditions involved in the agency services, including those regarding the amount of commission income, payment period, and calling-rate ratios, vary depending on the policies of telecommunications carriers and the market condition of mobile phones. The Group is subject to influence from changes in relevant laws or ordinances and the telecommunications service market as well as business policies and transaction terms adopted by those carriers.

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, a 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.

The Group has been working on enhancing additional value and responding to the change in the role of carrier shops by further enrichment of original products responding to customer needs at the store, productivity improvement, etc.

In order to maximize earnings, we continue to respond well to changes in relevant laws or ordinances, the telecommunications service market, and business policies and transaction terms adopted by telecommunications carriers.

(ii) Agency service contracts with telecommunications carriers

The Group's sales and intermediary services for mobile phones, which is one of the Group's main business segments, are conducted based on agency service contracts with telecommunications carriers. Those agency service contracts with telecommunications carriers are automatically renewed every year unless either the telecommunications carrier or the Company decides otherwise.

Those contracts might affect the Group's business performance, because they contain provisions allowing the telecommunications carriers to stop paying commissions to us and terminate the contracts with us if there is a significant change in the composition of the Company's shareholders or management members.

We continue to comply with our agency service contracts with telecommunications carriers and observe their policies, all the while working on the maximization of the Group's earnings.

(3) Risk factors across all business segments

(i) Intensifying market competition and new services, etc.

Competition in the market for the Consumer Mobile Business, which has already been intense due to the presence of multiple agencies, is getting more intensified, mainly because of online-only plans for service launched by telecommunications carriers. If our carrier shops fail to maintain the current competitiveness against competitors, that might affect the Group's business performance and lead to a lower profit ratio, lower volume of sales, etc.

Intensification in market competition and the advent of new services in the markets for the Enterprise Solutions Business and the Smart Life & QUO Card Business might also affect the Group's business performance.

We hire and train talents and also collaborate across the Group to diversify its business portfolio and keep raising its corporate value.

(ii) Business partners

The Group has some projects conducted jointly with business partners. We work with the business partners on the continuation and expansion of joint projects. However, the Company's business performance and the projects' continuation might be affected if there is a change in the policies of the business partners or in the business circumstances, etc.

We make our best efforts to promote joint projects and build ongoing good relationships with business partners.

(iii) External contractors

In all of our business segments, we work with external contractors when we need to use their expertise to fulfill projects. We use external contractors after giving due consideration to the objectives of the projects, the necessity of external contractors, and their trustworthiness and reliability. However, the Company's business performance might be affected if there is a change in the policies of the external contractors or in the business circumstances, etc.

【社外秘/CONFIDENTIAL】T-Gaia Corp.

We make our best efforts to build ongoing good relationships with external contractors.

(4) Risk factors involved in corporate acquisitions aimed at business expansion

There is a possibility that we make investments aimed at acquiring companies and creating or nurturing new businesses for our business expansion. These investments, etc., might affect the Group’s financial position and operational results.

Moreover, such investments or expenditures might not deliver expected outcomes depending on market or economic conditions in the future, and there might be cases where we find it difficult to recover invested capital if the project concerned fails to make intended progress, and such outcomes might affect the Group’s business performance, business plan, etc.

Whenever making an investment or expenditure, we take into consideration its potential synergy with the Group’s existing businesses, and once we make an investment or expenditure, we will examine the progress concerned to seek maximization of the effect of the investment or expenditure.

(5) Human resources

In order to further enhance customer satisfaction and sales quality in the Consumer Mobile Business, imperative issues include the increase of time spent attending to customers at shops in response to the popularization of smartphones and other high-performance handset devices as well as diversified services, and the increase of quality of human resources and their retention rate.

For the Enterprise Solutions Business and the Smart Life & QUO Card Business and Other Businesses, it is also becoming more important to hire and train personnel who have expertise in digital and other related fields in response to the business expansion and diversification.

In order to address those necessities at hand, the Group has taken a Business Process Re-engineering (BPR) approach, thereby re-deploying its workforce for more effective use and reducing workload at shops for higher productivity. We also introduced a new personnel program aimed at encouraging our non-permanent employees to work on a permanent basis, and the teleworking and flex system. By promoting diverse work styles and work-life balance among employees, we create a workplace that makes employees want to stay.

(6) Corporate compliance

The Group is working on corporate compliance as one of the top priority issues in its operations because the occurrence of compliance violations might affect business performance and social trust.

Since the Group handles various products, services, and information in all of its business segments, we are particularly mindful of raising employee awareness about the importance of observing ethics and fulfilling social responsibilities as a company, apart from the duty of expanding the business scale and increasing earnings. In the intermediary service business in which we act as an agent for telecommunications plans on behalf of telecommunications carriers, we deploy efforts, together with our agencies, to prevent and eliminate illegal agreements and educate employees on corporate compliance.

At the same time, while information postings by individuals become more popular along with the higher availability of various types of social networking services (SNS, etc.) and increased interest in handling or misconduct of information, we will work on activities for improvement and raising awareness therefor within the Company, raising the level as needed.

(7) Legal restrictions and amendments, etc.

Laws and regulations, etc., that are applicable to an agency service business for telecommunications carriers, etc., include the following:

- Telecommunications Business Act
- Act on Prohibition of Private Monopolization and Maintenance of Fair Trade
- Act against Unjustifiable Premiums and Misleading Representations
- Act on the Protection of Personal Information
- Act on Identity Confirmation, etc. Performed by Mobile Voice Communications Carriers for their Subscribers, etc. and Prevention of Wrongful Use of Mobile Voice Communications Services
- Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors, and others

Any of the following matters regarding those laws and regulations, etc., might affect the Group’s business performance.

- A change in a sales method or market due to a revision to a law, regulation, etc., and a change in transaction terms and conditions with a telecommunications carrier
- Promotion of a policy and formulation or revision of guidelines by the Ministry of Internal Affairs and Communications or other administrative agency
- A violation of a law, regulation, etc., and its resultant damaged trust in the Group, a claim for damages, termination of an agency service contract, and an order to suspend operations or other disciplinary actions imposed on the Group

Moreover, if there is a change in laws, regulations, or standards relevant to the preparation of the Group’s consolidated financial statements, that might affect the Group’s business performance.

【社外秘/CONFIDENTIAL】T-Gaia Corp.

In order to ensure our compliance with all relevant laws and regulations, etc., we continue to provide the Group’s employees with education and awareness programs about legal compliance while at the same time enhancing the Group’s internal management system.

(8) Natural disaster risk, etc.

The occurrence of natural disasters, such as heavy rains, large-scale typhoons, and earthquakes, has been increasing in Japan. Furthermore, some of the recent natural disasters inflicted damage of unprecedented levels.

We have a contingency plan to prepare the Group for a natural disaster, etc. The occurrence of a natural disaster, etc., however, might affect the Group’s business continuity or performance, depending on the disaster’s scale, etc.

We have procedures to handle an emergency situation, including how to check and ensure the safety of employees. We also conduct disaster drills across the Group. Measures to protect our essential computer systems are also in place. We keep improving our measures so that we can protect the safety of employees and ensure our business continuity in the event of a natural disaster, etc.

(9) Litigation risk

All of the Group’s businesses are constantly exposed to litigation risk. Although we check all contracts in all of its business segments, given the nature of lawsuits, however, it is impossible to predict the outcome of on-going or potential future lawsuits filed by or against the Group. If we lose any of on-going or potential future lawsuits, that might pose an obstacle to the Group’s business operations, damage trust by society in the Group, or negatively affect the Group’s financial position or business performance.

【社外秘/CONFIDENTIAL】T-Gaia Corp.

4 Management's Analysis of Financial Position, Operational Results, and Cash Flows

(1) Overview of operational results, etc.

The overview of the Group's financial position, operational results, and cash flows (hereafter, the "operational results, etc.") is as follows.

(i) Results of operations

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 in the fiscal year under review. Concerning future prospects, the Group needs to consider 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, gradual progress was made on the shift to 5G (5th-generation mobile communication system), including the end of the 3G (3rd-generation mobile communication system) service by KDDI CORPORATION in March 2022. Meanwhile, commission terms and conditions for some telecommunications carriers were revised from the previous fiscal year. In addition, a 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. Furthermore, in addition to holding off purchases due to an increase in the price of mobile phone handsets because of weaker yen, the impacts of rises in commodity prices have been causing a decrease in spending on mobile-phone services.

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." Activities of the business process reengineering (BPR) and the digital transformation (DX) promotion departments with the aim to enhance the productivity have become full-fledged and started bearing their fruit.

Although we began to see the effects of specific initiatives for raising productivity, such as Smart Online Support, which provides remote support for initial setup and usage methods at shops, selling, general and administrative expenses increased due to change in the scope of consolidation, an increase in the number of consolidated subsidiaries, and an increase in on-site sales service.

As a result, consolidated business results for the fiscal year under review marked net sales of 453,604 million yen (-4.8% year-on-year), with operating profit of 6,994 million yen (-33.8%). As a result of a year-on year decrease in hoard profit of prepaid card, ordinary profit marked 11,637 million yen (-24.3%) and profit attributable to owners of parent posted 7,938 million yen (-25.0%).

For the operational results by segment for the fiscal year under review, please see "V. Financial Information, 1. Consolidated Financial Statements and Other Information, (1) Consolidated financial statements, Segment information, etc. in Notes to consolidated financial statements."

(ii) Financial position

(Assets)

Total assets at the end of the fiscal year under review were 246,068 million yen, an increase of 4,790 million yen from the end of the previous fiscal year. The main contributing factors behind the increases or decreases are as shown below.

Contributing factors behind increases/decreases by item

Item	Change from the end of the previous fiscal year	Main factors
Current assets	Increase of 5,878 million yen	As for a decrease of 10,510 million yen in cash and deposits, please see "V. Financial Information, 1. Consolidated Financial Statements and Other Information, (1) Consolidated financial statements, (iv) Consolidated statements of cash flows." Meanwhile, inventories increased by 3,616 million yen due to increase in purchase unit price and other factors. There was an increase of 11,819 million yen in guarantee deposits due to an increase in card deposits at consolidated subsidiaries.
Non-current assets	Decrease of 1,087 million yen	This was mainly due to deferred tax assets decreased by 1,336 million yen because of reversal of deferred tax assets.

(Liabilities)

Total liabilities at the end of the fiscal year under review were 171,181 million yen, an increase of 386 million yen compared with the end of the previous fiscal year. The main contributing factors behind the increases or decreases are as shown below.

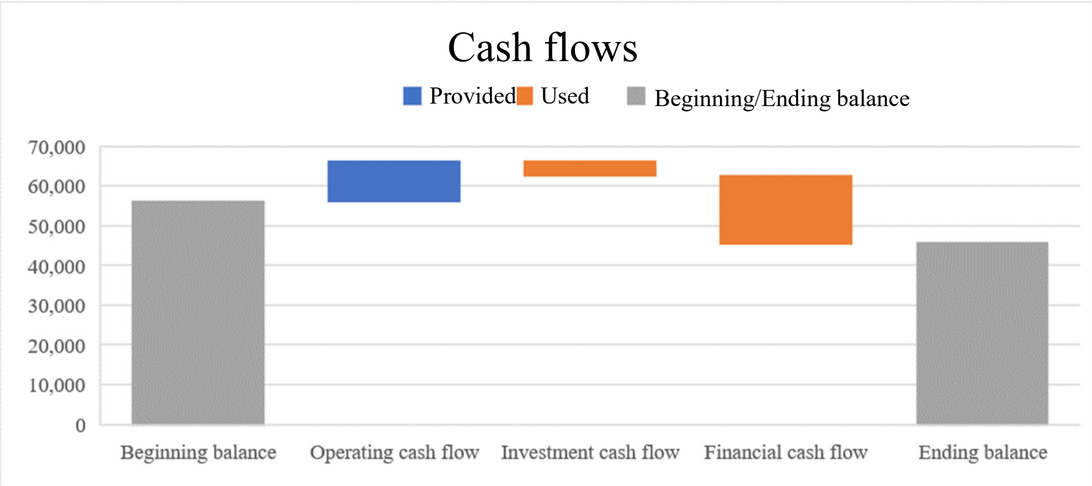
Contributing factors behind increases/decreases by item

Item	Change from the end of the previous fiscal year	Main factors
Current liabilities	Increase of 3,908 million yen	Although there was a 12,686 million yen increase in card deposits, 9,000 million yen decrease in current portion of long-term borrowings was recorded because of the repayment.
Non-current liabilities	Decrease of 3,522 million yen	Non-current liabilities decreased by 3,751 million yen as a result of a transfer of debts payable to financial institutions from non-current liabilities to current liabilities.

(Net assets)

Total net assets at the end of the fiscal year under review were 74,887 million yen, an increase of 4,404 million yen compared with the end of the previous fiscal year. For the main contributing factors behind the increases or decreases, please see "V. Financial Information, 1. Consolidated Financial Statements and Other Information, (1) Consolidated financial statements, (iii) Consolidated statements of changes in shareholders' equity." As a result of the increase, the equity ratio was 30.2% (29.2% at the end of the previous fiscal year).

(iii) Cash flows



Cash and cash equivalents (hereafter, "cash") at the end of the fiscal year under review were 45,652 million yen, a decrease of 10,510 million yen compared with the end of the previous fiscal year. Cash flows for the fiscal year under review and major factors are as shown below.

(Cash flows from operating activities)

Net cash provided by operating activities was 9,996 million yen (net cash provided by operating activities of 18,864 million yen for the previous fiscal year). This was mainly due to the profit before income taxes of 12,034 million yen recognized. For details on the profit before income taxes, please see "II. Business Overview, 4. Management's Analysis of Financial Position, Operational Results, and Cash Flows, (1) Overview of operational results, etc., (i) Results of operations."

(Cash flows from investing activities)

Net cash used in investing activities was 3,558 million yen (net cash used in investing activities of 2,484 million yen for the previous fiscal year). The Group has made investments aimed at increasing its business value, such as the relocation and refurbishment of its directly-managed shops, installation of solar panels (ESG investment), and the replacement and enhancement of in-house computer systems, and used 1,592 million yen for the purchase of property, plant and equipment and 1,289 million yen for the purchase of software.

(Cash flows from financing activities)

Net cash used in financing activities was 17,165 million yen (net cash used in financing activities of 7,931 million yen for the previous fiscal year). While no new borrowings were recognized, there was a 12,751 million yen repayment of long-term borrowings in scheduled payment. Cash was also used for the dividend payment of 4,183 million yen.

(iv) Actual purchases and sales

a. Actual purchases of merchandise, etc.

Please see below for the actual purchases of merchandise, etc. (including commission expenses), by segment in the fiscal year under review.

Segment	Fiscal year under review (From April 1, 2022 to March 31, 2023)	
	Amount (millions of yen)	Year-to-year comparison (%)
Consumer Mobile Business	330,579	97.0
Enterprise Solutions Business	27,148	108.6
Payment Service Business and Other Business	28,485	100.3
Reportable segments total	386,213	98.0
Other	247	–
Total	386,460	98.0

(Note) Transactions between segments are offset each other.

b. Actual sales, etc.

Please see below for the actual sales, etc. (including commission income), by segment in the fiscal year under review.

Segment	Fiscal year under review (From April 1, 2022 to March 31, 2023)	
	Amount (millions of yen)	Year-to-year comparison (%)
Consumer Mobile Business	381,515	93.7
Enterprise Solutions Business	37,651	106.7
Payment Service Business and Other Business	34,174	100.4
Reportable segments total	453,341	95.1
Other	262	–
Total	453,604	95.2

(Note 1) Transactions between segments are offset each other.

(Note 2) Sales by major customer and the ratios of those sales to total sales in the latest two fiscal years are as shown below.

Customer	Previous fiscal year (From April 1, 2021 to March 31, 2022)		Fiscal year under review (From April 1, 2022 to March 31, 2023)	
	Amount (millions of yen)	Ratio (%)	Amount (millions of yen)	Ratio (%)
KDDI CORPORATION	66,977	14.0	61,092	13.5
NTT DOCOMO, INC.	65,196	13.7	60,183	13.3

(2) Management's analysis and evaluation of operational results, etc.

Our management's understanding, analysis, and evaluation of the Group's operational results, etc., are as follows. Forward-looking statements contained herein are determined at the end of the fiscal year under review.

(i) Understanding, analysis, and evaluation of operational results, etc., for the fiscal year under review

The Group's operational results, etc., for the fiscal year under review are as shown in "II. Business Overview, 4. Management's Analysis of Financial position, Operational Results, and Cash Flows, (1) Overview of operational results, etc., (i) Results of operations and (ii) Financial position."

【社外秘/CONFIDENTIAL】T-Gaia Corp.

Factors that could significantly affect the Group's business results, etc., include changes in the business policies of telecommunications carriers, hiring of personnel, and corporate acquisitions.

Regarding the business policies of telecommunications carriers, we advocate the policy to increase the proportion of online contracts for medium and long-term period. In the previous fiscal year, commission terms and conditions for some telecommunications carriers were revised. The Group's business performance has been affected by those policy changes, but we are going to overcome the impact by expanding our proprietary business and raising the operational efficiency and productivity of our shops and other operation sites.

In securing human resources, we are working to relocate personnel through company-wide review of the business process as well as to improve the quality of human resources to further enhance customer satisfaction and sales quality, particularly in the Consumer Mobile Business. For the Enterprise Solutions Business and the Payment Service Business and Other Business, we focus on hiring and training personnel who have expertise in digital and other related fields in response to the business expansion and diversification. The Group is building an attractive work environment by promoting diversity in work styles and work-life balance.

With regard to corporate acquisitions, we remain committed to making investments aimed at enabling us to combine and use our existing varied business models, ample connections, sales offices across the country, and other strengths of the Company toward the growth of our Enterprise Solutions Business, Payment Service Business, and other new businesses.

For other factors that could also significantly affect our operational results, please see "II. Business Overview, 3. Risk Factors for Our Business, etc."

Our understanding, analysis, and evaluation of operational results by segment are as follows.

(Consumer Mobile Business)

In Consumer Mobile Business, while we are closing unprofitable shops, 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. The Company contributed to the vitalization of local community such as being selected as a business operation entity of the "Project on Digital Utilization Support for Users Promotion under FY 2022 (Regional collaboration-type)" by the Ministry of Internal Affairs and Communications. In addition to that, application support business for Individual Number Card was entrusted to the Company through telecommunications carriers, etc., and the Company's directly-managed shops supported more than 150,000 cases of application in total by the end of application period in March 2023.

Regarding operational results, the number of new contracts increased over the period from January 2023 to March 2023, period of the sales battle, and it brought about improvement of profitability. We worked on expanding the number of shops that can handle Smart Online Support to raise efficiency and focused on growing sales of coating services for mobile phones, etc., and sales of original products such as security products. Meanwhile, commission income, etc., decreased compared with the previous fiscal year due to the impact from the above-mentioned revision of commission conditions and the slow growth of the number of model change contracts through the fiscal year under review.

As a result, net sales totaled 381,515 million yen (-6.3% year on year) and profit attributable to owners of parent totaled 2,583 million yen (-53.9% year on year).

(Enterprise Solutions Business)

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 (Life Cycle Management) business and the number of management IDs for network administrative services, helpdesks, and the like surpassed the same period of the previous fiscal year. With regard to helpdesks, we expanded the space for the call center to respond to education-related projects, reinforcement of the offering of Smart Online Support, and other matters. We also continue to focus on proposing new business areas such as proposing the building, operation and maintenance of networks that use edge functions, as well as strengthening relationships with local governments against the background of the "Vision for a Digital Garden City Nation" 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, increasing approximately 15% from the end of the previous fiscal year.

As a result, we recorded net sales of 37,651 million yen (+6.7% year on year) and profit attributable to owners of parent of 2,032 million yen (+9.2% year on year).

(Payment Service Business and Other Business)

In Payment Service Business, PIN and gift card transaction volumes were down compared with the previous fiscal year. The demand for a variety of digital content, including games, music, and video streaming, continued to gradually decline from an increase due to demand to stay at home.

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.

【社外秘/CONFIDENTIAL】T-Gaia Corp.

In the other new business, 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. We continued to work on such areas as the operation of ICT schools for children and the hosting of online events for the e-Sports business. Furthermore, in November 2022, we started sales as a major distributor in Japan for “Fitbit,” a wearable device brand.

We expanded our renewable energy business while contributing to customers’ efforts to address climate change, including through 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 34,174 million yen (+0.4% year on year), with profit attributable to owners of parent of 2,999 million yen (-3.5% year on year) due to the year on year decrease related to hoard profit of prepaid card.

(ii) Analysis and evaluation of cash flows, and information about capital sources and the liquidity of funds

For the analysis and evaluation of cash flows during the fiscal year under review, please see “II. Business Overview, 4. Management’s Analysis of Financial Position, Operational Results, and Cash Flows, (1) Overview of operational results, etc., (iii) Cash flows.”

A. Management’s stance on finance

(Procurement of funds)

As to the procurement of working capital and the financing of investment funds, we make it our basic policy to use net cash provided by operating activities. If we need to raise funds beyond the amount on hand, we will borrow from financial institutions in an appropriate and sufficient amount.

As to the procurement of funds for the Group companies, we basically arrange intra-Group financing to stabilize our procurement of funds and reduce the costs involved, but in some cases, we borrow from financial institutions in consideration of the interest rate.

(Purposes of use of funds)

We have allocated funds for purposes which include mergers and acquisitions in all of our business segments, the purchases of inventories such as mobile handsets, the payments of selling, general and administrative expenses, the acquisition of outside assets and other resources, investments in equipment and facilities, the repayments of loans and interests, and the payments of dividends.

The Group will accelerate investments in product development, M&A, and peripheral businesses in the Enterprise Solutions Business and Payment Service Business and Other Business.

B. Management’s stance on shareholder returns

(Dividends)

We make our best effort to pay dividends in a stable and sustainable manner according to the medium- to long-term growth of profits on a consolidated basis, while securing the internal reserves necessary for business expansion to achieve sustainable growth and the reinforcement of its business foundations.

(Dividend payout ratio)

The basic policy to return profits to our shareholders has been set with a consolidated dividend payout ratio of 40% as the intended level, based on profit attributable to owners of parent.

(iii) Important accounting estimates and assumptions used for the estimates

The Group’s consolidated financial statements are prepared according to accounting standards that are generally accepted as fair and appropriate in Japan, and the preparation of such consolidated financial statements requires estimates and judgments that affect the choice and application of key accounting standards, amounts of assets, liabilities, income and expenses, and disclosure.

In the process of developing or forming such estimates, various factors, including business performance in the past, outlook for the future, the probabilities of occurrence, and the rationality of amounts, are taken into consideration to make the most reasonable estimates possible at the time of the process. However, there may be cases where the actual results turn out to be different due to intrinsic uncertainties involved in estimates (such as changes in the management environment and the preconditions underlying the estimates).

Important accounting estimates that we developed based on the aforementioned assumptions, etc., and used for the preparation of the consolidated financial statements for the fiscal year under review, and important assumptions used for the estimates are as shown below.

A. Estimate of Hoard Profit of Prepaid Card

B. Goodwill and contract-related intangible assets related to TF Mobile Solutions Corporation

It is as is stated in “V. Financial Information, 1. Consolidated Financial Statements and Other Information, (1) Consolidated financial statements, Significant accounting estimates in Notes to consolidated financial statements.”

【社外秘/CONFIDENTIAL】T-Gaia Corp.

C. Recoverability of deferred tax assets

The Group's assessment of the recoverability of deferred tax assets was conducted in compliance with the Accounting Standard for Tax Effect Accounting and the Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26). However, since judgments as to the recoverability of deferred tax assets depend on the forecasts of business performance and the estimates of taxable income to some extent, the amount of deferred tax assets may be reduced and, as a result, additional tax expenses may be recognized, if any of the following events or circumstance occurs or exists:

- Significant deterioration of business performance by the Company or any of its consolidated subsidiaries
- A change in tax rate concerned, or any other change in taxation system

Related to objective indicators, etc., to evaluate management policy, management strategy and achievement status of management target, on April 18, 2023, the Group revised the consolidated performance forecast for the fiscal year ended March 2023 (April 1, 2022 to March 31, 2023) disclosed on May 2, 2022.

<Reason of revision of consolidated performance forecast>

In the fiscal year under review, in addition to the fact that a replacement-by-purchase cycle was prolonged due to price increase of mobile phone handsets, expenditure for mobile phone service decreased because of the price rise across the world. The environment of sales market of mobile phone handsets, etc., has greatly changed. Although the market environment improved slightly in the fourth quarter, which is the period with the biggest competition for sales, of the fiscal year under review, the number (accumulated for full year) of line contracts of mobile phone, etc., significantly decreased from the result of the previous fiscal year. Although the Company continued to make effort to expand proprietary income and improve productivity mainly at shops, net sales, operating income, ordinary income and profit attributable to owners of parent were anticipated to go below the value of consolidated performance forecast. Therefore, the consolidated performance forecast was revised. Variance between the consolidated performance forecast after revision and operational results of the fiscal year under review is insignificant.

For the comparisons of the Group's business results with the previous fiscal year, please see "II. Business Overview, 4. Management's Analysis of Financial Position, Operational Results, and Cash Flows, (1) Overview of operational results, etc., (i) Results of operations."

(Millions of yen)

	Actual result for the fiscal year ended March 31, 2022	Actual result for the fiscal year ended March 31, 2023	Plan for the fiscal year ended March 31, 2023	Comparison with the previous fiscal year	Comparison with the plan
Net sales	476,464	453,604	453,750	(4.8)%	–
Operating profit	10,567	6,994	7,000	(33.8)%	(0.1)%
Ordinary profit	15,381	11,637	11,650	(24.3)%	(0.1)%
Profit attributable to owners of parent	10,579	7,938	7,950	(25.0)%	(0.1)%

【社外秘/CONFIDENTIAL】T-Gaia Corp.

5. Operationally Important Contracts, etc.

(1) Sales agency contracts, etc.

Contracting company	Contractual counterpart	Country	Items under contract	Content of contract	Contract period
T-Gaia Corporation (The Company)	NTT DOCOMO, INC.	Japan	Intermediary service for mobile and other telecommunications services plans	Sales agency contract	From April 1, 2023 to March 31, 2024 (Renewed automatically)
Ditto	KDDI CORPORATION	Ditto	Ditto	Ditto	From April 1, 2023 to March 31, 2024 (Renewed automatically)
		Ditto	Intermediary service for FTTH, ADSL, and other telecommunications service plans	Outsourcing contract for sales operations	From April 1, 2023 to March 31, 2024 (Renewed automatically)
Ditto	SoftBank Corp.	Ditto	Intermediary service for mobile and other telecommunications services plans	Sales agency contract	From April 1, 2023 to March 31, 2024 (Renewed automatically)
Ditto	NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION	Ditto	Intermediary service for FTTH, ADSL, and other telecommunications service plans	Sales partner contract	From April 1, 2023 to March 31, 2024

(Note) The contracts with NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION and NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION were signed afresh for the period from April 1, 2023 to March 31, 2024.

(2) Business succession through merger and acquisition

The Company's Board of Directors resolved at a Board meeting held on December 23, 2021 that the Company would absorb and merge T-Gaia Retail Service Corporation, the Company's consolidated subsidiary, effective on April 1, 2022, to make the former the merging and the latter the merged. The M&A agreement was signed on December 23, 2021.

For details, please see "V. Financial Information, 2. Consolidated Financial Statements and Other Information, (1) Consolidated financial statements, Business combinations in Notes to consolidated financial statements."

6. Research and Development Activities

Not applicable.

【社外秘/CONFIDENTIAL】T-Gaia Corp.

III. Property, Plant and Equipment

1. Overview of Capital Investments, etc.

During the fiscal year under review, the Company and its consolidated subsidiaries made capital investments of 3,734 million yen in total. Major capital investments made are as follows.

(1) Consumer Mobile Business-related

As part of measures to boost sales of mobile phone handsets, etc., we invested a total of 280 million yen mainly to cover the cost of renovating our nationwide mobile phone shops and the purchase of furnishings.

(2) Systems-related

We invested 2,415 million yen in measures such as to introduce and strengthen our sales system, and develop system infrastructure.

(3) Other

We invested 1,038 million yen in solar panel equipment, office renovation, and replacement of furniture and fixtures.

2. Major Property, Plant and Equipment

The Group's major property, plant and equipment are as follows.

(1) Reporting company

Apart from the Head Office in Shibuya-ku, Tokyo, the Company has three regional headquarters and five branches and runs 384 mobile phone and other shops (all brick-and-mortar shops) across the country.

As of March 31, 2023

Business sites (Location)	Segment	Facility descriptions	Book values (millions of yen)				Number of employees (persons)
			Buildings and structures	Furniture and fixtures	Land (area m^2)	Total	
Tokyo Head Office (Shibuya-ku, Tokyo) and 213 shops	Consumer Mobile Business Enterprise Solutions Business Payment Service Business and Other Business	-Office -Mobile phone shops	441	90	233 (13,853.87)	765	2,018 (1,107)
West Japan Regional Headquarters (Kita-ku, Osaka City, Osaka Prefecture) and 41 shops	Consumer Mobile Business Enterprise Solutions Business	Ditto	218	32	–	251	555 (244)
Tokai Regional Headquarters (Naka-ku, Nagoya City, Aichi Prefecture) and 36 shops	Consumer Mobile Business Enterprise Solutions Business	Ditto	237	27	–	264	517 (120)
Kyushu Regional Headquarters (Hakata-ku, Fukuoka City, Fukuoka Prefecture) and 25 shops	Consumer Mobile Business Enterprise Solutions Business	Ditto	207	27	–	234	444 (131)
Hokkaido Branch (Chuo-ku, Sapporo City, Hokkaido) and 10 shops	Consumer Mobile Business Enterprise Solutions Business	Ditto	66	9	–	75	163 (72)
Tohoku Branch (Aoba-ku, Sendai City, Miyagi Prefecture) and 18 shops	Consumer Mobile Business	Ditto	133	34	–	168	300 (88)
Hokuriku Branch (Kanazawa City, Ishikawa Prefecture) and 11 shops	Consumer Mobile Business	Ditto	46	12	–	58	113 (33)
Chugoku Branch (Naka-ku, Hiroshima City, Hiroshima Prefecture) and 22 shops	Consumer Mobile Business Enterprise Solutions Business	Ditto	89	13	–	103	325 (67)
Shikoku Branch (Takamatsu City, Kagawa Prefecture) and 8 shops	Consumer Mobile Business	Ditto	26	5	71 (991.74)	103	90 (30)

(Notes) 1. The number of employees in parentheses separately shows the number of temporary employees as of the end of the fiscal year under review.

【社外秘/CONFIDENTIAL】T-Gaia Corp.

2. Niigata Branch and Nagano Branch were closed on March 31, 2023.

(2) Subsidiaries in Japan

As of March 31, 2023

Company names	Business sites (Location)	Segment	Facility descriptions	Book values (millions of yen)					Number of employees (persons)
				Buildings and structures	Machinery, equipment and vehicles	Leased assets	Other	Total	
QUO CARD Co., Ltd.	Headquarters (Chuo-ku, Tokyo) and 1 business site	Payment Service Business and Other Business	-Office -Production facility	39	175	8	175	224	166 (48)
WAMNET Japan K.K.	Headquarters (Chuo-ku, Tokyo)	Enterprise Solutions Business	-Office	0	–	–	17	17	39 (–)
TG Power Inc.	Headquarters (Shibuya-ku, Tokyo)	Payment Service Business and Other Business	-Office -Solar panels	44	1,268	92	468	1,873	12 (–)
TG Solutions Corporation	Headquarters (Shibuya-ku, Tokyo)	Other Business	-Other	–	–	–	0	0	68 (–)
UNiCASE Corporation	Headquarters (Shibuya-ku, Tokyo)	Consumer Mobile Business	-Office	11	–	–	0	12	43 (14)
MOBILETRUST CO., LTD.	Headquarters (Hino City, Tokyo)	Consumer Mobile Business	-Office	40	0	–	8	49	69 (19)

(Notes) 1. The “Other” category under book values is for furniture and fixtures and includes construction in progress.
2. The number of employees in parentheses separately shows the number of temporary employees as of the end of the fiscal year under review.

(3) Overseas subsidiary

As of March 31, 2023

Company names	Business sites (Location)	Segment	Facility descriptions	Book values (millions of yen)					Number of employees (persons)
				Buildings and structures	Machinery, equipment and vehicles	Furniture and fixtures	Leased assets	Total	
Relay2, Inc.	California, the U.S.A.	Enterprise Solutions Business	-Other	–	–	25	–	25	33 (1)

(Note) The number of employees in parentheses separately shows the number of temporary employees as of the end of the fiscal year under review.

3. Planned Facility Addition, Retirement, etc.

Not applicable.

【社外秘/CONFIDENTIAL】T-Gaia Corp.

IV. Information About Reporting Company

1. Company's Shares, etc.

(1) Total number of shares, etc.

(i) Total number of shares

Type	Total number of authorized shares (shares)
Common stocks	400,000,000
Total	400,000,000

(ii) Outstanding shares

Type	Number of outstanding shares as of fiscal year end (shares) (March 31, 2023)	Number of outstanding shares as of filing date (shares) (June 22, 2023)	Name of financial instruments exchange on which securities are listed or authorized financial instruments business association to which securities are registered	Description
Common stocks	56,074,000	56,074,000	Tokyo Stock Exchange, Inc. (Prime market)	Number of shares constituting one unit 100 shares
Total	56,074,000	56,074,000	–	–

(2) Share acquisition rights

(i) Employee share option plans

Not applicable.

(ii) Rights plans

Not applicable.

(iii) Share acquisition rights for other uses

Not applicable.

(3) Exercise status of moving strike bonds with share acquisition rights

Not applicable.

(4) Changes in total number of outstanding shares, share capital, and legal capital surplus

Month/Date/Year	Change in total number of outstanding shares (shares)	Total number of outstanding shares (shares)	Change in amount of share capital (millions of yen)	Balance of share capital (millions of yen)	Change in amount of legal capital surplus (millions of yen)	Balance of legal capital surplus (millions of yen)
May 24, 2019 (Note)	(23,000,000)	56,074,000	–	3,154	–	5,640

(Note) Decrease due to cancellation of treasury shares.

【社外秘/CONFIDENTIAL】T-Gaia Corp.

(5) Shareholding by shareholder category

As of March 31, 2023

Category	Shareholding status (number of shares constituting one unit: 100)								Status of shares less than one unit (shares)
	National and local governments	Financial institutions	Financial service providers	Other corporations	Overseas corporations, etc.		Individuals and others	Total	
					Other than individual	Individuals			
Number of shareholders (persons)	–	13	23	181	153	86	31,982	32,438	–
Number of shares held (units)	–	41,257	7,096	390,844	42,662	122	78,541	560,522	21,800
Proportion of number of shares held (%)	–	7.360	1.265	69.728	7.611	0.021	14.012	100.000	–

(Note) Treasury shares of 282,309 shares are represented in "Individuals and others" as 2,823 units and in "Status of shares less than one unit" as 9 shares.

(6) Information about major shareholders

As of March 31, 2023

Name	Address	Number of shares held (shares)	Shareholding ratio against total number of outstanding shares (%) (excluding treasury shares)
Sumitomo Corporation	3-2 Otemachi 2-chome, Chiyoda-ku, Tokyo	23,345,400	41.84
UH Partners 2, Inc.	9-9 Minamiikebukuro 2-chome, Toshima-ku, Tokyo	5,516,500	9.89
Hikari Tsushin, Inc.	4-10 Nishiikebukuro 1-chome, Toshima-ku, Tokyo	4,730,800	8.48
UH Partners 3, Inc.	9-9 Minamiikebukuro 2-chome, Toshima-ku, Tokyo	4,184,500	7.50
The Master Trust Bank of Japan, Ltd. (Trust account)	11-3 Hamamatsucho 2-chome, Minato-ku, Tokyo	2,765,900	4.96
SIL, Inc.	9-9 Minamiikebukuro 2-chome, Toshima-ku, Tokyo	1,185,700	2.13
T-Gaia Employee Shareholding Association	1-18 Ebisu 4-chome, Shibuya-ku, Tokyo	1,018,800	1.83
Custody Bank of Japan, Ltd. (Trust account)	8-12 Harumi 1-chome, Chuo-ku, Tokyo	950,600	1.70
THE BANK OF NEWYORK MELLON 140040 (Standing proxy: Settlement Sales Department of Mizuho Bank, Ltd.)	240 GREENWICH STREET, NEW YORK, NY 10286, U.S.A. (15-1 Konan 2-chome, Minato-ku, Tokyo)	365,954	0.66
SMBC Nikko Securities Inc.	3-1 Marunouchi 3-chome, Chiyoda-ku, Tokyo	297,000	0.53
Total	――――――	44,361,154	79.51

(Notes)
1. Among the above mentioned, shares owned by the Master Trust Bank of Japan, Ltd. and Custody Bank of Japan, Ltd. are all related to trust business.
2. Shareholding ratio against total number of outstanding shares (excluding treasury shares) is rounded off to the second decimal place.
3. Although it is described in the Report of Possession of Large Volume (Change Report), which was made available for public inspection on March 10, 2023, that Hikari Tsushin, Inc. and its joint holders of three companies hold below-mentioned shares respectively as of March 3, 2023, the Company is not able to confirm the number of substantially owned shares as of March 31, 2023, therefore, above-mentioned information about major shareholders is described based on the Shareholder Registry.
   The contents of the Report of Possession of Large Volume (Change Report) are as follows.

【社外秘/CONFIDENTIAL】T-Gaia Corp.

Name	Address	Number of shares held (shares)	Shareholding ratio (%)
Hikari Tsushin, Inc.	4-10 Nishiikebukuro 1-chome, Toshima-ku, Tokyo	Shares 4,730,800	8.44
UH Partners 2, Inc.	9-9 Minamiikebukuro 2-chome, Toshima-ku, Tokyo	Shares 5,516,500	9.84
UH Partners 3, Inc.	9-9 Minamiikebukuro 2-chome, Toshima-ku, Tokyo	Shares 4,184,500	7.46
SIL, Inc.	9-9 Minamiikebukuro 2-chome, Toshima-ku, Tokyo	Shares 976,700	1.74

(7) Voting rights

(i) Outstanding shares

As of March 31, 2023

Category	Number of shares (shares)	Number of voting rights	Description
Shares with no voting rights	–	–	–
Shares with restricted voting rights (treasury shares, etc.)	–	–	–
Shares with restricted voting rights (other)	–	–	–
Shares with full voting rights (treasury shares, etc.)	Common stocks 282,300	–	–
Shares with full voting rights (other)	Common stocks 55,769,900	557,699	Shares treated as standard at the Company, whose rights are not restricted in any way
Shares less than one unit	Common stocks 21,800	–	–
Total number of outstanding shares	56,074,000	–	–
Voting rights of all shareholders	–	557,699	–

(ii) Treasury shares, etc.

As of March 31, 2023

Name of shareholder	Address of shareholder	Number of shares held in own name (shares)	Number of shares held in others' names (shares)	Total number of shares held (shares)	Proportion of the number of shares held against total number of outstanding shares (%)
T-Gaia Corporation	1-18 Ebisu 4-chome, Shibuya-ku, Tokyo	282,300	–	282,300	0.50
Total	–	282,300	–	282,300	0.50

【社外秘/CONFIDENTIAL】T-Gaia Corp.

2. Acquisition and Disposal of Treasury Shares

Type of shares, etc.

Acquisition of shares of common stock as stipulated in Article 155, item (vii) of the Companies Act

(1) Acquisition by resolution of shareholders meeting

Not applicable.

(2) Acquisition by resolution of Board of Directors meeting

Not applicable.

(3) Acquisition not based on resolution of shareholders meeting or Board of Directors meeting

Category	Number of shares (shares)	Total amount of acquisition (yen)
Treasury shares acquired in the fiscal year under review	43	75,121
Treasury shares acquired in the current period	–	–

(Note) Treasury shares acquired in the current period does not include the shares acquired as a result of purchase of shares less than one unit during the period from June 1, 2023 to filing date of this Annual Securities Report.

(4) Disposal of acquired treasury shares and number of treasury shares held

Category	Fiscal year under review		Current period	
	Number of shares (shares)	Total amount of disposal (yen)	Number of shares (shares)	Total amount of disposal (yen)
Acquired treasury shares for which subscription has been offered	–	–	–	–
Acquired treasury shares which were canceled	–	–	–	–
Acquired treasury shares which were transferred in relation to a merger, share exchange, share issuance, or a company split	–	–	–	–
Other (disposal of treasury shares as restricted stock remuneration)	26,600	42,666,400	–	–
Number of treasury shares held	282,309	–	282,309	–

(Note) Number of treasury shares held during the current period does not include the number of shares less than one unit which were acquired or sold, and shares as restricted stock remuneration for the period from June 1, 2023 through the filing date of this Annual Securities Report.

3. Dividend Policy

It is a basic policy of the Company to return profits to our shareholders with a consolidated dividend payout ratio of 40% while securing the internal reserves necessary for future business expansion and the reinforcement of its business foundations.

The Company maintains a basic policy to pay dividends of surplus twice a year as interim dividends and year-end-dividends, and decision-making bodies on dividends of surplus are the Board of Directors for interim dividends and the ordinary general meeting of shareholders for year-end dividends.

The Company decided to pay year-end dividend of 37.5 yen per share for the fiscal year under review as it was forecasted at the beginning of the fiscal year. Total amount of dividends for the fiscal year shall be 75 yen per share (same as in the previous year) including interim dividends of 37.5 yen paid in December 2022. As a result, the consolidated dividend payout ratio for the fiscal year under review shall be 53.0%.

It is Company policy to allocate internal reserves to the expansion and reinforcement of our existing business foundations, human resources development, strategic investments, and the launch of new businesses.

The Articles of Incorporation stipulate that the Company “may pay interim dividends as of the date of record, September 30 of each year, by the resolution of Board of Directors meeting.”

【社外秘/CONFIDENTIAL】T-Gaia Corp.

The Company is a company subject to consolidated dividend regulations. The dividends of surplus for the 32nd fiscal year are as follows.

Date of resolution	Total amount of dividend (millions of yen)	Dividend per share (yen)
November 4, 2022 Resolution of Board of Directors Meeting	2,092	37.5
June 22, 2023 Resolution of Ordinary General Meeting of Shareholders	2,092	37.5

【社外秘/CONFIDENTIAL】T-Gaia Corp.

4. Corporate Governance

(1) Overview of corporate governance

(i) Our Basic View Related to Corporate Governance

The Company views corporate governance as “a framework for the control of corporate business activities” and considers it critically important that the rights and interests of our shareholders be protected and equally guaranteed. We also believe it is imperative that we respect the rights and interests of – and build positive relationships with – stakeholders other than shareholders including our clients, business partners, employees, and local communities. Our basic view related to corporate governance has been specified as the “Basic Policy on Corporate Governance” which is disclosed on the Company website. We recognize that corporations have a social mission to pursue their business operations while striving to build and maintain better frameworks for governance. In line with that awareness, we have pursued our day-to-day operations in the interest of refining our institutional frameworks and improving their effectiveness from two perspectives: “assuring managerial transparency” and “boosting corporate value.”

(ii) Overview of corporate governance framework and its reason to adopt said framework

In the Company, with Directors, who are adept in business operations, at its core, it is made possible to manage business with a sense of speed while Outside Directors, who are familiar with the communications industry and corporate management, are supervising the execution of duties by Directors and giving advice from external viewpoints.

Audit & Supervisory Board Members, who have expertise in fields such as corporate management, finance, control, accounting, and legal affairs, conduct an audit in cooperation with the Internal Audit Department and Accounting Auditor so that the framework shall ensure adequateness of business operation; namely, the Company is adopting a form of “Company with Audit & Supervisory Board.”

Function, operation, and activity status of each organ are as follows.

Board of Directors and Directors

The Board of Directors handles decisions on important matters and supervises Directors to determine whether they are performing their duties efficiently and properly. The Board of Directors comprises nine Directors (five of whom are independent officers) including six Outside Directors, and its meetings are also attended by all four Audit & Supervisory Board Members (two of whom are independent officers). Board meetings regularly convene on a monthly basis, and extraordinary meetings are held as required to realize flexible management.

The appointment principle for Directors is as follows.

1) Director (internal)

A candidate for Director (internal) shall be an individual with integrity as well as high-level management insight and capabilities, who has expert knowledge and abundant experience in the telecommunications field and other areas, regardless of gender or nationality.

2) Outside Director

A candidate for Outside Director shall be an individual with integrity as well as high-level management insight and capabilities, who is capable enough to supervise business execution while providing advice from an external point of view based on broad-based knowledge and experience in his/her own area of specialty and general corporate management, regardless of gender or nationality.

Audit & Supervisory Board and Audit & Supervisory Board Members

Of the four Audit & Supervisory Board Members of the Company, three are Outside Audit & Supervisory Board Members (two of whom are independent officers). Using their professional background, experience, and expertise, they not only audit compliance with laws, but also give advice on overall management from a fair and neutral standpoint. The Audit & Supervisory Board meetings convene on a monthly basis in principle, and the four Audit & Supervisory Board Members hold discussions and report matters at the meetings. Audit & Supervisory Board Members attend important company meetings such as the Board of Directors meetings to supervise the status of decisions on management policy and the status of performance of duties by Directors. Furthermore, Audit & Supervisory Board Members appropriately collaborate with the Internal Audit Department and Accounting Auditor and work to strengthen the internal control system through the exchange of views and information with them.

The appointment principle for Audit & Supervisory Board Members is as follows.

A candidate for Audit & Supervisory Board Members shall be an individual with integrity as well as high-level insight, experience, and capabilities in corporate management, not least operational expert knowledge and hands-on management experience, who is considered capable enough to contribute to sustainable growth/development of the Company and the medium- to long-term enhancement of its corporate value, regardless of gender or nationality. A candidate for an Independent Outside Audit & Supervisory Board Members in particular shall have advanced expertise and abundant experience in areas such as legal affairs, accounting, and corporate management.

【社外秘/CONFIDENTIAL】T-Gaia Corp.

Nominating Advisory Committee and Compensation Advisory Committee

The Company has established the Nominating Advisory Committee and the Compensation Advisory Committee as advisory bodies to the Board of Directors, in order to enhance transparency of management. The objective of the Nominating Advisory Committee is to propose the appointment and dismissal of Directors and executive officers above Managing Executive Officers to the Board of Directors, and the objective of the Compensation Advisory Committee is to propose such matters as remuneration of Directors and executive officers above Managing Executive Officers to the Board of Directors.

The Nominating Advisory Committee and the Compensation Advisory Committee are composed of Outside Directors and the Representative Director as well as Directors nominated by the President and Representative Director, and the members thereof are decided by the Board of Directors. Mr. Junichi Kamata, Outside Director, serves as the chairman of both Committees.

Names and assigned members of company organs

1) Board of Directors, Nominating Advisory Committee and Compensation Advisory Committee

Official title or position	Name	Board of Directors	Nominating Advisory Committee	Compensation Advisory Committee
President and Representative Director	Masato Ishida	◎	○	○
Director	Hiroyuki Sugai	○		
Director	Hiroyoshi Ueji	○		
Outside Director	Katsuya Kashiki	○	○	○
Outside Director	Toshiya Asaba	○	○	○
Outside Director	Kyoko Deguchi	○	○	○
Outside Director	Junichi Kamata	○	◎	◎
Outside Director	Toshio Morohoshi	○	○	○
Outside Director	Yoshisada Takahashi	○	○	○

*○: Assigned member, ◎: Chairperson of the organ

- The Board of Directors meetings regularly convene on a monthly basis in principle, and extraordinary meetings are held as required.
- The Nominating Advisory Committee meets before the convening of the Board of Directors meeting, which resolves the appointment and dismissal of Directors and executive officers above Managing Executive Officers. However, when issues are raised by the Committee members, Committee meetings are held as needed.
- The Compensation Advisory Committee meets before the convening of the Board of Directors meeting, which resolves the remuneration of Directors and executive officers above Managing Executive Officers. However, when issues are raised by the Committee members, Committee meetings are held as needed.
- The attendance status of Directors at each organ was 100% for all except for Directors appointed in June 2023.

【社外秘/CONFIDENTIAL】T-Gaia Corp.

(Reference) Skills Matrix

Officer			Indepen-dence	Knowledge and experience expected by the Company					
				Corporate manage-ment Business strategy	Investment M&A	ICT Digital	Account-ing Finance	Legal affairs, personnel, and compliance	Global experience and interna-tionality
Director	Internal	Masato Ishida		●	●				●
		Hiroyoshi Ueji		●			●		●
		Nobutaka Kanaji		●	●	●			
	Outside	Katsuya Kashiki		●	●	●			●
		Toshiya Asaba	●	●	●	●			●
		Kyoko Deguchi	●	●			●	●	●
		Junichi Kamata	●	●	●			●	●
		Toshio Morohoshi	●	●	●	●			●
		Yoshisada Takahashi	●	●	●	●			●

* The above table does not represent all knowledge and experience held by the candidates.
* Up to four areas of knowledge and experience in which the candidate is particularly outstanding have been provided.

2) Audit & Supervisory Board

Official title or position	Name	Audit & Supervisory Board
Full-time Audit & Supervisory Board Member	Naoya Okutani	◯
Full-time Outside Audit & Supervisory Board Member	Nobuo Oyama	◎
Outside Audit & Supervisory Board Member	Toshiro Kaba	◯
Outside Audit & Supervisory Board Member	Tetsuo Kitagawa	◯

*◯: Assigned member, ◎: Chairperson of the organ

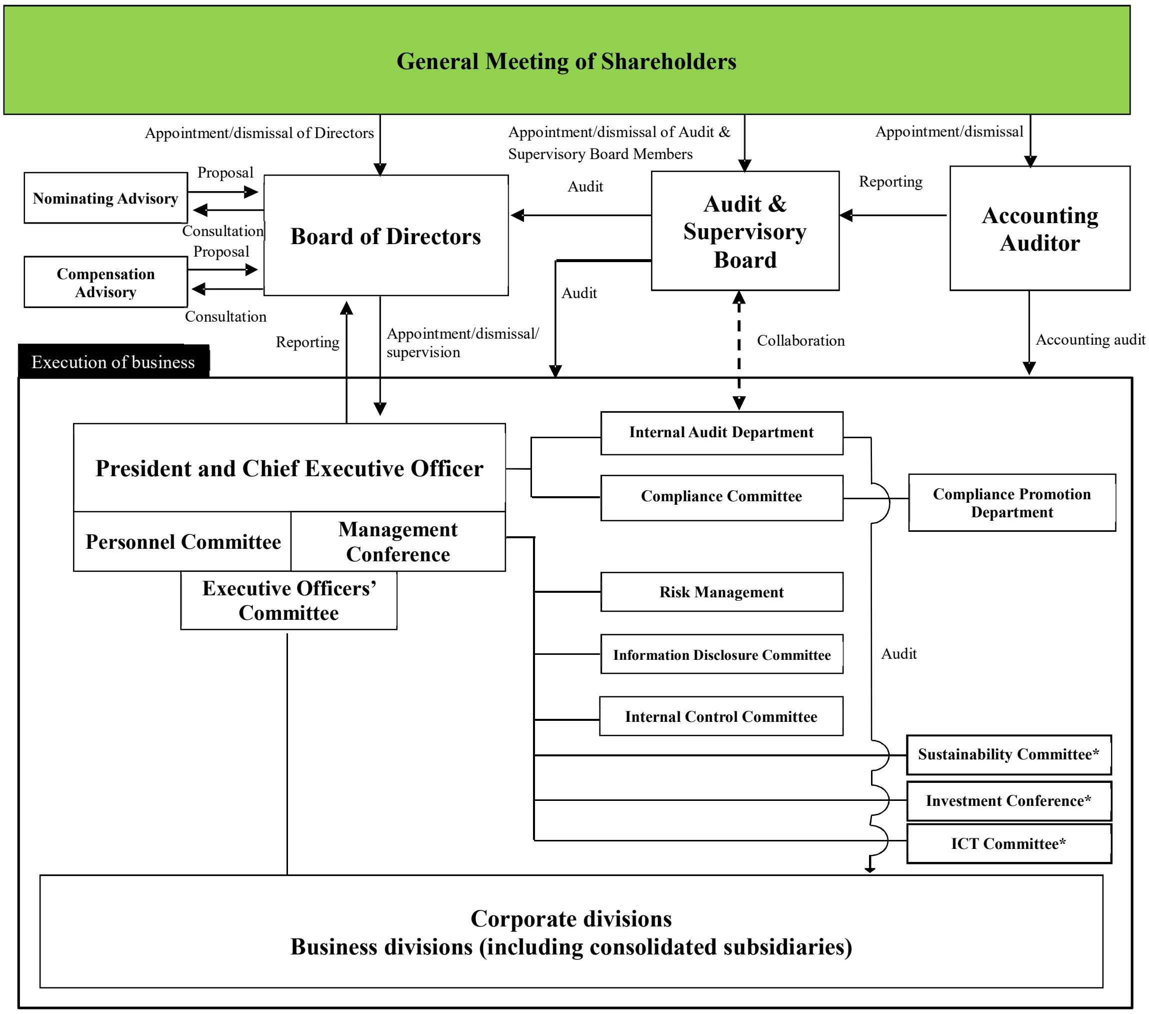
The Audit & Supervisory Board meetings convene on a regular basis. However, extraordinary meetings may be held as required.

【社外秘/CONFIDENTIAL】T-Gaia Corp.

3) Description of company organs and a chart indicating internal control system

A schematic diagram indicating outline of the Group's Corporate Governance Framework and Internal Control System is as follows.

[Schematic diagram]



*Established as advisory bodies to the Management Conference.

(iii) Other matters related to corporate governance

Development status of framework and environment of internal control

1) Framework to ensure that duties performed by Directors and Employees are in compliance with applicable laws and the Company's Articles of Incorporation:

- In the performance of its business operations, the Company has assigned top priority to legal and ethical compliance. It has accordingly established a set of Compliance Regulations that all Company officers and employees are required to observe.
- The Company has endeavored to build a compliance framework and maintain and improve its effectiveness by establishing a Compliance Committee that is headed by a Chief Compliance Officer and whose members include the President and executive officers. The Compliance Committee convenes as necessary in accordance with the Compliance Committee Regulations, and incorporates an internal Compliance Promotion Department that serves in an administrative role.
- To foster and strengthen an awareness of compliance company-wide, the Company has prepared and enhanced compliance training programs for its executive officers and employees.
- Multiple channels have been set up inside and outside the Company for reporting and consultations on compliance-related issues. These include channels to outside legal counsel and third-party institutions.
- Violators of the Company's compliance policy are dealt with sternly and are subject to disciplinary actions under the Company's employment regulations.
- Mutual monitoring practices are enlisted on a daily basis to gauge compliance with applicable laws and internal Company regulations and rules. Periodic audits are also performed and potential impacts on the Company's business are assessed.

【社外秘/CONFIDENTIAL】T-Gaia Corp.

2) Framework for retention and management of information relevant to the executive duties of Directors:

- Minutes of meetings of the Board of Directors, approval documents, and other documents and information (including digital records) relevant to the executive duties of Directors are appropriately retained and managed in accordance with the Company's Document Management Regulations and Information System Management Regulations. The status of document retention and management is verified and the regulations are revised as necessary.
- Directors and Audit & Supervisory Board Members may promptly view these documents and other information upon request.

3) Regulations and other frameworks for the management of risk of loss:

- In order to soundly and constantly develop the Group's business activities, the Group has established the "Basic Rules Regarding Group-wide Risks" with the aim of minimizing damage and preventing recurrence by observing various risks in a unified manner, identifying risks, preventing risks from materializing, and swiftly and accurately responding if risks materialize as well as proactively maintaining and increasing corporate value by actively controlling risks.
- The heads of individual units within the Group execute the business operations of their respective units within the scope of authority granted under the Work Authority Regulations and manage the risks associated with those business operations. In the event certain business operations are outside their normal scope of authority, they will follow the approval request and reporting procedures stipulated in the Work Authority Regulations and manage the risk associated with those operations they are permitted to fulfill.
- Pursuant to provisions of the Internal Audit Regulations, the Internal Audit Department performs periodic audits to determine whether the business operations of Company headquarters, regional headquarters, divisions, branches, and subsidiaries of the Company are being performed properly and in compliance with applicable laws and regulations and the Articles of Incorporation, and reports its audit findings to the President.

4) Framework to ensure that duties of Directors are efficiently performed:

- The Board of Directors handles decisions on important matters and supervises Directors to determine whether they are performing their duties efficiently and properly. The number of Directors on the Board is kept within limits that allow meetings of the Board to engage in full discussions of their agenda and reach sensible decisions in a prompt manner.
- Management Conferences are convened to discuss matters of importance, including policies of importance to Company management in general and matters for deliberation at or reporting to meetings of the Board of Directors. Management Conference members strive through the exchange of information to achieve mutual understanding on matters involving the execution of business.
- The executive officer framework strives to enhance the functions of the Board of Directors and facilitate the prompt execution of business by separating the management functions of "decision-making and executive supervision" from the function of "business execution." Executive Officers are appointed by the Board of Directors and fulfill duties assigned by the Board of Directors.
- Company headquarters, regional headquarters, divisions, and branches are treated as the units of business execution. The heads of these respective units are each granted a certain measure of authority under provisions of the Work Authority Regulations in the interest of facilitating localized management of unit operations with a sense of speed. Company headquarters, regional headquarters, divisions, and branches are also treated as the units of profit. This ensures the transparency of managerial conditions at headquarters and regional headquarters.
- Approval request and reporting frameworks facilitate the transfer of clearly defined authority and responsibility under provisions of the Work Authority Regulations and the Segregation of Duties Regulations, and ensure that work duties are promptly executed. Permission to execute duties that are outside the scope of a Director's authority is contingent upon a decision, as stipulated in applicable regulations, that is based on deliberations by the administrative unit with field expertise. The Company endeavors to review and revise relevant regulations and approval request and reporting procedures as necessary and develop, maintain, and improve its frameworks for the efficient and proper execution of Directors' duties.

5) Framework to ensure the propriety of the business operations of the Corporate Group comprising the Company, its parent, and subsidiaries:

- Based on the principle of autonomous subsidiary operations and in keeping with the Regulations for the Management of Affiliates, the headquarters division engaged in business operations most closely related to the business of a given subsidiary is the unit with supervisory responsibility for that subsidiary. Supervisory units periodically request reports containing important information about the subsidiaries under their supervision including the subsidiaries' business results and financial statements. In addition to identifying the subsidiaries' management conditions and developing and maintaining appropriate frameworks for consolidated management, the supervisory units request that subsidiaries submit reports on matters covered by the Regulations for the Management of Affiliates and reports on the findings of audits performed under provisions of the Internal Audit Regulations. As a holder of equity interest, the supervisory units appropriately make its intentions known to the management teams at its subsidiaries.
- The Company has developed and put into effect a compliance framework for Group companies as a whole and also sets up frameworks for the acquisition of legal advice from outside law offices, as necessary. Additionally, it strives to cultivate an awareness of compliance through the implementation of programs of training in legal compliance for Group officers and employees once a year.
- The Regulations for the Management of Affiliates establish operational authority and chains of command for subsidiaries and require that subsidiaries build structures that are in compliance with these.

【社外秘/CONFIDENTIAL】T-Gaia Corp.

6) Matters about employees that are assigned on request from Audit & Supervisory Board Members to assist in the performance of Audit & Supervisory Board Members' duties:

- In the event Audit & Supervisory Board Members require assistance with the performance of their duties, they may submit requests to the Representative Director asking that employees with the knowledge and skills required for audit duties be assigned to serve as their assistants.

7) The autonomy of employees covered in the preceding Clause from the Board of Directors:

- Directive authority over an employee that has been assigned under terms of the preceding Clause shall rest with the Audit & Supervisory Board Member to whom the employee has been assigned. That employee shall not receive orders from Directors. To ensure the independence and effectiveness of an employee assigned under terms of the preceding Clause, the Representative Director shall form decisions on personnel appraisals, personnel transfers, and disciplinary actions affecting the employee only after obtaining the consent of the Full-time Audit & Supervisory Board Member.

8) Framework for reporting to Audit & Supervisory Board Members by Directors, Employees, and Others:

- Audit & Supervisory Board Members may attend meetings of the Board of Directors, Management Conference, Executive Officers' Committee, and other important meetings.
- Audit & Supervisory Board Members may review important documentation and request submission of that documentation.
- Audit & Supervisory Board Members may receive reports from the Group's officers and employees whenever necessary.
- Audit & Supervisory Board Members audit the management of subsidiaries through on-site audits and day-to-day coordination with corporate auditors for the subsidiaries.
- Directors, the Group's officers and employees, or persons to whom they have reported, shall submit reports to the Audit & Supervisory Board or to an Audit & Supervisory Board Member ("Special Auditor") designated by the Board of Auditors under any of the following circumstances:

  1. Significant damages to the Company or grave compliance violations that have either occurred or are likely to occur
  2. Events about which a Special Auditor has requested reports, or that otherwise are deemed to warrant an audit (e.g., subsequent events)
  3. The Regulations for Compliance Reports and Consultations stipulate that Group officers and employees or persons to whom they have reported can submit "whistleblower" reports directly to an Audit & Supervisory Board Member, and explicitly prohibit job dismissals and other adverse actions against whistleblowers solely for submitting such reports.

9) Matters about policy on the processing of expenses incurred from the fulfillment of Audit & Supervisory Board Member duties and responsibilities:

- When Audit & Supervisory Board Members request advance payment or reimbursement of expenses associated with the performance of their duties, those expenses are processed as requested except in cases where they are deemed unnecessary for the performance of Audit & Supervisory Board Members' duties.

10) Other frameworks to ensure that Audit & Supervisory Board Members are performing audits effectively:

- Directors are familiar with the audit standards that clarify Audit & Supervisory Board Member duties and responsibilities and fully recognize the importance of audits performed by Audit & Supervisory Board Member. Additionally, Directors help cultivate an appropriate environment for audits.
- Audit & Supervisory Board Members maintain close working relationships with the Internal Audit Department, receive timely reports from the Internal Audit Department on internal audit plans and findings, and contribute to the efficient implementation of audits.
- Through periodic meetings with the Accounting Auditor and participation in on-site audits at the close of the fiscal year, Audit & Supervisory Board Members endeavor to exchange information and develop their understanding of the audit activities of the Accounting Auditor and help improve audit efficiency and quality.

Overview of content of liability limitation agreement

The Company has entered into an agreement with each Director (excluding an Executive Director) and Audit & Supervisory Board Member, which limits liability for damages stipulated in Article 423, Paragraph 1 of the Companies Act based on Article 427, Paragraph 1 of the Companies Act and Articles 29 and 39 of the Company's Articles of Incorporation. Under these agreements, the limit of liability for damages is the amount stipulated as minimum liability amount in Article 425, Paragraph 1 of the Companies Act.

In addition, said limitation of liability is given only when the Director or Audit & Supervisory Board Member has performed his/her duty, which has brought about the responsibility, in good faith and without gross negligence.

Overview of content of indemnity agreement

The Company has entered into indemnity agreements with Directors and Audit & Supervisory Board Members pursuant to the provisions of Article 430-2, Paragraph 1 of the Companies Act, under which the Company will indemnify them for any expenses provided for in item (i) of the same paragraph and losses provided for in item (ii) of the same paragraph, within the scope set forth in laws and regulations.

【社外秘/CONFIDENTIAL】T-Gaia Corp.

Overview of content of officer, etc., liability insurance agreement

The Company has entered into an officer, etc., liability insurance agreement as prescribed in Article 430-3 Paragraph 1 of the Companies Act with an insurance company, and in the case of a claim for compensation for damages being filed by a shareholder or third party, etc., damages such as compensation and dispute costs that are to be borne by the insured party shall be covered by said insurance contract.

Furthermore, the full amount of the insurance premiums shall be borne by the Company.

Contents of provisions of the Articles of Incorporation which stipulate the number of Directors and the requirement for a resolution to appoint or dismiss a Director differently from the Companies Act

The number of Directors is stipulated in the Articles of Incorporation to be 12 or fewer. The Articles of Incorporation stipulate that the resolution at shareholders meeting for election and dismissal of Directors shall be adopted by a majority of votes of shareholders present, when the shareholders who are present at the meeting hold one-third or more of the voting rights of all the shareholders who are entitled to exercise their voting rights.

Matters made possible to be resolved at the Board of Directors Meeting instead of the Shareholders Meeting, and its reason, as well as description of alteration of requirements of extraordinary resolution at the Shareholders Meeting and its reason

A. Matters made possible to be resolved at the Board of Directors Meeting instead of the Shareholders Meeting, and its reason

1) With respect to purchase of treasury shares, the Articles of Incorporation stipulate that the Company may purchase treasury shares through market transactions, etc., by a resolution at the Board of Directors Meeting in accordance with the provision of Article 165, Paragraph 2 of the Companies Act, in order to make it possible to execute capital policy flexibly.

2) The Company distributes dividends twice a year, setting base dates at the end of the first half fiscal and the end of fiscal year as before. With respect to interim dividend, the Articles of Incorporation stipulate that the Company may distribute interim dividends setting base date as September 30 of each year by a resolution at the Board of Directors Meeting in accordance with the provision of Article 454, Paragraph 5 of the Companies Act.

3) The Articles of Incorporation stipulate that the Company may exempt Directors (including persons who were Directors) and Audit & Supervisory Board Members (including persons who were Audit & Supervisory Board Member) from liability for damages of Article 423, Paragraph 1 of the Companies Act within the limit provided by laws and regulations by a resolution at the Board of Directors Meeting in accordance with the provision of Article 426, Paragraph 1 of the Companies Act so that Directors and Audit & Supervisory Board Members shall be able to fully fulfill expected roles.

The Articles of Incorporation stipulate that the Company may enter into an agreement with each Director (excluding an Executive Director) and Audit & Supervisory Board Member, which limits liability for damages provided in Article 423, Paragraph 1 of the Companies Act within the limit provided by laws and regulations, based on Article 427, Paragraph 1 of the Companies Act.

B. Description of alteration of requirements of extraordinary resolution at the Shareholders Meeting and its reason

With respect to resolution method, the Company's Articles of Incorporation stipulate as follows, in order to ensure smooth operations of Shareholders Meetings.

The resolution at Shareholders Meeting shall be adopted by a majority of votes of shareholders present who are entitled to exercise their voting rights, unless otherwise provided for in laws and regulations or the Articles of Incorporation. The resolution provided by Article 309, Paragraph 2 of the Companies Act shall be adopted by two-thirds or more of votes of shareholders present, when the shareholders who are present at the meeting hold one-third or more of the voting rights of all the shareholders who are entitled to exercise their voting rights.

Status of activities of the Board of Directors

The Board of Directors meetings regularly convene on a monthly basis in principle, and extraordinary meetings are held as required. The attendance of each Director and the specific matters discussed by the Board of Directors during the fiscal year under review are as follows.

[Attendance at meetings of the Board of Directors]

Title	Name*1	Meetings attended / Meetings held*2
President and Representative Director	◎ Masato Ishida	13/13 (Attendance rate: 100%)
Director	Hiroyuki Sugai	13/13 (Attendance rate: 100%)
Director	Hiroyoshi Ueji	–

【社外秘/CONFIDENTIAL】T-Gaia Corp.

Outside Director	Katsuya Kashiki	13/13 (Attendance rate: 100%)
Outside Director	Toshiya Asaba	13/13 (Attendance rate: 100%)
Outside Director	Kyoko Deguchi	13/13 (Attendance rate: 100%)
Outside Director	Junichi Kamata	13/13 (Attendance rate: 100%)
Outside Director	Toshio Morohoshi	13/13 (Attendance rate: 100%)
Outside Director	Yoshisada Takahashi	10/10 (Attendance rate: 100%)

*1 ◎: Chairperson of the organ

*2 The attendance rate is 100%, except for Mr. Hiroyoshi Ueji, who assumed office after the conclusion of the Ordinary General Meeting of Shareholders on June 22, 2023.

Mr. Yoshisada Takahashi has been in office for one year as of the date of submission, and has attended ten meetings of the Board of Directors.

[Specific matters discussed by the Board of Directors]

・Discussion of growth strategies and review of progress of the Medium-Term Management Plan

・Formulation of various policies related to sustainability management

・Discussion of DX strategies and systems

・Revision of important regulations aimed at improving governance

・Changes to dividend policy and shareholder benefit plan

・Revision of personnel system

・Review of BCP system and structure

・Advisability of significant investments

【社外秘/CONFIDENTIAL】T-Gaia Corp.

(2) Information about Officers

(i) List of officers

Male: 12, female: 1 (Ratio of female officers against total officers: 7.6%)

Official title or position	Name	Date of birth	Career summary		Term of office	Number of shares held (shares)
President, Representative Director Chief Executive Officer	Masato Ishida	December 1, 1960	Apr 1983	Joined Sumitomo Corporation	June 2023 - June 2024	6,400
			Apr 2001	President, SMS Construction & Mining Systems Inc. (Canada)		
			Apr 2007	Manager of Construction Equipment Dept. No. 3, Sumitomo Corporation		
			Apr 2011	General Manager of Construction Equipment Division, Sumitomo Corporation		
			Apr 2015	Executive Officer; Assistant General Manager for Europe, Middle East, Africa, and CIS (United Arab Emirates); concurrently General Manager of Middle East, Sumitomo Corporation; and concurrently President of Sumitomo Corporation Middle East FZE		
			Apr 2018	Managing Executive Officer; General Manager for Europe, Middle East, Africa, and CIS (UK), Sumitomo Corporation; and concurrently Chairman of Sumitomo Corporation Europe Holding Limited		
			Apr 2020	Executive Vice President and CSO, in charge of HR and general affairs, legal, management planning, and public relations, T-Gaia Corporation		
			Jun 2020	Director, Executive Vice President, and CSO, in charge of HR and general affairs, legal, management planning, and public relations, T-Gaia Corporation		
			Apr 2022	President, Representative Director, and Chief Executive Officer, T-Gaia Corporation (current)		
			Apr 2022	Director, QUO CARD Co., Ltd. (current)		
			Jun 2023	Representative Director and Chairman, National Association of Mobile-phone Distributors (current)		

【社外秘/CONFIDENTIAL】T-Gaia Corp.

Official title or position	Name	Date of birth	Career summary		Term of office	Number of shares held (shares)
Director Executive Vice President	Hiroyuki Sugai	February 6, 1961	Apr 1984	Joined Sumitomo Corporation	June 2023 - June 2024	1,000
			May 2001	Sumitomo Corporation of Americas (New York)		
			Nov 2009	Head of the Finance and Accounting Group, Sumitomo Corporation China Group (Shanghai)		
			Nov 2013	General Manager of the Accounting Dept., Media, ICT, Lifestyle Related Goods and Services Business Unit, Sumitomo Corporation		
			Apr 2017	General Manager of the Accounting Controlling Dept., Sumitomo Corporation		
			Apr 2019	Executive Officer; Assistant CFO, Accounting; and concurrently General Manager, Accounting Controlling Dept., Sumitomo Corporation		
			Apr 2021	Executive Vice President and CFO, in charge of corporate accounting, finance and settlement, risk management, and logistics, T-Gaia Corporation		
			Jun 2021	Director, Executive Vice President, and CFO, in charge of corporate accounting, finance and settlement, risk management, and logistics, T-Gaia Corporation		
			Apr 2022	Director, Executive Vice President, and CFO, in charge of corporate accounting, finance and settlement, and logistics, T-Gaia Corporation		
			Apr 2023	Director, Executive Vice President, and CFO, in charge of corporate accounting, finance, settlement, and logistics, T-Gaia Corporation		
			May 2023	Director, Executive Vice President, and CFO, in charge of corporate accounting, finance, sales accounting settlements, and logistics, T-Gaia Corporation (current)		
Director Executive Vice President	Hiroyoshi Ueji	November 9, 1962	Apr 1985	Joined Ito-Yokado Co., Ltd.	June 2023 - June 2024	9,619
			Feb 1996	Retired from Ito-Yokado Co., Ltd.		
			May 1996	Joined the Company (formerly, Bussan Telecommunication Co., Ltd.)		
			Nov 2002	General Manager, Sales Department No. 2, Tokai Regional Headquarters		
			Apr 2011	Deputy General Manager, Tokai Regional Headquarters		
			Apr 2012	Executive Officer and Deputy General Manager of Business Promotion Division		
			Apr 2015	Senior Executive Officer and General Manager of Sales Division 1		
			Apr 2017	Managing Executive Officer and Managing Head of Solution Business		
			Apr 2021	Senior Executive Officer and Managing Head of Solution Business, in deputy charge of CEO Project Department 2.		
			Apr 2022	Senior Executive Officer and CDO, Managing Head of Solution Business in charge of BPR Promotion and Open Innovation		
			Apr 2023	Executive Vice President and CDO, Supervising Mobile Business and Solution Business, in charge of Consumer Business Promotion, T-Gaia Corporation		
			Jun 2023	Director, Executive Vice President, CDO, in charge of Mobile Management and Solutions Management, concurrently Consumer Business Promotion, T-Gaia Corporation (current)		

【社外秘/CONFIDENTIAL】T-Gaia Corp.

Official title or position	Name	Date of birth	Career summary		Term of office	Number of shares held (shares)
Director	Katsuya Kashiki	June 28, 1966	Apr 1990	Joined Sumitomo Corporation	June 2023 - June 2024	–
			Jan 1994	Assistant to General Manager of Islamabad Office (Pakistan), Sumitomo Corporation		
			Sep 2004	Moscow Office (Russia), IT and Telecom Unit, Sumitomo Corporation		
			Feb 2005	Director, Market and Business Development, ZAO Prestige Internet (Russia)		
			Jun 2012	Director, ICT Business Division, Sumitomo Corporation (Central Eurasia) LLC (Russia)		
			Apr 2018	Manager of Smart Infrastructure Business Dept., Sumitomo Corporation		
			Apr 2020	General Manager of Smart Communications Platform Division, Sumitomo Corporation (current)		
			Jun 2020	Director, T-Gaia Corporation		
			Jun. 2022	Outside Director (current)		
Director	Toshiya Asaba	June 12, 1962	Apr 1989	Joined Recruit Co., Ltd.	June 2023 - June 2024	700
			Apr 1995	Manager of Network Technology, Internet Initiative Japan Inc.		
			Mar 1996	Director, IIJ America Inc.		
			Sep 1997	Director of Technology, Internet Multifeed Co.		
			Oct 1998	Manager of Technology Planning, Crosswave Communications, Inc.		
			Jun 1999	Director, Crosswave Communications, Inc.		
			Jun 1999	Director, Co-CTO, Internet Initiative Japan Inc.		
			Jun 2004	Director and Vice President, Internet Initiative Japan Inc. (Retired from this position as of June 2009)		
			Jun 2004	Director, NTT Resonant Incorporated		
			Jun 2008	Representative Director, IIJ Innovation Institute Inc.		
			Apr 2012	Representative Director, Stratosphere Inc.		
			Jun 2015	Director, IIJ Innovation Institute Inc.		
			Jun 2015	Representative Partner, Gaia Lab LLC (current)		
			Jun 2016	Outside Director, T-Gaia Corporation (current)		
			Nov 2017	Representative Director and Vice Chairman, The Japanese Society for Quality Control (JSQC)		
			Dec 2018	Corporate Auditor, Parongo Co., Ltd. (current)		
			Dec 2021	Representative Director, IIJ Innovation Institute Inc.		

【社外秘/CONFIDENTIAL】T-Gaia Corp.

Official title or position	Name	Date of birth	Career summary	Term of office	Number of shares held (shares)
Director	Kyoko Deguchi	December 12, 1965	Apr 1989 Joined Bain & Company Japan, Incorporated Feb 1998 Senior Director of Planning, Disney Store Japan Inc. Feb 1999 Senior Finance Director, Disney Store Japan Inc. Mar 2001 Director and CFO, GE Plastics Japan Ltd. Apr 2004 Product Director, Janssen Pharmaceutical (currently Ortho Neurologics) (US) Sep 2005 Senior Director of Digestive Region, Pain, and OTC Business Division, Janssen-Cilag Pty Ltd. (Australia) Jan 2007 Assistant Senior Director of Marketing Division, Janssen Pharmaceutical K.K. Aug 2009 Director and Vice President of Global Marketing, Stryker Japan K.K. Jan 2012 President and CEO, Stryker Japan K.K. Mar 2013 Senior Corporate Executive Officer and Manager of President's Office with concurrent responsibility for Financial and Accounting Division, Bellsystem24 Inc. (Retired from this position as of January 2014) Mar 2014 CEO, AbbVie GK Jul 2014 Outside Director, Nippon Ski Resort Development Co., Ltd. Feb 2015 COO, Medical Corporation Shikiku-kai Apr 2015 Professor, Kenichi Ohmae Graduate School of Business, Business Breakthrough, Inc. (current) Mar 2016 Outside Director, Cookpad Inc. (Retired from this position as of March 2018) Jun 2016 Outside Director, T-Gaia Corporation (current) Aug 2017 Vice President, Medical Corporation Shikiku-kai Jun 2019 Outside Director, NHK Technologies, Inc. (current) Jan 2020 Outside Director, Heartseed Inc. (current) Jun 2021 Outside Director, PHC Holdings Corporation (current) Sep 2022 Vice President, Doya Rehabilitation and Orthopedic Clinic (current)	June 2023 - June 2024	3,600

【社外秘/CONFIDENTIAL】T-Gaia Corp.

Official title or position	Name	Date of birth	Career summary		Term of office	Number of shares held (shares)
Director	Junichi Kamata	November 28, 1953	Apr 1978 Jan 1992 May 1999 Nov 2000 Jan 2005 Apr 2008 Apr 2011 Apr 2014 Jun 2015 Jun 2018	Joined Hitachi Metals, Ltd. (currently, Proterial, Ltd.) CFO, HMT Technology Inc. (US) Manager, Corporate Management Department, LET Inc. (Philippines) Vice President and CFO, Hitachi Metals America, Ltd. (US) General Manager of Human Resources and General Administration Dept., Hitachi Metals, Ltd. Managing Officer and General Manager of Corporate Management Planning Office of Hitachi Metals, Ltd. Managing Officer and President of Piping Components Company of Hitachi Metals, Ltd. Managing Officer of Hitachi Metals, Ltd.; President and CEO, Hitachi Metals America, Ltd. (US) Director, Hitachi Metals, Ltd. Outside Director, T-Gaia Corporation (current)	June 2023 - June 2024	2,700
Director	Toshio Morohoshi	August 24, 1953	Apr 1976 Jun 1998 Jun 2004 Oct 2005 Jul 2007 Jan 2012 May 2015 Mar 2018 Aug 2018 Jun 2020	Joined Fujitsu Limited President and CEO, Fujitsu PC Corporation (US) President and CEO, Fujitsu Computer Systems Corporation (currently Fujitsu America Inc.) (US) Managing Executive Officer, Fujitsu Limited (Retired from this position as of June 2007) President and CEO of EMC Japan K.K. and concurrently Vice President of EMC Corporation (US) President and CEO of NCR Japan, Ltd. and concurrently North Asia Representative of NCR Corporation (US) (Retired from this position as of February 2015) President and CEO, Yaskawa Information Systems Corporation (currently YE DIGITAL Corporation) Outside Director of the Board, Nippon Paint Holdings Co., Ltd. (current) Outside Director, WingArc1st Inc. Outside Director, T-Gaia Corporation (current)	June 2023 - June 2024	–

【社外秘/CONFIDENTIAL】T-Gaia Corp.

Official title or position	Name	Date of birth	Career summary		Term of office	Number of shares held (shares)
Director	Yoshisada Takahashi	December 8, 1955	Apr 1978	Joined Komatsu Ltd.	June 2023 - June 2024	–
			Jun 1995	Plant Manager, Komatsu Brasil International Ltda. (São Paulo)		
			Oct 1999	General Manager, Purchasing Department, Awazu Plant, Production Division, Komatsu Ltd.		
			Apr 2006	Executive Officer and Awazu Plant Manager, Production Division, Komatsu Ltd.		
			Apr 2011	Senior Executive Officer (Jomu); Vice President, Production Division; and Osaka Plant Manager, Komatsu Ltd.		
			Apr 2013	Senior Executive Officer (Senmu); President, Production Division; and Supervising Environment, Komatsu Ltd.		
			Apr 2016	Senior Executive Officer (Senmu); Chief Information and Innovation Officer; President, Information Strategy Division; Supervising Production and Industrial Machinery Business, Komatsu Ltd.		
			Apr 2017	Executive Vice President; Chief Information and Innovation Officer; President, Information Strategy Division; Supervising Industrial Machinery Business, Komatsu Ltd.		
			Jun 2019	Outside Director, T.Rad Co., Ltd. (current)		
			Jul 2019	Consultant, Komatsu Ltd. (current)		
			Sep 2019	Consultant, Ishikawa Prefecture (current)		
			Jun 2022	Outside Director, T-Gaia Corporation (current)		

【社外秘/CONFIDENTIAL】T-Gaia Corp.

Official title or position	Name	Date of birth	Career summary		Term of office	Number of shares held (shares)
Audit & Supervisory Board Member (Full-time)	Naoya Okutani	May 16, 1960	Apr 1983	Joined Sumitomo Corporation	June 2020 - June 2024	800
			May 1993	Sumitomo Corporation Singapore Pte. Ltd.		
			Jan 2013	Manager of Environment and CSR, Sumitomo Corporation		
			Apr 2015	Managing Executive Officer; Senior Director of Smart life Business and concurrently Director of Smart Service Promotion, T-Gaia Corporation		
			Apr 2016	Managing Executive Officer, Assistant to President, T-Gaia Corporation		
			Jun 2016	Full-time Audit & Supervisory Board Member, T-Gaia Corporation (current)		
			Jun 2016	Corporate Auditor, WAMNET Japan K.K. (Retired from this position as of June 2019)		
Audit & Supervisory Board Member (Full-time)	Nobuo Oyama	August 26, 1961	Apr 1985	Joined Sumitomo Corporation	June 2022 - June 2026	–
			Dec 1996	Sumitomo Corporation (Hong Kong) Limited		
			Jun 2005	Sumitomo Corporation (Shanghai) Limited, Huadong Corporate Group, Sumitomo Corporation China Group		
			Apr 2012	General Manager of Investor Relations Dept., Corporate Coordination Group, Sumitomo Corporation		
			Jul 2015	General Manager of Accounting Dept., Mineral Resources, Energy, Chemical & Electronics Business Unit, Corporate Group, Sumitomo Corporation		
			Apr 2017	General Manager of Accounting Dept., Media, ICT, Lifestyle Related Goods & Services Business Unit, Corporate Group, Sumitomo Corporation		
			Jun 2020	Assistant to CFO, Sumitomo Corporation; and concurrently President and Chief Executive Officer, Sumitomo Shoji Financial Management Co., Ltd.		
			Jun 2022	Full-time Outside Audit & Supervisory Board Member, T-Gaia Corporation (current)		
Audit & Supervisory Board Member (Part-time)	Toshiro Kaba	September 10, 1960	Apr 1993	Licensed as an attorney	June 2021 - June 2025	5,000
			Jun 2003	Founder and Representative Attorney, Shiroyama Tower Law Office (current)		
			Apr 2005	Professor, Graduate School of Laws, Toin University of Yokohama		
			Mar 2006	Outside Auditor, GungHo Online Entertainment, Inc. (current)		
			Aug 2007	Outside Auditor, Cave Interactive Co., Ltd.		
			Apr 2010	Dean, Toin Law School		
			Jun 2013	Outside Audit & Supervisory Board Member, T-Gaia Corporation (current)		
			Jun 2014	Director, Toin Gakuen		
			Mar 2015	Outside Audit & Supervisory Board Member, Piala, Inc. (current)		
			Jun 2015	Director, Tokyo-toei Kotsu Kyoryoku-kai (current)		
			Apr 2017	Outside Audit & Supervisory Board Member, J.Score Co., Ltd. (current)		
			Aug 2019	Outside Director (Audit and Supervisory Committee Member), Cave Interactive CO., LTD.		
			Apr 2021	Director, Toin Legal Research Support Center (current)		
			Apr 2021	Visiting Professor, Graduate School of Laws, Toin University of Yokohama (current)		

【社外秘/CONFIDENTIAL】T-Gaia Corp.

Official title or position	Name	Date of birth	Career summary		Term of office	Number of shares held (shares)
Audit & Supervisory Board Member (Part-time)	Tetsuo Kitagawa	August 17, 1961	Sep 1985	Joined Aoyama Audit Corporation	June 2021 - June 2025	–
			Mar 1989	Received CPA license		
			Jul 2002	Representative employee, Chuo-Aoyama Audit Corporation		
			Sep 2006	Representative employee, Aarata Audit Corporation (now PricewaterhouseCoopers Aarata LLC), Leader, Chemicals, Medicine, Industrial Materials Audit Division, Aarata Audit Corporation		
			Jul 2013	Leader, Independence Management Group, Risk Management and Compliance Office, Aarata Corporation		
			Aug 2014	Vice Chair, Ethics Committee, Japanese Institute of Certified Public Accountants		
			Jun 2016	Resigned from Aarata Audit Corporation (now PricewaterhouseCoopers Aarata LLC)		
			Jun 2017	Outside Audit & Supervisory Board Member, T-Gaia Corporation (current)		
			Dec 2017	Certified Public Accountant Examination Committee Member, Certified Public Accountants and Auditing Oversight Board, Financial Services Agency		
			Jun 2019	Outside Director, Daio Paper Corporation		
			Jun 2022	Outside Audit & Supervisory Board Member, PHC Holdings Corporation (current)		
Total	13 persons		—			29,819

(Notes) 1. Directors Mr. Katsuya Kashiki, Mr. Toshiya Asaba, Ms. Kyoko Deguchi, Mr. Junichi Kamata, Mr. Toshio Morohoshi, and Mr. Yoshisada Takahashi are Outside Directors.
2. Audit & Supervisory Board Members Mr. Nobuo Oyama, Mr. Toshiro Kaba, and Mr. Tetsuo Kitagawa are Outside Audit & Supervisory Board Members.

(ii) Information about outside officers

A. Independence judgment criteria

The Company considers an officer is independent when he/she does not fall into any of the following.

(Outside Director)

1. A person who is, or was an executor of business at the Company, its consolidated subsidiary or equity method affiliate (collectively the “Group”)
2. A person who is or was in the past ten years a director, executive officer, corporate executive officer, or manager or other employee of the Company’s parent company or sister company
3. A person for whom the Group is a principal business partner, or a person who is or was in the past three years his/her executor of business (a principal business partner is defined as having business transactions equivalent to 2% or more of the annual total net sales of the partner in its immediately preceding fiscal year)
4. A person who is a principal business partner of the Group, or a person who is or was in the past three years his/her executor of business (a principal business partner is defined as having business transactions equivalent to 2% or more of the consolidated annual total net sales of the Group in the immediately preceding fiscal year)
5. A person who currently provides professional service in the capacity such as consultant, attorney or certified public accountant, gaining in return 10 million yen or more cash or other property benefits per year, apart from executive remuneration paid by the Group (if a party that gains such property benefits is an organization such as corporate body, union or partnership, a person who belongs to such organization that gains property benefits from the Group which is equivalent to 2% or more of annual revenue of such organization), or a person who was in such position in the past three years
6. A person who is a principal provider of loans to the Group or a business executor of such provider (principal provider of loans refers to an entity that provides the Group with loans equivalent to 2% or more of its consolidated total assets as at the end of its immediately preceding fiscal year) or a person who was in such position in the past three years
7. A person who is a major shareholder of the Company, or a business executor of such shareholder, or a person who was in such position in the past five years
8. A person who receives 10 million yen per year or more donation from the Group (if a party that receives such donation is an organization such as corporate body, union or partnership, a person who serves as executor of

business at such organization gaining property benefits from the Group which is equivalent to 2% or more of annual revenue of such organization), or a person who was in such position in the past three years

9. A person who is engaged in the audit of the Group as its Accounting Auditor or an employee thereof, or who was engaged in the audit of the Group as employee of the Accounting Auditor in the past three years
10. A person who is director, executive officer, corporate executive officer, or manager or other employee of a company for which the Company is a major shareholder
11. A person who is director, executive officer or corporate executive officer of a company (or its parent company or subsidiary), for which director or corporate auditor is seconded from the Group
12. A person who is relative in the second degree or closer of someone who serves or served in the past three years as director, executive officer, corporate executive officer, or manager or other employee of the Group
13. A person who is relative in the second degree or closer of someone who falls into any of those listed in 2 through 10 above (insofar as he/she is in an important position)
14. A person who has served as an outside director of the Company for more than eight years
15. A person who has specific circumstance other than listed above, which prevents him/her from carrying out his/her duty as an outside executive officer holding independence, including potential conflicts of interest with the Group

(Outside Audit & Supervisory Board Member)

1. A person who is, or was an executor of business at the Company's consolidated subsidiary or equity method affiliate (collectively the "Group")
2. A person who is or was in the past ten years a director, corporate auditor, accounting adviser, executive officer, corporate executive officer, or manager or other employee of the Company's parent company or sister company
3. A person for whom the Group is a principal business partner, or a person who is or was in the past three years his/her executor of business (a principal business partner is defined as having business transactions equivalent to 2% or more of the annual total net sales of the partner in its immediately preceding fiscal year)
4. A person who is a principal business partner of the Group, or a person who is or was in the past three years his/her executor of business (a principal business partner is defined as having business transactions equivalent to 2% or more of the consolidated annual total net sales of the Group in the immediately preceding fiscal year)
5. A person who currently provides professional service in the capacity such as consultant, attorney or certified public accountant, gaining in return 10 million yen or more cash or other property benefits per year, apart from executive remuneration paid by the Group (if a party that gains such property benefits is an organization such as corporate body, union or partnership, a person who belongs to such organization that gains property benefits from the Group which is equivalent to 2% or more of annual revenue of such organization), or a person who was in such position in the past three years
6. A person who is a principal provider of loans to the Group or a business executor of such provider (principal provider of loans refers to an entity that provides the Group with loans equivalent to 2% or more of its consolidated total assets as at the end of its immediately preceding fiscal year) or a person who was in such position in the past three years
7. A person who is a major shareholder of the Company, or a business executor of such shareholder, or a person who was in such position in the past five years
8. A person who receives 10 million yen per year or more donation from the Group (if a party that receives such donation is an organization such as corporate body, union or partnership, a person who serves as executor of business at such organization gaining property benefits from the Group which is equivalent to 2% or more of annual revenue of such organization), or a person who was in such position in the past three years
9. A person who is engaged in the audit of the Group as its Accounting Auditor or an employee thereof, or who was engaged in the audit of the Group as employee of the Accounting Auditor in the past three years
10. A person who is director, corporate auditor, accounting adviser, executive officer, corporate executive officer, or manager or other employee of a company to which the Company is a major shareholder
11. A person who is director, corporate auditor, accounting adviser, executive officer or corporate executive officer of a company (or its parent company or subsidiary), to which director or corporate auditor is seconded from the Group
12. A person who is relative in the second degree or closer of someone who serves or served in the past three years as director, executive officer, corporate executive officer, or manager or other employee of the Group
13. A person who is relative in the second degree or closer of someone who falls into any of those listed in 2 through 10 above (insofar as he/she is in an important position)
14. A person who has specific circumstance other than listed above, which prevents him/her from carrying out his/her duty as an outside officer holding independence, including potential conflicts of interest with the Group

B. Overview of relationships of interest such as personal, capital, or business relationships between the Company and Outside Directors/Audit & Supervisory Board Members

There are six Outside Directors (including five independent officers) and three Outside Audit & Supervisory Board Members (including two independent officers) in the Company.

【社外秘/CONFIDENTIAL】T-Gaia Corp.

Mr. Katsuya Kashiki, Outside Director, currently serves as General Manager of Smart Communications Platform Division at Sumitomo Corporation after previously serving as Manager of Smart Infrastructure Business Department, and possesses expert knowledge and abundant experience mainly in the information communications field cultivated by serving in these positions. Because he has a sincere character and a high level of both insight and skill in corporate management, the Company regards him to be suitable as an Outside Director of the Company and has invited him as an Outside Director. In addition, he is an executor of business of Sumitomo Corporation and falls under abovementioned "A. Independence judgment criteria (Outside Director) 7" as of filing date of this report.

Mr. Toshiya Asaba, Outside Director, has been involved in the establishment of the Internet in Japan and building Internet service for many years. He has also served as CTO and Representative Director in IT-related companies, so he possesses broad knowledge and abundant experience as an IT specialist and as a corporate manager. Because he has a sincere character and a high level of both insight and skill in corporate management, the Company regards him to be suitable as an Outside Director of the Company and has invited him as an Outside Director. In addition, the Company considers that there is no likelihood of occurrence of conflict of interest between him and general shareholders judging from his career record, and has designated him as an independent officer.

Ms. Kyoko Deguchi, Outside Director, has been involved in the finance business of many different corporations for many years, and has served as a CFO and Representative Director, so she possesses broad knowledge and abundant experience as a finance specialist and as a corporate manager. Because she has a sincere character and a high level of both insight and skill in corporate management, the Company regards her to be suitable as an Outside Director of the Company and has invited her as an Outside Director. In addition, the Company considers that there is no likelihood of occurrence of conflict of interest between her and general shareholders judging from her career record, and has designated her as an independent officer.

Mr. Junichi Kamata, Outside Director, has been involved in the core of management for many years, serving as General Manager of the Human Resources and General Administration Department, General Manager of Corporate Management Planning Office, and Director of Hitachi Metals, Ltd. He possesses broad knowledge and abundant experience as a corporate management specialist and as an executive manager. Because he has a sincere character and a high level of both insight and skill in corporate management, the Company regards him to be suitable as an Outside Director of the Company and has invited him as an Outside Director. In addition, the Company considers that there is no likelihood of occurrence of conflict of interest between him and general shareholders judging from his career record, and has designated him as an independent officer.

Mr. Toshio Morohoshi, Outside Director, involved in business management at the center of management in Fujitsu Limited as Managing Executive Officer following positions as President of overseas subsidiaries, etc. Also, after that, he spent much of time as Representative Director and President in multiple IT companies, and was involved in promoting the IT business and corporate management for many years. Thus, he has wide-ranging knowledge and experience as an IT business specialist and as a corporate manager. Because he has a sincere character and a high level of both insight and skill in corporate management, the Company regards him to be suitable as an Outside Director of the Company and has invited him as an Outside Director. In addition, the Company considers that there is no likelihood of occurrence of conflict of interest between him and general shareholders judging from his career record, and has designated him as an independent officer.

Mr. Yoshisada Takahashi, Outside Director, has been involved in the core of management for many years, serving as Plant Manager in Japan and at an overseas subsidiary, President of the Production Division, and Executive Vice President, Chief Information & Innovation Officer, and President of the Information Strategy Division at Komatsu Ltd. He possesses knowledge concerning the corporate utilization of ICT, as well as broad knowledge and abundant experience as an executive manager. Because he has a sincere character and a high level of both insight and skill in corporate management, the Company regards him to be suitable as an Outside Director of the Company and has invited him as an Outside Director. In addition, the Company considers that there is no likelihood of occurrence of conflict of interest between him and general shareholders judging from his career record, and has designated him as an independent officer.

Mr. Nobuo Oyama, Outside Audit & Supervisory Board Members, has been involved in accounting and finance for many years. At Sumitomo Corporation he has served as General Manager of Investor Relations Dept., General Manager of Accounting Dept., Mineral Resources, Energy, Chemical & Electronics Business Unit, and General Manager of Accounting Dept., Media, ICT, Lifestyle Related Goods & Services Business Unit. Because Mr. Oyama possesses expert knowledge in accounting and finance and experience in management cultivated by serving in these positions, and has a sincere character and a high level of insight, experience, and skill in corporate management, the Company regards Mr. Oyama to be suitable as an Outside Audit & Supervisory Board Member of the Company and has invited him as an Outside Audit & Supervisory Board Member. In addition, he is an executor of business of Sumitomo Corporation and falls under abovementioned "A. Independence judgment criteria (Outside Audit & Supervisory Board Member) 7" as of filing date of this report.

Mr. Toshiro Kaba, Outside Audit & Supervisory Board Member, is familiar with corporate legal affairs as an attorney, has abundant experience and insight, and has deep insight also in IT and Internet fields. Also, since 2013, he has carried out the audit properly as the Outside Audit & Supervisory Board Member of the Company. From the viewpoint that his experience and insight would be useful to supervise general management and for proper audit activities, the Company has invited him as an Outside Audit & Supervisory Board Member. In addition, the Company considers that there is no likelihood of occurrence of conflict of interest between him and general shareholders judging from his career record, and has designated him as an independent officer.

Mr. Tetsuo Kitagawa, Outside Audit & Supervisory Board Member, is familiar with the finance and accounting field as a certified public accountant, and has abundant experience and insight. From the viewpoint that his experience and

【社外秘/CONFIDENTIAL】T-Gaia Corp.

insight would be useful to supervise general management and for proper audit activities, the Company has invited him as an Outside Audit & Supervisory Board Member. In addition, the Company considers that there is no likelihood of occurrence of conflict of interest between him and general shareholders judging from his career record, and has designated him as an independent officer.

There is no special relationship between the Company and either of Outside Directors and Outside Audit & Supervisory Board Members. The holding status of the Company's shares by Outside Directors and Outside Audit & Supervisory Board Members is as described in "IV. Information About Reporting Company, 4. Corporate Governance, (2) Information about officers, (i) List of officers, Number of shares held."

(iii) Mutual cooperation of supervision or audit by Outside Directors or Outside Audit & Supervisory Board Members with internal audit, Audit & Supervisory Board Members' audit, and accounting audit as well as the relationship of those supervision or audit with the Internal Control Department

The Company established the framework under which Outside Directors grasp the status of the Internal Control Department through the Board of Directors, etc., and are able to speak from an impartial and professional standpoint.

The Company established the framework for Outside Audit & Supervisory Board Members to audit the status of the execution of Directors' duties, as Outside Audit & Supervisory Board Members share information of matters of Management Conferences, internal audit reports, status of execution of duties, and other information related to the Internal Control Department through the Audit & Supervisory Board, etc., as well as attending regular meetings between the Representative Director, Outside Directors, and Audit & Supervisory Board Members. Among Outside Audit & Supervisory Board Members, one of them is an attorney and has expertise in legal affairs, and another is qualified as a certified public accountant and has expertise in finance and accounting. They speak at Board of Directors meetings utilizing their expertise and strengths to supervise corporate management as well as exchange views and information. The Company established the framework under which Outside Audit & Supervisory Board Members timely receive a report of audit plan and accounting audit results from accounting auditors, exchange views, and aim to cooperate appropriately.

(3) Audits

(i) Audits by Audit & Supervisory Board Members

A. Organization, personnel, and procedures of audits by Audit & Supervisory Board Members

The outline of the framework of the Company's Audit & Supervisory Board is as described in "4. Corporate Governance, (1) Overview of corporate governance, (ii) Overview of corporate governance framework and its reason to adopt said framework." Two employee who assist the duties of Audit & Supervisory Board Members work as staff members for Audit & Supervisory Board.

Audit & Supervisory Board Members formulate audit plans at the start of the fiscal year and report it to the Board of Directors. They strive to grasp and monitor the execution of duties as well as audit the process of decision-making and execution of duties by Directors and other personnel by attending important meetings other than advisory committee meetings, holding hearings with Directors and key officers and employees of the Company, conducting on-site audits of the Company's head office, regional headquarters, branches, directly managed shops, and subsidiaries, receiving audit reports of subsidiaries from corporate auditors of subsidiaries, and reviewing important documentation. Audit & Supervisory Board Members also hold meetings with the President and Representative Director as needed and with Outside Directors on a regular basis to check their execution of duties. Furthermore, Audit & Supervisory Board Members seek collaboration with the Internal Audit Department and the Accounting Auditor as appropriate and contribute to audit activities through the exchange of opinions and information with them.

The career summaries of the Audit & Supervisory Board Members are as described in "4. Corporate Governance, (2) Information about Officers, (i) List of officers." Of the Audit & Supervisory Board Members, Full-time Audit & Supervisory Board Members Naoya Okutani and Nobuo Oyama and Audit & Supervisory Board Members Toshiro Kaba and Tetsuo Kitagawa possess considerable expertise in the fields of finance and accounting or legal affairs, as detailed below.

- Full-time Audit & Supervisory Board Member Naoya Okutani is licensed as Small and Medium sized Enterprise Consultant.
- Full-time Audit & Supervisory Board Member Nobuo Oyama has many years of experience in financial and accounting operations.
- Audit & Supervisory Board Member Toshiro Kaba is licensed as an attorney.
- Audit & Supervisory Board Member Tetsuo Kitagawa is licensed as a certified public accountant.

B. Activities of Audit & Supervisory Board Members and the Audit & Supervisory Board during the fiscal year under review

(Frequency of Audit & Supervisory Board meetings and each Audit & Supervisory Board Member's attendance)

The Audit & Supervisory Board convenes on a monthly basis in principle and on other occasions when necessary. 13 meetings of the Board of Auditors were held during the fiscal year under review. The attendance of each Audit & Supervisory Board Member was as shown below.

【社外秘/CONFIDENTIAL】T-Gaia Corp.

	Name	Meetings attended / Meetings held
Full-time Audit & Supervisory Board Member	Naoya Okutani	13/13 (Attendance rate: 100%)
	◎ Nobuo Oyama	13/13 (Attendance rate: 100%)
Audit & Supervisory Board Member	Toshiro Kaba	13/13 (Attendance rate: 100%)
	Tetsuo Kitagawa	13/13 (Attendance rate: 100%)

◎: Chair of the Audit & Supervisory Board

(Note) Full-time Audit & Supervisory Board Member Mr. Nobuo Oyama, and Audit & Supervisory Board Members Mr. Toshiro Kaba, and Mr. Tetsuo Kitagawa are Outside Audit & Supervisory Board Members.

(Specific matters considered by the Audit & Supervisory Board)

The specific matters considered by the Audit & Supervisory Board during the fiscal year under review were as follows:

- Consideration, formulation, and approval of audit policies and audit plans
- Examination of the development and operation of the internal control framework
- Examination of key audit items

(Examination of effectiveness of the corporate governance framework, examination of the compliance promotion framework, examination of sophistication of the risk management framework, examination of the governance frameworks of the Group's operating companies)

- Key audit matters by Accounting Auditor
- Reasonableness of audit by Accounting Auditor; evaluation, appointment and remuneration of Accounting Auditor
- Existence of transactions involving conflict of interest and details of the transactions, if any
- Examination of BCP formulation

(Activities of Full-time Audit & Supervisory Board Members and Part-time Audit & Supervisory Board Members)

During the fiscal year under review, Audit & Supervisory Board Members carried out audit activities as detailed below. The Full-time Audit & Supervisory Board Members share the responsibility of holding hearings with officers and employees of the Company, conducting on-site audits, attending important meetings other than the meetings of advisory committees, and holding information liaison meetings with auditors of the subsidiaries. Part-time Audit & Supervisory Board Members are shared information and materials from Full-time Audit & Supervisory Board Member and provide advice and recommendations from their respective professional viewpoints. Audit quality is maintained by adopting the use of remote audits from the perspective of preventing the spread of COVID-19.

Item	Activities and status
Meetings with the President and Representative Director	Full-time Audit & Supervisory Board Members held meetings with the President and Representative Director as needed. Meetings between all members of the Audit & Supervisory Board and the President and Representative Director were held three times during the fiscal year under review. The Audit & Supervisory Board Members confirmed the president's claims and policies on matters such as management strategy issues, matters to be addressed, strengthening of the business structure, and internal control issues. They also exchanged opinions with the President and Representative Director to promote mutual understanding.
Meetings with Outside Directors	Three meetings were held during the fiscal year under review. The Audit & Supervisory Board Members received advice from the Independent Outside Directors' professional viewpoints and exchanged opinions on matters such as management strategy issues and concerns, matters to be addressed, and internal control issues.
Hearings with key officers and employees of the Company	The Audit & Supervisory Board Members heard explanations, asked questions, and confirmed the situation of important matters and concerns related to the interviewee's duties at the hearings held individually.
On-site audits of the head office, regional headquarters, branches, directly managed shops, and confirmation of control situation of subsidiaries	Through the on-site audits, the Audit & Supervisory Board Members examined and confirmed the situation of important matters and concerns related to the subject's duties. With respect to subsidiaries, the Audit & Supervisory Board Members received audit report from subsidiaries' Audit & Supervisory Board Members and confirmed their situation.
Attendance at important meetings other than the meetings of the Board of Directors	The Audit & Supervisory Board Members attended meetings of the Management Conference, the Information Disclosure Committee, the Internal Controls Committee, the Executive Officers' Committee, the Human Resources Committee, the Budget Conference, and other multiple meetings to confirm the

【社外秘/CONFIDENTIAL】T-Gaia Corp.

Item	Activities and status
	proceedings, results, and progress of the agenda concerning key matters in management strategy. With respect to Nominating Advisory Committee and Compensation Advisory Committee, the Audit & Supervisory Board Members received report from the executive officers in charge and confirmed the result.
Receiving audit reports from and convening information liaison meetings with auditors of the subsidiaries	Audits reports by auditors of subsidiaries were received and two information liaison meetings were held during the fiscal year under review. At information liaison meetings, opinions were exchanged on the status of audits of subsidiaries and on important matters and shared matters.
Collaboration with the Internal Audit Department	Opinions and information were exchanged following explanations from the Internal Audit Department on its internal audit plans and the reporting on the results to the President and Representative Director.
Collaboration with the Accounting Auditor	Through the seven meetings held during the year to receive the Accounting Auditor's briefing on its audit plans and report on the results of the quarterly review, as well as the report on the year-end audit results, the Audit & Supervisory Board Members asked questions and confirmed the situation of important matters and matters considered, and exchanged opinions on key audit matters.

(ii) Internal audits

A. Outline of organization, personnel, and procedures

The Company has established the independent Internal Audit Department, which reports directly to the President. It performs risk-based business audits (e.g., site audits, store audits, subsidiary audits, personal data protection audits) for the purpose of contributing to management.

In order to contribute to the effective achievement of management goals, the Internal Audit Department conducts business audits from a fair and independent standpoint from the viewpoint of legal compliance and management rationality, and evaluates the appropriateness and effectiveness of management activities relating to each process of governance, risk management, and control.

Audit policies and plans are approved by the President and Representative Director and reported to the Board of Directors. In addition, the audit results are reported to the President and Representative Director and Audit & Supervisory Board members on a case-by-case basis, and the audit results for the fiscal year are reported to the Board of Directors.

With regard to any issues identified in an internal audit, the audited division promptly prepares a follow-up report and reflects it in business improvements.

B. Quality enhancement

In order to enhance the effectiveness of internal audits, since fiscal year 2020, we have been conducting internal evaluations to strengthen the quality of internal audits required by the International Professional Practices Framework (IPPF). Furthermore, in fiscal year 2021, we conducted external evaluations by external experts to strengthen the quality of internal audits.

C. Mutual cooperation between internal audits, audits by Audit & Supervisory Board Members, and accounting audits, and the relationship between such audits and the Internal Control Department

Internal audits involve evaluations of independent internal control departments in accordance with internal audit plans and the Internal Audit Regulations. The Accounting Auditor cooperates with the Internal Audit Department as appropriate and utilizes the content and results of internal audits in its audit results as needed.

The Audit & Supervisory Board Members and the Internal Audit Department cooperates to enhance the quality and efficiency of audits by Audit & Supervisory Board Members, by exchanging opinions and information as needed concerning the Internal Audit Department's audit plans and audit implementation, among other matters.

The Internal Control Department functions to ensure the adequateness of finance, accounting, and other business operations related to corporate activities. Receiving these audits contributes not only to the strengthening of internal control functions on financial reporting, but also to the development of a governance framework with a greater awareness of compliance.

(iii) Accounting audits

A. Name of audit firm

Deloitte Touche Tohmatsu LLC

B. Consecutive period of audit

22 years

【社外秘/CONFIDENTIAL】T-Gaia Corp.

C. Certified public accountants performing the audit

Designated Limited Liability Partner and Engagement Partner Tokio Suzuki

Designated Limited Liability Partner and Engagement Partner Koji Hara

(Note) The consecutive period of audit of the certified public accountants who performed the audit is not stated, since it is less than seven accounting periods.

D. Composition of assistants of audit operations

Assistants of accounting audit operations consist of a total of 18 persons comprising 6 CPAs from Deloitte Touche Tohmatsu LLC and 12 other persons.

E. Policy and reason for selecting the Primary Auditor

The Company selects the Accounting Auditor based on a comprehensive review of the following matters, among others, to ensure appropriate accounting audits are performed. It has reappointed Deloitte Touche Tohmatsu LLC during the fiscal year under review.

- The dismissal causes provided by Article 340 of the Companies Act is not applicable to the Accounting Auditor.
- A proper quality management framework is in place.
- Independence is ensured.
- The framework for audit implementation (the establishment of an audit team and the execution of duties thereof) is appropriate.
- The amount of remuneration paid for audits is appropriate.

F. Evaluation of Primary Auditor by Audit & Supervisory Board Members and the Audit & Supervisory Board

The Company's Audit & Supervisory Board Members and the Audit & Supervisory Board evaluate the Accounting Auditor each year. The Audit & Supervisory Board Members and the Audit & Supervisory Board have evaluated that audits are properly performed, based on a report by the Audit & Supervisory Board Members and the Board of Auditors on the execution of duties by the Accounting Auditor received directly from the Accounting Auditor and on questions asked to the executive divisions as well as a comprehensive review including audit quality.

(iv) Details of remuneration paid for audits

A. Remuneration for Primary Auditor

Category	Previous fiscal year		Fiscal year under review	
	Audit fees (millions of yen)	Non-audit fees (millions of yen)	Audit fees (millions of yen)	Non-audit fees (millions of yen)
Reporting company	63	–	68	–
Consolidated subsidiaries	17	–	17	–
Total	80	–	86	–

(Previous fiscal year)

Audit fees for the Company's Primary Auditor include remuneration of 1 million yen based on the consolidation package of the parent company.

(Fiscal year under review)

Audit fees for the Company's Primary Auditor include remuneration of 1 million yen based on the consolidation package of other affiliated companies and remuneration of 6 million yen based on the audit of consolidated financial statements in English.

B. Remuneration for organizations belonging to the same network (Deloitte) as the Primary Auditor (excluding A)

Not applicable.

C. Other material audit fees

Not applicable.

D. Policy for determining remuneration paid for audits

The Company has not established a policy for determining the remuneration paid for audits.

【社外秘/CONFIDENTIAL】T-Gaia Corp.

E. Reasons for the Audit & Supervisory Board to have agreed to the remuneration, etc., for the Primary Auditor

In regard to the remuneration, etc., for the Accounting Auditor proposed by the Board of Directors, the Company's Audit & Supervisory Board has decided to approve the amount of remuneration, etc., for the Accounting Auditor after verifying the content of the Accounting Auditor's audit plans, the status of accounting audit services performed, and the basis for the remuneration calculations.

(4) Remuneration, etc. for Officers

(i) Matters relating to the policy on the decision of the amount of remuneration, etc., for officers or the calculation method thereof

A. Matters relating to the policy for decisions on individual remuneration, etc., for directors

The Company has determined the policy for decisions on individual remuneration etc., for directors in the Board of Directors. In regard to individual remuneration, etc., for directors for the current fiscal year, the Board of Directors has confirmed that the method for determining remuneration, etc., and the details of the determined remuneration, etc., are consistent with the decision -making policy determined by the Board of Directors, and that the reports from the Compensation Advisory Committee have been respected, and has determined that such individual remuneration, etc., is in compliance with said decision-making policy.

The content of the decision-making policy for the individual remuneration, etc., of Directors is as shown below.

a. Policy for basic remuneration

A fixed amount based on the expectations for the role, in accordance with the position.

b. Performance-based, etc., policy

As a short-term incentive to raise awareness of improving performance in a single fiscal year, etc., a comprehensive evaluation is conducted that comprises both a quantitative evaluation of profit attributable to owners of parent and the profit of the department in charge, as well as a qualitative evaluation of the contribution of role in accordance with position and contribution to the Company as a whole, and the amount of remuneration is determined in accordance with the level of achievement.

c. Policy on non-monetary remuneration, etc.

As a long-term incentive to raise awareness of management from the perspective of shareholders, a certain number of shares will be granted for each position, based on the expectations for the role in accordance with the position (restricted stock remuneration).

d. Policy on remuneration, etc., ratio

A standard table has been formulated for each position; the ratio of fixed remuneration against the total remuneration for each position is approximately 60%, the performance-based remuneration is approximately 30%, and share remuneration (restricted stock remuneration) is approximately 10%. It should be noted that the remuneration for Directors seconded from the parent company will be fixed remuneration and performance-based remuneration, and the remuneration for Outside Directors shall be fixed remuneration only.

e. Policy on timing and conditions for the granting of remuneration, etc.

A meeting of the Compensation Advisory Committee is held in June of each year, during which an evaluation is conducted on each individual, proposed remuneration is formulated, and is submitted for resolution to a meeting of the Board of Directors held in that same month. It should be noted that fixed remuneration and performance-based remuneration are paid monthly as a fixed monthly amount, and share remuneration is paid in July of each year.

f. Matters relating to decisions on remuneration, etc., other than the above

A Compensation Advisory Committee comprised of Outside Directors and the Representative Director as well as Directors nominated by the President and Representative Director has been established as a discretionary advisory body of the Board of Directors. The Compensation Advisory Committee engages in deliberations on the determination of remuneration, etc., policy, performance evaluations and establishment of a plan on individual remuneration amounts, as well as the issues relating to the evaluation system and countermeasures thereto, and then proposes the results of this to the Board of Directors. The Board of Directors, in response to reports from the Compensation Advisory Committee, determines the remuneration for officers within the range of the content and amount approved at the General Meeting of Shareholders.

B. Matters relating to the policy for decisions on remuneration, etc., for audit & supervisory board members

With regard to remuneration for Audit & Supervisory Board Members, from the perspective of them having an independent position to monitor the execution of duties of Directors, monthly remuneration comprising fixed remuneration has been put in place. The amount, calculation method, allocation, etc., are determined within the range approved at the General Meeting of Shareholders, upon discussions by the Audit & Supervisory Board Members.

C. Details of the resolution of the general meeting of shareholders on the remuneration for officers

Annual remuneration for Directors was limited to no more than 270 million yen by resolution of the 28th Ordinary General Meeting of Shareholders that met on June 19, 2019 (Of that total, no more than 30 million yen per year was to be paid to Outside Directors; these limits do not include employee salaries).

【社外秘/CONFIDENTIAL】T-Gaia Corp.

It should be noted that, at the 30th Ordinary General Meeting of Shareholders that met on June 18, 2021, it was resolved to increase the annual remuneration for Outside Directors, which is included in the total remuneration for Directors, bringing the annual remuneration for Directors to no more than 270 million yen, of which no more than 60 million yen per year is for Outside Directors (not including employee salaries).

In addition, separate from monetary remuneration, the remuneration to be paid for the purpose of granting restricted stocks to Directors (excluding Outside Directors and Directors seconded by the parent company) was limited to an amount not exceeding 30 million yen per annum (not including employee salaries) by resolution at the 28th Ordinary General Meeting of Shareholders that met on June 19, 2019.

Annual remuneration for Audit & Supervisory Board Members was limited to no more than 70 million yen by resolution of the 17th Ordinary General Meeting of Shareholders that met on June 26, 2008.

【社外秘/CONFIDENTIAL】T-Gaia Corp.

(ii) Total amount of remuneration, etc., by category of officers, total amount of remuneration, etc., by type, and number of eligible officers

Category of officers	Total amount of remuneration, etc. (millions of yen)	Total amount of remuneration, etc., by type (millions of yen)			Number of eligible officers (persons)
		Fixed remuneration	Performance-based remuneration	Non-monetary remuneration, etc.	
Director (Excluding Outside Director)	117	89	23	5	4
Audit & Supervisory Board Member (Excluding Outside Audit & Supervisory Board Members)	25	25	–	–	2
Outside Officer	67	67	–	–	8

(5) Stockholdings

(i) Standard and concept of classification of investment shares

With regard to the classification of investment shares into those held for pure investment and those held for purposes other than pure investment, the Company classifies shares to be invested in for the purpose of, at the time of investment decision, gaining profit through fluctuation of the value of the shares and dividends on the shares as investment shares held for pure investment, and those to be invested in for other purposes as investment shares held for purposes other than pure investment (strategic stockholdings).

(ii) Investment shares held for purposes other than pure investment

A. Stockholding policy, method of examining stockholding rationality, and content of examination by the Board of Directors, etc., on the rationality of each stockholding

a. Stockholding policy

The Company's business is categorized primarily into the Consumer Mobile Business Segment, Enterprise Solutions Business Segment, and Payment Service Business and Other Business Segment. The Company holds shares of other companies if it deems it necessary to establish, maintain, or strengthen relationships with business partners in each business segment. With respect to strategic stockholdings, the Company considers a range of issues, such as the scale, growth potential, and profitability of business with the relevant company, to examine the continuance and economic rationality of the stockholding. If the stockholding is deemed to have no rationality due to reasons such as a contraction in the scale of business, the shares will be sold.

b. Method of examining stockholding rationality

The Company examines the rationality of its strategic stockholdings by confirming whether the benefits of the stockholdings, such as the annual scale and profitability of business for each stock, outweighs the Company's capital cost standard. In addition, the appropriateness and rationality of the stockholdings are verified at each business segment based on the results of qualitative evaluations by the department in charge of the relevant stock.

c. Content of examination by the Board of Directors

The results of the examination of the rationality of each stockholding as of the date of record of March 31, 2023, and the judgment of whether the stock should be sold or continue to be held were reported to the Board of Directors. As a result of the examination as of March 31, 2023, it is confirmed that all stocks currently held as strategic stockholdings are held for the purpose in accordance with the stockholding policy.

B. Number of stocks and total carrying amount

	Number of stocks (stocks)	Total carrying amount (millions of yen)
Unlisted shares	17	1,742
Shares other than those not listed	6	459

【社外秘/CONFIDENTIAL】T-Gaia Corp.

(Stocks whose number of shares increased during the fiscal year under review)

	Number of stocks (stocks)	Total acquisition cost for increased shares (millions of yen)	Reason for increase in number of shares
Unlisted shares	3	209	New acquisition aiming at creation of a new revenue source
Shares other than those not listed	1	0	New acquisition aiming at realization of synergy in business

(Stocks whose number of shares decreased during the fiscal year under review)

	Number of stocks (stocks)	Total sale value for decreased shares (millions of yen)
Unlisted shares	–	–
Shares other than those not listed	–	–

C. Information on the number of shares and carrying amount, etc., of each specific investment shares and deemed stockholding

The Company conducts examinations of the quantitative stockholding effects in relation to each business segment. However, we are not disclosing the results here, in consideration of the impact they would have on the counterparty of the stockholding and other sales channels.

Specific investment shares

Stock	Fiscal year under review	Previous fiscal year	Purpose of stockholding, outline of business collaboration, quantitative effects of stockholding, and reason for increase in number of shares	Whether the counterparty holds Company shares
	Number of shares (shares)	Number of shares (shares)		
	Carrying amount (millions of yen)	Carrying amount (millions of yen)		
Yamada Holdings Co., Ltd.	300,000	300,000	Yamada Holdings is a major business partner in the mass retailer sales channel of mainly the Consumer Mobile Business, with a long history of doing business with the Company. The purpose of holding shares of Yamada Holdings is to maintain and develop good business relations and strengthen business transactions.	No
	136	114		
IID, Inc.	250,000	250,000	As we deepen our current business and develop new businesses in the Payment Service Business and Other Business Segment, shares in IID are held for the purpose of collecting information in various fields through regular communication between the two companies.	No
	211	191		
Valuedesign Inc. (Note)	–	66,700	The Company established a joint venture with Valuedesign to jointly operate overseas businesses in three Southeast Asian countries. Shares of the company had been held from before to maintain the partnership and strengthen synergies. However, share exchange related with arara inc. was executed on June 1, 2022, and so the number of shares held has become zero.	No
	–	115		
arara inc. (Note)	213,440	–	Shares of the company has been held because Valuedesign Inc., whose shares had been held to maintain the partnership and strengthen synergies, was made a wholly owned subsidiary by share exchange on June 1, 2022.	No
	78	–		

【社外秘/CONFIDENTIAL】T-Gaia Corp.

Stock	Fiscal year under review	Previous fiscal year	Purpose of stockholding, outline of business collaboration, quantitative effects of stockholding, and reason for increase in number of shares	Whether the counterparty holds Company shares
	Number of shares (shares)	Number of shares (shares)		
	Carrying amount (millions of yen)	Carrying amount (millions of yen)		
Safie Inc.	40,000	40,000	The Company has signed a sales agency agreement to purchase and sell Safie products. Shares of Safie are held for the purpose of development of solutions to improve productivity of the Group's directly managed shops.	No
	30	61		
Kyoritsu Computer & Communication Co., Ltd.	1,500	1,500	The Company has signed a sales agency agreement with Kyoritsu Computer & Communication mainly in the Consumer Mobile Business with a long history of doing business. The purpose of holding shares of Kyoritsu Computer & Communication is to maintain and develop good business relations and strengthen business transactions.	Yes
	2	2		
HiroHoldings Co., ltd.	200	–	Shares of the company has been held to strengthen synergies and the relationship with the company as a strategic partner mainly in the Payment Service Business and Other Business Segment.	No
	0	–		

(Note) Valuedesign Inc. was transformed to a wholly-owned subsidiary of arara inc. by share exchange on June 1, 2022. Due to this share exchange, the Company received the delivery of allotted shares of common stock of arara inc. with the proportion of 3.2 shares of common stock for one share of common stock of Valuedesign Inc.

(iii) Investment shares held for pure investment

The Company does not hold investment shares for pure investment.

【社外秘/CONFIDENTIAL】T-Gaia Corp.

V. Financial Information

1. Method of preparation of consolidated financial statements and non-consolidated financial statements

(1) The Company has prepared the consolidated financial statements in accordance with the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ministry of Finance Order No. 28, 1976, the “Consolidated Financial Statements Regulation”).

(2) The Company has prepared the non-consolidated financial statements in accordance with the Regulation on Terminology, Forms, and Preparation Methods of Financial Statements (Ministry of Finance Order No. 59, 1963; the “Financial Statements Regulation”).

In addition, the Company falls under the category of a special company submitting financial statements and has prepared the non-consolidated financial statements in accordance with Article 127 of the Financial Statements Regulation.

2. Note on independent audit

In accordance with Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, the consolidated financial statements for the fiscal year (from April 1, 2022 to March 31, 2023) and the non-consolidated financial statements for the fiscal year (from April 1, 2022 to March 31, 2023) were audited by Deloitte Touche Tohmatsu LLC.

3. Particular efforts to ensure fair presentation of consolidated financial statements, etc.

The Company makes particular efforts to ensure the fair presentation of consolidated financial statements, etc. Specifically, in order to properly comprehend accounting standards and develop a system to make timely disclosure, the Company has joined the Financial Accounting Standards Foundation (FASF) to attend its training programs, etc., and gather information about newly established and/or changed accounting standards and others.

【社外秘/CONFIDENTIAL】T-Gaia Corp.

1. Consolidated financial statements and other information

(1) Consolidated financial statements

(i) Consolidated balance sheets

(Millions of yen)

		As of March 31, 2022		As of March 31, 2023
Assets				
Current assets				
Cash and deposits	*1	58,162	*1	47,652
Notes and accounts receivable - trade	*2, *3	17,660	*2, *3	19,687
Inventories	*4	22,239	*4	25,855
Accounts receivable - other	*3	12,621	*3	11,258
Guarantee deposits	*1	81,400	*1	93,219
Other		2,495		2,765
Allowance for doubtful accounts		(37)		(18)
Total current assets		194,542		200,420
Non-current assets				
Property, plant and equipment				
Buildings and structures		10,786		10,762
Accumulated depreciation	*5	(8,788)	*5	(9,157)
Buildings and structures, net		1,998		1,604
Machinery, equipment and vehicles		965		1,435
Accumulated depreciation		(109)		(167)
Machinery, equipment and vehicles, net		856		1,268
Furniture and fixtures		5,799		5,555
Accumulated depreciation	*5	(5,101)	*5	(5,072)
Furniture and fixtures, net		697		482
Land		304		304
Leased assets		152		246
Accumulated depreciation		(121)		(145)
Leased assets, net		30		101
Construction in progress		16		465
Total property, plant and equipment		3,903		4,227
Intangible assets				
Goodwill		16,563		16,502
Software		3,953		5,238
Contract-related intangible assets		1,260		1,193
Other		931		246
Total intangible assets		22,709		23,179
Investments and other assets				
Investment securities	*6	3,742	*6	3,648
Deferred tax assets		10,085		8,748
Retirement benefit asset		14		–
Leasehold deposits		4,707		4,542
Other		1,594		1,316
Allowance for doubtful accounts		(21)		(15)
Total investments and other assets		20,122		18,240
Total non-current assets		46,735		45,648
Total assets		241,277		246,068

【社外秘/CONFIDENTIAL】T-Gaia Corp.

(Millions of yen)

		As of March 31, 2022		As of March 31, 2023
Liabilities				
Current liabilities				
Accounts payable - trade	*3	9,964	*3	10,104
Current portion of long-term borrowings		12,751		3,751
Accounts payable - other	*1, *3	16,576	*1, *3	16,723
Income taxes payable		722		971
Refund liability		–		87
Provision for bonuses		2,719		2,486
Card deposits		118,341		131,028
Other		1,215		1,046
Total current liabilities		162,290		166,199
Non-current liabilities				
Long-term borrowings		5,622		1,871
Years of service gratuity reserve provisions		146		187
Retirement benefit liability		349		369
Asset retirement obligations		1,979		1,991
Other		406		561
Total non-current liabilities		8,503		4,981
Total liabilities		170,794		171,181
Net assets				
Shareholders' equity				
Share capital		3,154		3,154
Capital surplus		5,123		5,141
Retained earnings		62,137		65,892
Treasury shares		(284)		(260)
Total shareholders' equity		70,129		73,927
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities		263		318
Foreign currency translation adjustment		55		139
Total accumulated other comprehensive income		318		458
Non-controlling interests		35		501
Total net assets		70,483		74,887
Total liabilities and net assets		241,277		246,068

【社外秘/CONFIDENTIAL】T-Gaia Corp.

(ii) Consolidated statements of income and consolidated statements of comprehensive income
(Consolidated statements of income)

(Millions of yen)

		Fiscal year ended March 31, 2022		Fiscal year ended March 31, 2023
Net sales	*1	476,464	*1	453,604
Cost of sales		403,889		382,839
Gross profit		72,574		70,765
Selling, general and administrative expenses	*2	62,006	*2	63,770
Operating profit		10,567		6,994
Non-operating income				
Interest income		6		5
Dividend income		8		10
Share of profit of entities accounted for using equity method		–		14
Delay damages income		–		362
Hoard profit of prepaid card		4,764		4,140
Other		211		394
Total non-operating income		4,990		4,928
Non-operating expenses				
Interest expenses		82		32
Share of loss of entities accounted for using equity method		45		–
Delay damages		–		171
Other		47		80
Total non-operating expenses		175		284
Ordinary profit		15,381		11,637
Extraordinary income				
Gain on sale of non-current assets	*3	54	*3	20
Gain on sale of investment securities		807		–
Gain on bargain purchase		–		249
Gain on step acquisitions		–		305
Total extraordinary income		862		575
Extraordinary losses				
Loss on sale of non-current assets	*4	5	*4	9
Loss on retirement of non-current assets	*5	37	*5	124
Impairment losses	*6	78	*6	43
Total extraordinary losses		121		178
Profit before income taxes		16,122		12,034
Income taxes - current		3,769		2,902
Income taxes - deferred		1,766		1,312
Total income taxes		5,536		4,215
Profit		10,586		7,819
Profit (loss) attributable to non-controlling interests		7		(119)
Profit attributable to owners of parent		10,579		7,938

【社外秘/CONFIDENTIAL】T-Gaia Corp.

(Consolidated statements of comprehensive income)

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Profit	10,586	7,819
Other comprehensive income		
Valuation difference on available-for-sale securities	(48)	55
Foreign currency translation adjustment	–	85
Share of other comprehensive income of entities accounted for using equity method	41	(0)
Total other comprehensive income	* (6)	* 139
Comprehensive income	10,579	7,959
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	10,572	8,045
Comprehensive income attributable to non-controlling interests	7	(85)

【社外秘/CONFIDENTIAL】T-Gaia Corp.

(iii) Consolidated statements of changes in shareholders' equity
Consolidated Fiscal Year 2022 (from April 1, 2021 to March 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	3,154	5,092	55,739	(312)	63,672
Changes during period					
Dividends of surplus			(4,181)		(4,181)
Profit attributable to owners of parent			10,579		10,579
Disposal of treasury shares		31		27	58
Net changes in items other than shareholders' equity					
Total changes during period	–	31	6,398	27	6,456
Balance at end of period	3,154	5,123	62,137	(284)	70,129

	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	311	14	325	28	64,026
Changes during period					
Dividends of surplus					(4,181)
Profit attributable to owners of parent					10,579
Disposal of treasury shares					58
Net changes in items other than shareholders' equity	(48)	41	(6)	7	0
Total changes during period	(48)	41	(6)	7	6,456
Balance at end of period	263	55	318	35	70,483

【社外秘/CONFIDENTIAL】T-Gaia Corp.

Consolidated Fiscal Year 2023 (from April 1, 2022 to March 31, 2023)

(Millions of 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 period					
Dividends of surplus			(4,183)		(4,183)
Profit attributable to owners of parent			7,938		7,938
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		18		24	42
Net changes in items other than shareholders' equity					
Total changes during period	–	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 period					
Dividends of surplus					(4,183)
Profit attributable to owners of parent					7,938
Purchase of treasury shares					(0)
Disposal of treasury shares					42
Net changes in items other than shareholders' equity	55	84	139	466	606
Total changes during period	55	84	139	466	4,404
Balance at end of period	318	139	458	501	74,887

【社外秘/CONFIDENTIAL】T-Gaia Corp.

(iv) Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2022		Fiscal year ended March 31, 2023
Cash flows from operating activities			
Profit before income taxes	16,122		12,034
Depreciation	2,068		2,393
Impairment losses	78		43
Amortization of goodwill	1,345		1,298
Increase (decrease) in refund liability	–		87
Increase (decrease) in provision for bonuses	(206)		(241)
Increase (decrease) in retirement benefit liability	22		35
Increase (decrease) in years of service gratuity reserve provisions	(55)		41
Interest and dividend income	(14)		(15)
Interest expenses	82		32
Loss (gain) on step acquisitions	–		(305)
Gain on bargain purchase	–		(249)
Delay damages income	–		(362)
Delay damages	–		171
Share of loss (profit) of entities accounted for using equity method	45		(14)
Loss (gain) on sale of investment securities	(807)		–
Decrease (increase) in trade receivables	4,826		(1,768)
Decrease (increase) in accounts receivable - other	1,552		1,394
Decrease (increase) in inventories	(638)		(3,324)
Decrease (increase) in guarantee deposits	(7,610)		(11,170)
Increase (decrease) in trade payables	274		(137)
Increase (decrease) in accounts payable - other	(2,927)		(39)
Increase (decrease) in card deposits	11,825		12,686
Other, net	(187)		89
Subtotal	25,795		12,678
Interest and dividends received	114		135
Delay damages received, net	–		191
Interest paid	(83)		(49)
Income taxes refund (paid)	(6,962)		(2,959)
Net cash provided by (used in) operating activities	18,864		9,996
Cash flows from investing activities			
Decrease (increase) in time deposits	(200)		–
Purchase of property, plant and equipment	(1,005)		(1,592)
Proceeds from sale of property, plant and equipment	75		26
Purchase of software	(1,745)		(1,289)
Purchase of investment securities	(50)		(209)
Proceeds from sale of investment securities	856		–
Purchase of shares of subsidiaries and associates	(89)		(60)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	*2	(375)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	–		351
Net increase (decrease) in loans to affiliates	(354)		(70)
Payments of guarantee deposits	–		(655)
Other, net	28		316
Net cash provided by (used in) investing activities	(2,484)		(3,558)

【社外秘/CONFIDENTIAL】T-Gaia Corp.

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	–	(280)
Repayments of long-term borrowings	(3,751)	(12,751)
Proceeds from sale and leaseback transactions	–	71
Repayments of lease liabilities	(3)	(22)
Dividends paid	(4,177)	(4,183)
Other, net	–	(0)
Net cash provided by (used in) financing activities	(7,931)	(17,165)
Effect of exchange rate change on cash and cash equivalents	–	43
Net increase (decrease) in cash and cash equivalents	8,448	(10,683)
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	*1 56,162	*1 45,652

【社外秘/CONFIDENTIAL】T-Gaia Corp.

Notes to consolidated financial statements

(Significant accounting policies for the preparation of consolidated financial statements)

1. Matters concerning the scope of consolidation

(1) Number of consolidated subsidiaries: 10

Names of primary consolidated subsidiaries: QUO CARD Co., Ltd.
WAMNET Japan K.K.
TG Power Inc.
TG Solutions Corporation
Relay2, Inc.
UNiCASE Corporation
MOBILETRUST CO., LTD.

(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 Corporation 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.

(2) Names of primary non-consolidated subsidiaries

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 in light of the degree of their significance.

2. Matters concerning the application of equity method

(1) Number of non-consolidated subsidiaries accounted for by the equity method: 6

Names of primary companies PC TECHNOLOGY Co., LTD.
Infinity Communication Co. Ltd.

(2) Number of related companies accounted for by the equity method: 3

Names of primary companies Value Design Singapore Pte.Ltd.

(Changes in scope of application of the equity method)

・ Relay2, Inc., that had been a related company accounted for by the equity method before, is included in the scope of consolidation because of undertaking of third-party allocation of shares implemented by the Company and additional acquisition of the shares, therefore, it is excluded from the scope of application of equity method.

・ Popular Soft Co., Ltd. (whose tradename was changed to TG Solutions Corporation on April 1, 2022), that had been a non-consolidated subsidiary accounted for by the equity method, is included in the scope of consolidation, therefore, it is excluded from the scope of application of equity method.

3. Fiscal year of consolidated subsidiaries

Among consolidated subsidiaries, the fiscal year-end of Relay2, Inc. is December 31.

When preparing consolidated financial statements, the company uses financial statements as of that date and makes adjustments, required for consolidation, for material transactions with consolidated subsidiaries during the period between the year-end date and consolidated closing date. Other consolidated subsidiaries' fiscal year-end is the same as the consolidated closing date.

【社外秘/CONFIDENTIAL】T-Gaia Corp.

4. Matters concerning significant accounting policies

(1) Assets valuation basis and valuation method:

(i) Securities

Available-for-sale 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

(A) 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 is calculated by reducing carrying value based on the decline in profitability).

(B) Supplies

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

(2) Depreciation and amortization method of principal depreciable assets:

(i) 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

(ii) 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	Available period for internal use

Software for sale

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).

(iii) 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.

(3) Recognition of significant allowances:

(i) Allowance for doubtful accounts

To provide for credit losses on trade receivable and loans receivable, etc., allowances equal to the estimated amount of uncollectible receivables are recorded for general receivables based on the historical write-off ratio and for specified receivables, such as doubtful receivables, based on a 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) Allowance for refund liabilities

To provide for repayment of commission fees to be paid to telecommunications carriers with whom the Company has concluded an agency service contract when mobile phone users that have subscribed through the Company or network of

【社外秘/CONFIDENTIAL】T-Gaia Corp.

sales agencies cancel their subscriptions with a short period of time, allowances equal to the estimated refund amount related to the short-period cancellation that is calculated based on past actual paid amount are recorded.

(iv) Years of service gratuity reserve provisions

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

(4) Accounting policy for liabilities relating to retirement benefits:

With respect to the retirement lump-sum payment plan, the Company applies the simplified method to the calculations of retirement benefit liabilities and retirement benefit expenses, whereby an amount required in relation to retirement benefits for voluntary resignations at the end of the term is treated as retirement benefit obligations. At certain consolidated subsidiaries, the defined benefit corporation plan is accounted for according to the description of the plan: by the simplified method, whereby the most recent year's actuarial pension obligations based on the pension financial calculation are treated as retirement benefit obligations, when the amount of the plan assets corresponding to the Company's own contributions can be reasonably calculated; and by a method similar to the defined contribution plan's when such amount cannot be reasonably calculated.

(5) 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.

(6) 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 the agency service for contracts for telecommunications services provided by telecommunications carriers.

When selling or providing these products and services, revenue is recognized when the product is delivered to the customer or when the provision of the service under an agency contract is completed. However, for sales of products to agencies of the Company and its consolidated subsidiaries, revenue is recognized when the product is 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 sell devices as third-party card issuers, and receive fees for providing issuance and settlement services.

When selling these products or providing services, revenue is recognized when the product is delivered to the customer, or when the seller, etc., delivers the product to the end customer based on a consignment arrangement. 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 the products provided by these other parties involved.

(7) 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 less significance is subject to one-off amortization at the time it accrues.

(8) Scope of cash and cash equivalents in consolidated statements of cash flows

Cash and cash equivalents in the consolidated statement of cash flows are comprised of cash on hand, deposits that can be withdrawn anytime, and short-term investments with maturity of three months or less from the acquisition date that are easily cashable and exposed to only minimal risk of fluctuations in value.

(9) Other significant matters for the preparation of consolidated financial statements

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

(Accounting treatment of third-party card issuance)

Third-party card issuance is accounted for as card deposits at the face value of the issued card, with the amount of spending reduced from card deposits when the card is used. The amounts are classified and managed by card type and issuance year, and the amounts for which the probability of future use is considered to be extremely low are estimated based on a record of past usage before being transferred from card deposits to non-operating income.

【社外秘/CONFIDENTIAL】T-Gaia Corp.

(Significant accounting estimates)

Previous fiscal year (From April 1, 2021 to March 31, 2022)

1. Estimate of Hoard Profit of Prepaid Card

(1) Amount recorded in the consolidated financial statements for the fiscal year under review

	Fiscal year under review (millions of yen)
Hoard profit of prepaid card	4,764

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

(i) Method of calculation for 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.

(ii) Effects on the consolidated financial statements for the following fiscal year

Hoard profit of prepaid card, as noted in (i), is premised on the best estimate, but if the actual usage varies from the estimate, it could have some impact on the following fiscal year's consolidated financial statements.

Recognizing no change in the treatment of financial liabilities under laws, ordinances, and regulations, etc., as of the end of the fiscal year under review, the Company deems there to be no impact on the following fiscal year's consolidated financial statements.

(iii) Impact from COVID-19

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

2. Goodwill and contract-related intangible assets related to TF Mobile Solutions Corporation

(1) Amount recorded in the consolidated financial statements for the fiscal year under review

	Fiscal year under review (millions of yen)
Goodwill	15,869
Contract-related intangible assets	1,260
Impairment losses	–

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

(i) Method of calculation for the amount recorded in the consolidated financial statements for the fiscal year under review

For goodwill incurred as a result of the acquisition of TF Mobile Solutions Corporation (absorbed by the Company through an absorption-type merger on February 1, 2021) and identified contract-related intangible assets, the Company reasonably estimates future cash flows for the payback period based on the profit and loss plans, etc., which are formulated given the excess revenue generating power that, at the time of acquisition, is expected to be exercised over future periods.

(ii) Effects on the consolidated financial statements for the following fiscal year

If uncertain events, which cannot be assessed at the time of valuation, emerge due to considerable changes in the management environment or significant divergence of actual performance from the projected business plans, the assumptions used for estimating future cash flows may change. This could affect the consolidated financial statements for the following fiscal year.

(iii) Impact from COVID-19

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

Fiscal year under review (From April 1, 2022 to March 31, 2023)

1. Estimate of Hoard Profit of Prepaid Card

(1) Amount recorded in the consolidated financial statements for the fiscal year under review

	Fiscal year under review (millions of yen)
Hoard profit of prepaid card	4,140

【社外秘/CONFIDENTIAL】T-Gaia Corp.

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

(i) Method of calculation for 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.

(ii) Effects on the consolidated financial statements for the following fiscal year

Hoard profit of prepaid card, as noted in (i), is premised on the best estimate, but if the actual usage varies from the estimate, it could have some impact on the following fiscal year's consolidated financial statements.

Recognizing no change in the treatment of financial liabilities under laws, ordinances, and regulations, etc., as of the end of the fiscal year under review, the Company deems there to be no impact on the following fiscal year's consolidated financial statements.

2. Goodwill and contract-related intangible assets related to TF Mobile Solutions Corporation

(1) Amount recorded in the consolidated financial statements for the fiscal year under review

	Fiscal year under review (millions of yen)
Goodwill	15,015
Contract-related intangible assets	1,193
Impairment losses	–

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

(i) Method of calculation for the amount recorded in the consolidated financial statements for the fiscal year under review

For goodwill incurred as a result of the acquisition of TF Mobile Solutions Corporation (absorbed by the Company through an absorption-type merger on February 1, 2021) and identified contract-related intangible assets, the Company reasonably estimates future cash flows for the payback period based on the profit and loss plans, etc., which are formulated given the excess revenue generating power that, at the time of acquisition, is expected to be exercised over future periods.

(ii) Effects on the consolidated financial statements for the following fiscal year

If uncertain events, which cannot be assessed at the time of valuation, emerge due to considerable changes in the management environment or significant divergence of actual performance from the projected business plans, the assumptions used for estimating future cash flows may change. This could affect the consolidated financial statements for the following fiscal year.

(Changes in presentation method)

(Consolidated balance sheets)

"Merchandise" and "supplies" which were stated as a separate account in the previous fiscal year, are presented as "inventories" for the fiscal year under review. To reflect the change in the presentation method, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, 22,158 million yen in "merchandise" and 80 million yen in "supplies" separately presented in the consolidated balance sheets for the previous fiscal year have been reclassified as 22,239 million yen in "inventories."

(Consolidated statements of cash flows)

Repayment of lease liabilities, which was included in "other, net" of "cash flows from financing activities" in the previous fiscal year, is presented as an independent item from the current fiscal year under review. To reflect the change in the presentation method, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, the amount of (-3) million yen presented as "other, net" of "cash flows from financing activities" in the consolidated statements of cash flows of the previous fiscal year is reclassified to "repayment of lease liabilities."

【社外秘/CONFIDENTIAL】T-Gaia Corp.

(Notes to consolidated balance sheet)

*1. Pledged assets and secured liabilities

Assets pledged as collateral are as follows:

(Millions of yen)

	Previous fiscal year (March 31, 2022)	Fiscal year under review March 31, 2023
Cash and deposits	2,000	2,000

Secured liabilities are as follows:

(Millions of yen)

	Previous fiscal year (March 31, 2022)	Fiscal year under review March 31, 2023
Accounts payable - other	2,116	2,285

In addition to the above, the Company provides guarantee deposits as the security deposit for issuance in accordance with Article 14, Paragraph 1 of the Payment Services Act. (Balance of the deposits for the previous fiscal year: 81,400 million yen, balance for the fiscal year under review: 93,219 million yen)

*2 Among notes and accounts receivable - trade, receivables arising from contracts with customers are as follows.

(Millions of yen)

	Previous fiscal year (March 31, 2022)	Fiscal year under review March 31, 2023
Notes receivable - trade	14	7
Accounts receivable - trade	17,646	19,679

*3. Presentation of set-off of trade receivables and trade payables

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 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 after set-off.

Amounts prior to set-off were as follows:

(Millions of yen)

	Previous fiscal year (March 31, 2022)	Fiscal year under review (March 31, 2023)
Notes and accounts receivable - trade	66,540	58,914
Accounts receivable - other	26,109	26,898
Accounts payable - trade	57,317	47,835
Accounts payable - other	31,591	33,859

*4. Breakdown of inventories was as follows:

(Millions of yen)

	Previous fiscal year (March 31, 2022)	Fiscal year under review (March 31, 2023)
Merchandise	22,158	25,779
Work in process	–	0
Supplies	80	75

*5. The figure of accumulated depreciation includes accumulated impairment losses.

*6. Investment securities invested in non-consolidated subsidiaries and affiliates are as follows:

(Millions of yen)

	Previous fiscal year (March 31, 2022)	Fiscal year under review March 31, 2023
Investment securities (equity securities)	1,809	1,425

【社外秘/CONFIDENTIAL】T-Gaia Corp.

7. The Group has entered into overdraft agreements with three banks in order to finance working capital efficiently. The unused balances under these agreements at the fiscal year end were as follows:

(Millions of yen)

	Previous fiscal year (March 31, 2022)	Fiscal year under review March 31, 2023
Maximum amount of overdraft	3,500	3,500
Outstanding balance of used line of credit	–	–
Net	3,500	3,500

8. Debt guarantee

The Company provides a debt guarantee for the following company, which is not its consolidated subsidiary:

(Millions of yen)

	Previous fiscal year (March 31, 2022)	Fiscal year under review March 31, 2023
T-Gaia Asia Pacific Pte.Ltd.	325	–

(Notes to consolidated statements of income)

*1. Revenue from contracts with customers

For net sales, revenues are not separately presented for revenues from contracts with customers and other revenues. The amount of revenue from contracts with customers is described in “1. Breakdown of revenue from contracts with customers” in “Revenue recognition” in Notes to consolidated financial statements.

*2 Major items and figures among selling, general and administrative expenses are as follows:

(Millions of yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Fiscal year under review (From April 1, 2022 to March 31, 2023)
Remuneration for directors (and other officers)	228	209
Employees’ salaries	20,892	19,845
Temporary staff wages	1,636	1,302
Provision for bonuses	2,641	2,441
Retirement benefit expenses	333	358
Years of service gratuity reserve provisions	112	90
Dispatched staff wages	5,811	7,571
Promotion expenses	3,551	4,601
Rent expenses on real estate	5,807	5,613
Depreciation	1,824	2,147
Amortization of goodwill	1,345	1,298
Provision of allowance for doubtful accounts	(33)	(19)

*3. Details of gain on sales of non-current assets are as follows:

(Millions of yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Fiscal year under review (From April 1, 2022 to March 31, 2023)
Buildings and structures	36	16
Furniture and fixtures	17	1
Other	0	0
Total	54	20

【社外秘/CONFIDENTIAL】T-Gaia Corp.

*4. Details of loss on sales of non-current assets are as follows:

(Millions of yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Fiscal year under review (From April 1, 2022 to March 31, 2023)
Buildings and structures	5	0
Machinery and vehicles	–	9
Other	0	0
Total	5	9

*5. Details of loss on retirement of non-current assets are as follows:

(Millions of yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Fiscal year under review (From April 1, 2022 to March 31, 2023)
Buildings and structures	13	34
Machinery, equipment and vehicles	10	17
Furniture and fixtures	8	28
Software	3	39
Other	1	4
Total	37	124

*6. Impairment losses

The Group classifies business assets into asset groups under the following policy. Idle assets and other assets are classified into groups, by individual asset, in principle.

- The Company classifies shared assets into groups by branch and office that carry shared assets, with a directly-managed shop as the smallest identifiable unit generating cash flows, in principle.
- The consolidated subsidiaries and equity-method affiliates classify assets into groups, with each company as the smallest identifiable unit generating cash flows, in principle.

Among the above asset groups, for a business asset for which earnings from operating activities are continually negative, the necessity of its impairment is examined, and the amount of the reduction in the carrying amount to the recoverable amount is recorded as an impairment loss.

The recoverable amount of assets associated with directly-managed shops and branches and offices is measured based on net sales value, which is set as zero due to the difficulty of sale.

The Group recorded impairment losses on the following asset groups:

Previous fiscal year (From April 1, 2021 to March 31, 2022)

Location	Used for	Type	Impairment losses (millions of yen)
Shops (in Fukuoka City, Fukuoka Prefecture and other locations)	Business asset	Buildings and structures, furniture and fixtures, other	78
		Total	78

Fiscal year under review (From April 1, 2022 to March 31, 2023)

Location	Used for	Type	Impairment losses (millions of yen)
Shops (in Minoh City, Osaka Prefecture and other locations)	Business asset	Buildings and structures, furniture and fixtures, other	43
		Total	43

【社外秘/CONFIDENTIAL】T-Gaia Corp.

(Notes to consolidated statements of comprehensive income)

* Reclassification adjustments and tax effects relating to other comprehensive income

(Millions of yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Fiscal year under review (From April 1, 2022 to March 31, 2023)
Valuation difference on available-for-sale securities		
Amount arising during the period	(91)	80
Before tax effects	(91)	80
Tax effects	43	(25)
Valuation difference on available-for-sale securities	(48)	55
Foreign currency translation adjustment		
Amount arising during the period	–	85
Foreign currency translation adjustment	–	85
Share of other comprehensive income of entities accounted for using the equity method		
Amount arising during the period	41	(0)
Share of other comprehensive income of entities accounted for using equity method	41	(0)
Total other comprehensive income	(6)	139

(Notes to consolidated statements of changes in shareholders' equity)

Previous fiscal year (From April 1, 2021 to March 31, 2022)

1. Class and total number of outstanding shares, and class and number of treasury shares

	Number of shares at beginning of the fiscal year under review (shares)	Increase (shares)	Decrease (shares)	Number of shares at end of the fiscal year under review (shares)
Outstanding shares				
Common stocks	56,074,000	–	–	56,074,000
Total	56,074,000	–	–	56,074,000
Treasury shares				
Common stocks (Note)	338,866	–	30,000	308,866
Total	338,866	–	30,000	308,866

(Note) The decrease in shares of common stock under treasury shares is due to the disposal of treasury shares (30,000 shares) for restricted stock remuneration.

2. Dividends

(1) Dividends paid

(Resolution)	Class of share	Total dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 18, 2021	Common stocks	2,090	37.50	March 31, 2021	June 21, 2021
Board of Directors meeting on November 1, 2021	Common stocks	2,091	37.50	September 30, 2021	December 6, 2021

【社外秘/CONFIDENTIAL】T-Gaia Corp.

(2) Dividends with a record date in the fiscal year under review and an effective date in the following fiscal year

(Resolution)	Class of share	Total dividends (millions of yen)	Source of dividends	Dividend per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 22, 2022	Common stocks	2,091	Retained earnings	37.50	March 31, 2022	June 23, 2022

Fiscal year under review (From April 1, 2022 to March 31, 2023)

1. Class and total number of outstanding shares, and class and number of treasury shares

	Number of shares at beginning of the fiscal year under review (shares)	Increase (shares)	Decrease (shares)	Number of shares at end of the fiscal year under review (shares)
Outstanding shares				
Common stocks	56,074,000	–	–	56,074,000
Total	56,074,000	–	–	56,074,000
Treasury shares				
Common stocks (Note)	308,866	43	26,600	282,309
Total	308,866	43	26,600	282,309

(Notes) 1. The increase in shares of common stock under treasury shares is due to the purchase of 43 shares of shares of less than one unit.
2. The decrease in shares of common stock under treasury shares is due to the disposal of treasury shares (26,600 shares) for restricted stock remuneration.

2. Dividends

(1) Dividends paid

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

(2) Dividends with a record date in the fiscal year under review and an effective date in the following fiscal year

(Resolution)	Class of share	Total dividends (millions of yen)	Source of dividends	Dividend per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 22, 2023	Common stocks	2,092	Retained earnings	37.50	March 31, 2023	June 23, 2023

【社外秘/CONFIDENTIAL】T-Gaia Corp.

(Notes to consolidated statements of cash flows)

*1. Reconciliation of the closing balance of cash and cash equivalents and related accounts on the consolidated balance sheets

(Millions of yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Fiscal year under review (From April 1, 2022 to March 31, 2023)
Cash and deposits	58,162	47,652
Time deposits with maturity over 3 months	(2,000)	(2,000)
Cash and cash equivalents	56,162	45,652

*2 Major components of assets and liabilities of newly consolidated subsidiaries acquired by purchase of shares

Previous fiscal year (From April 1, 2021 to March 31, 2022)

Not applicable.

Fiscal year under review (From April 1, 2022 to March 31, 2023)

The components of assets and liabilities of Relay2, Inc. a newly consolidated subsidiary acquired by purchase of shares in the fiscal year under review, at the start of their consolidation, and the relationship between the acquisition cost of their shares and the related payments (net amount) were as follows:

Current assets	831 million yen
Non-current assets	384
Goodwill	1,137
Current liabilities	(99)
Gain on step acquisitions	(305)
Non-controlling interests	(552)
Acquisition cost before obtaining control	(578)
Appraisal value by equity method before obtaining control	225
Foreign currency translation adjustment	46
Acquisition cost of shares	1,089
Cash and cash equivalents	(714)
Net: Acquisition-related payments	(375)

(Leases)

(As lessee)

1. Finance lease transactions

(1) Finance lease transactions in which ownership is transferred

(i) Components of leased assets

Property, plant and equipment

Solar power generation facilities of consolidated subsidiaries.

(ii) Method of accounting for depreciation of leased assets

The method of accounting for depreciation of leased assets is as described in “4. Accounting policies, (2) Depreciation and amortization method of principal depreciable assets” of “Significant accounting policies for the preparation of consolidated financial statements.”

(2) Finance lease transactions in which ownership is not transferred

(i) Components of leased assets

Property, plant and equipment

Facilities, etc., for the production bases of consolidated subsidiaries and solar power generation facilities.

(ii) Method of accounting for depreciation of leased assets

The method of accounting for depreciation of leased assets is as described in “4. Accounting policies, (2) Depreciation and amortization method of principal depreciable assets” of “Significant accounting policies for the preparation of consolidated financial statements.”

【社外秘/CONFIDENTIAL】T-Gaia Corp.

2. Operating lease transactions

Future lease payments to be received under non-cancellable leases of operating lease transactions

(Millions of yen)

	Previous fiscal year (March 31, 2022)	Fiscal year under review March 31, 2023
Due within 1 year	59	32
Due after 1 year	106	85
Total	165	117

(Financial instruments)

1. Matters concerning the status of financial instruments

(1) Policy on financial instruments

The Group limits its investment activities to short-term deposits and operational investment securities and raises short-term working capital through bank loans.

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

(2) Overview of financial instruments and associated risks

Trade receivables including “notes and accounts receivable – trade” and “accounts receivable - other” 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 fluctuations.

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. They are exposed to liquidity risk.

(3) System for managing risks associated with financial instruments

(i) 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 the Company’s pursuant to their own credit management regulations and other rules.

(ii) 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 across the Group and are repaid as need arises when the risk of rising interest rates grows due to external factors, in order to minimize the amount of interest payable impacted by fluctuations in interest rates.

(iii) 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 funding plans in a timely manner based on reports and other information from the respective divisions.

(4) Supplementary explanation on fair values of financial instruments

In measuring the fair values of financial instruments, variable factors are discounted, and thus the fair value may change depending on different assumptions, etc., employed.

【社外秘/CONFIDENTIAL】T-Gaia Corp.

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

Carrying amounts on the consolidated balance sheet, fair values and the differences between them are as follows.

Previous fiscal year (As of March 31, 2022)

(Millions of yen)

	Carrying amount	Fair value	Differential
(i) Investment securities (Note 1)			
Available-for-sale securities	485	485	–
(ii) Leasehold deposits	4,707	4,606	(101)
(iii) Long-term borrowings (Note 2)	(18,373)	(18,373)	(0)

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

Fiscal year under review (As of March 31, 2023)

(Millions of yen)

	Carrying amount	Fair value	Differential
(i) Investment securities (Note 1)			
Available-for-sale securities	459	459	–
(ii) Leasehold deposits	4,542	4,369	(172)
(iii) Long-term borrowings (Note 2)	(5,622)	(5,622)	(0)

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

(Note 1) Equity securities, etc., without market quotations

Category	Previous fiscal year (millions of yen) (March 31, 2022)	Fiscal year under review (millions of yen) March 31, 2023
Unlisted shares	3,256	3,189

The above are not included in "(i) Investment securities."

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

* Method of calculating fair values of financial instruments

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

  Since these accounts are settled in a short period of time, their carrying values approximate their fair value. Therefore, the carrying amount is used as their fair values.
- 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. Therefore, they are omitted.
- Accounts payable - trade, accounts payable - other, and income taxes payable

  Since these accounts are settled in a short period of time, their carrying values approximate their fair value. Therefore, the carrying amount is used as their fair values.
- 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. Therefore, they are omitted.

3. Expected redemption amounts of monetary claims and securities with maturity after the consolidated balance sheet date

Previous fiscal year (As of March 31, 2022)

(Millions of yen)

	Due within 1 year	Due after 1 year Due within 5 years	Due after 5 years Due within 10 years	Over 10 years
Cash and deposits	58,162	–	–	–
Notes and accounts receivable - trade	17,660	–	–	–
Accounts receivable - other	12,621	–	–	–
Total	88,445	–	–	–

【社外秘/CONFIDENTIAL】T-Gaia Corp.

(Note) Guarantee deposits are not included in the above table as their maturity cannot be determined.

Fiscal year under review (As of March 31, 2023)
(Millions of yen)

	Due within 1 year	Due after 1 year Due within 5 years	Due after 5 years Due within 10 years	Over 10 years
Cash and deposits	47,652	–	–	–
Notes and accounts receivable - trade	19,687	–	–	–
Accounts receivable - other	11,258	–	–	–
Total	78,598	–	–	–

(Note) Guarantee deposits are not included in the above table as their maturity cannot be determined.

4. Repayment schedule of long-term borrowings and lease liabilities after the consolidated balance sheet date

Previous fiscal year (As of March 31, 2022) and fiscal year under review (As of March 31, 2023)

As stated in “Detailed schedule of borrowings” of Annexed consolidated detailed schedules.

5. 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 the lowest in the hierarchy of the calculation of fair value from among the levels to which each of those inputs belongs.

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

Previous fiscal year (As of March 31, 2022)

(Millions of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities Available-for-sale securities Equity securities	485	–	–	485

Fiscal year under review (As of March 31, 2023)

(Millions of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities Available-for-sale securities Equity securities	459	–	–	459

【社外秘/CONFIDENTIAL】T-Gaia Corp.

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

Previous fiscal year (As of March 31, 2022)

(Millions of yen)

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

Fiscal year under review (As of March 31, 2023)

(Millions of 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 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.

【社外秘/CONFIDENTIAL】T-Gaia Corp.

(Securities)

1. Available-for-sale securities

Previous fiscal year (As of March 31, 2022)

(Millions of yen)

	Type	Carrying amount	Acquisition cost	Differential
Items whose carrying amount exceeds acquisition cost	(1) Equity securities	293	33	259
	(2) National/local government bonds	–	–	–
	Subtotal	293	33	259
Items whose carrying amount does not exceed acquisition cost	(1) Equity securities	191	237	(45)
	(2) National/local government bonds	–	–	–
	Subtotal	191	237	(45)
Total		485	270	214

Fiscal year under review (As of March 31, 2023)

(Millions of yen)

	Type	Carrying amount	Acquisition cost	Differential
Items whose carrying amount exceeds acquisition cost	(1) Equity securities	247	33	213
	(2) National/local government bonds	–	–	–
	Subtotal	247	33	213
Items whose carrying amount does not exceed acquisition cost	(1) Equity securities	211	237	(25)
	(2) National/local government bonds	–	–	–
	Subtotal	211	237	(25)
Total		459	270	188

【社外秘/CONFIDENTIAL】T-Gaia Corp.

2. Available-for-sale securities sold

Previous fiscal year (From April 1, 2021 to March 31, 2022)

(Millions of yen)

Type	Sale proceeds	Total gain on sale	Total loss on sale
(1) Equity securities	856	807	–
(2) National/local government bonds	–	–	–
Total	856	807	–

Fiscal year under review (From April 1, 2022 to March 31, 2023)

Not applicable.

3. Impaired securities

Previous fiscal year (From April 1, 2021 to March 31, 2022) and Fiscal year under review (From April 1, 2022 to March 31, 2023)

Not applicable.

(Derivatives)

Not applicable as the Group does not use any derivatives.

(Retirement benefits)

1. Overview of retirement benefit plans adopted

Previous fiscal year (From April 1, 2021 to March 31, 2022)

The Company has adopted a prepaid retirement allowance plan and a defined contribution pension plan as a defined contribution plan, as well as a lump-sum retirement benefit plan as a defined benefit plan. The lump-sum retirement benefit plan is calculated by the simplified method, whereby an amount required for voluntary resignations at the end of the term relating to retirement benefits is treated as retirement benefit liabilities.

In addition, some consolidated subsidiaries have adopted a defined contribution pension plan as well as the small- and medium-sized enterprise retirement allowance mutual aid system as a defined contribution plan, and a defined benefit corporation plan as a defined benefit plan. A defined benefit corporation plan for which the amount of plan assets corresponding to the Company’s own contributions can be reasonably calculated is calculated by the simplified method, whereby the most recent year’s actuarial pension obligations based on the pension financial calculation are treated as retirement benefit obligations, while a plan for which such amount cannot be reasonably calculated is accounted for in the same manner as the defined contribution plan.

Fiscal year under review (From April 1, 2022 to March 31, 2023)

The Company has adopted a prepaid retirement allowance plan and a defined contribution pension plan as a defined contribution plan, as well as a lump-sum retirement benefit plan as a defined benefit plan. The lump-sum retirement benefit plan is calculated by the simplified method, whereby an amount required for voluntary resignations at the end of the term relating to retirement benefits is treated as retirement benefit liabilities.

In addition, some consolidated subsidiaries have adopted a defined contribution pension plan as a defined contribution plan, and a defined benefit corporation plan as a defined benefit plan. A defined benefit corporation plan for which the amount of plan assets corresponding to the Company’s own contributions can be reasonably calculated is calculated by the simplified method, whereby the most recent year’s actuarial pension obligations based on the pension financial calculation are treated as retirement benefit obligations, while a plan for which such amount cannot be reasonably calculated is accounted for in the same manner as the defined contribution plan.

【社外秘/CONFIDENTIAL】T-Gaia Corp.

2. Defined benefit plans

(1) Changes in retirement benefit liabilities/assets of plans to which the simplified method is applied

(Millions of yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Fiscal year under review (From April 1, 2022 to March 31, 2023)
Balance of retirement benefit liabilities at beginning of period	318	349
Balance of retirement benefit assets at beginning of period	(5)	(14)
Increase due to merger	19	–
Retirement benefit expenses	37	66
Retirement benefits paid	(17)	(18)
Contributions to plans	(17)	(12)
Balance of retirement benefit liabilities at end of period	349	369
Balance of retirement benefit assets at end of period	(14)	–

(2) Reconciliation between the ending balance of retirement benefit obligations and plan assets and the retirement benefit liabilities/assets recorded on the consolidated balance sheets

(Millions of yen)

	Previous fiscal year (March 31, 2022)	Fiscal year under review (March 31, 2023)
Retirement benefit obligations of funded plans	466	481
Plan assets	(480)	(475)
	(14)	5
Retirement benefit obligations of unfunded plans	349	363
Net amount of assets and liabilities recorded on the consolidated balance sheets	334	369
Retirement benefit liability	349	369
Retirement benefit asset	(14)	–
Net amount of assets and liabilities recorded on the consolidated balance sheets	334	369

(3) Retirement benefit expenses

(Millions of yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Fiscal year under review (From April 1, 2022 to March 31, 2023)
Retirement benefit expenses calculated by the simplified method	37	66

【社外秘/CONFIDENTIAL】T-Gaia Corp.

3. Defined contribution plans

Previous fiscal year (From April 1, 2021 to March 31, 2022)

The amount of required contributions to defined contribution plans (including multi-employer defined benefit corporation plans that are accounted for in a similar manner) of the Company and consolidated subsidiaries is 290 million yen.

The matters relating to multi-employer plans for which required contributions are treated as retirement benefit expenses are as follows:

(1) Most recent status of multi-employer plans (As of March 31, 2021)

Plan assets	52,532 million yen
Total amount of actuarial pension obligations and minimum liability reserve	43,577
Net	8,955

(2) Contributions paid by the Group for multi-employer plans (against total)

0.69% (From April 1, 2020 to March 31, 2021)

(3) Supplementary explanation

The major factors for the net amount in (1) include unappropriated surplus of 8,955 million yen.

The percentage in (2) and the actual share of the Group are different.

Fiscal year under review (From April 1, 2022 to March 31, 2023)

The amount of required contributions to defined contribution plans (including multi-employer defined benefit corporation plans that are accounted for in a similar manner) of the Company and consolidated subsidiaries is 299 million yen.

The matters relating to multi-employer plans for which required contributions are treated as retirement benefit expenses are as follows:

(1) Most recent status of multi-employer plans (As of March 31, 2022)

Plan assets	55,035 million yen
Total amount of actuarial pension obligations and minimum liability reserve	46,368
Net	8,667

(2) Contributions paid by the Group for multi-employer plans (against total)

0.69% (From April 1, 2021 to March 31, 2022)

(3) Supplementary explanation

The major factors for the net amount in (1) include unappropriated surplus of 8,667 million yen.

The percentage in (2) and the actual share of the Group are different.

【社外秘/CONFIDENTIAL】T-Gaia Corp.

(Tax effect accounting)

1. Main reasons for deferred tax assets and deferred tax liabilities

(Millions of yen)

	Previous fiscal year (March 31, 2022)	Fiscal year under review (March 31, 2023)
Deferred tax assets		
Tax loss carryforwards (Note 2)	96	2,313
Provision for bonuses	848	769
Allowance for doubtful accounts	18	10
Loss on valuation of inventories	68	144
Accrued business tax and business office tax	117	125
Excessive depreciation	1,024	917
Asset retirement obligations	582	576
Retirement benefit liability	106	113
Loss on valuation of investment securities	186	186
Asset adjustment	5,707	4,099
Hoard profit of prepaid card	1,571	1,894
Other	822	1,017
Deferred tax assets subtotal	11,150	12,169
Valuation allowance for tax loss carryforwards (Note 2)	(87)	(2,313)
Valuation allowance for the total of deductible temporary difference, etc.	(310)	(465)
Valuation allowance subtotal (Note 1)	(398)	(2,778)
Total deferred tax assets	10,751	9,390
Deferred tax liabilities		
Asset retirement obligations	(181)	(157)
Valuation difference on available-for-sale securities	(94)	(119)
Contract-related intangible assets	(386)	(365)
Retirement benefit asset	(4)	–
Other	(0)	(2)
Total deferred tax liabilities	(666)	(644)
Net deferred tax assets	10,085	8,748
Net deferred tax liabilities	–	(2)

(Notes) 1. Valuation allowance increased by 2,225 million yen. This increase was mainly due to an increase in the valuation allowance for tax loss carryforwards due to an increase in the number of newly consolidated subsidiaries.
2. Amounts of tax loss carryforwards and related deferred tax assets by expiration of carryforward.

Previous fiscal year (As of March 31, 2022)

The information is omitted as it is immaterial.

Fiscal year under review (As of March 31, 2023)

(Millions of yen)

	Due within 1 year	Due after 1 year but within 2 years	Due after 2 years but within 3 years	Due after 3 years but within 4 years	Due after 4 years but within 5 years	Due after 5 years	Total
Tax loss carryforwards (*1)	–	–	–	–	–	2,313	2,313
Valuation allowance	–	–	–	–	–	(2,313)	(2,313)
Deferred tax assets	–	–	–	–	–	–	–

(*1) The tax loss carryforwards are calculated by multiplying the statutory effective tax rate.

(Changes in presentation method)

【社外秘/CONFIDENTIAL】T-Gaia Corp.

Starting in the fiscal year under review, "Tax loss carryforwards," which was included in "Other" deferred tax assets in the previous fiscal year, is presented separately as the amounts became material. In order to reflect this change in the presentation method, 919 million yen in "Other," which was shown under deferred tax assets in the previous fiscal year, was reclassified as "Tax loss carryforwards" of 96 million yen and "Other" of 822 million yen.

In addition, since the amount of "Tax loss carryforward" became material, the breakdown of the valuation allowance amount is presented separately starting in the fiscal year under review. In order to reflect this change in the presentation method, the -398 million yen that was previously shown as the "Valuation allowance" in the previous fiscal year has been reclassified as "Valuation allowance for tax loss carryforwards" of -87 million yen and "Valuation allowance for the total of deductible temporary difference, etc." of -310 million yen.

2. Reconciliation of significant differences between the statutory effective tax rate and the actual effective rate of income taxes after application of deferred tax accounting

	Previous fiscal year (March 31, 2022)	Fiscal year under review (March 31, 2023)
Statutory effective tax rate	30.6%	30.6%
(Adjustments)		
Expenses not deductible permanently, such as entertainment expenses	0.2	0.3
Amortization of goodwill	2.5	3.3
Gains from negative goodwill	–	(0.6)
Gain on step acquisitions	–	(0.8)
Changes in valuation allowance	(0.5)	0.4
Inhabitant per capita taxes	1.2	1.5
Other	0.3	0.3
Effective rate of income taxes after application of deferred tax accounting	34.3	35.0

【社外秘/CONFIDENTIAL】T-Gaia Corp.

(Business combinations)

(Business combinations through acquisition)

(1) Overview of business combinations

(i) Company name and business descriptions of an acquired company

Company name of acquired company: Relay2, Inc.

Business descriptions: Development and sales of cloud Wi-Fi solutions with edge computing

(ii) Main reasons for the business combination

From the viewpoint of stable operation of Relay2, Inc. and group-wide synergy effects with the Group, the Company increased the ratio of stock holding and made it a consolidated subsidiary.

(iii) Date of business combination

April 27, 2022

(iv) Legal form of the business combination

Acquisition of equity securities in exchange for cash

(v) Name of the company after the business combination

No change.

(vi) Ratio of acquired voting rights

Ratio of voting rights before business combination 28.32%

Ratio of voting rights additionally acquired on the date of business combination 23.00%

Ratio of voting rights after business combination 51.32%

(vii) Main grounds for the decision of acquisition of the company

It was by the fact that the Company accepted the allocation of new shares to a third party and additionally acquired the shares in exchange for cash.

(2) The operation period of the acquired company which is included in the consolidated financial statements

Because the acquisition date of the company is regarded as April 1, 2022 and the difference of consolidated closing date between the Company and the acquired company is not more than three months, operation results of the period from April 1, 2022 to December 31, 2022 are included in the consolidated income statement.

(3) Acquisition cost of acquired company and details of consideration by kind

(Millions of yen)

Fair value of shares held before the date of business combination as of the date of business combination	659
Consideration for acquisition (cash)	1,089
Acquisition cost	1,748

(4) Details and amounts of main acquisition-related costs

Advisory fees, etc. 14 million yen

(5) Differential amount between acquisition cost of acquired company and total amount of purchase cost for each transaction leading to the acquisition

Gain on stage acquisition 305 million yen

(6) Amount, causes of occurrence, amortization method and amortization period, of goodwill recognized

(i) Amount of goodwill recognized

1,137 million yen

(ii) Causes of occurrence

Acquisition cost exceeded the net amount allocated to acquired assets and accepted liabilities, so the surplus amount is recorded as goodwill.

(iii) Method and period of amortization

Straight-line method of amortization over the period during which effects of excess earning power shall arise

(7) Amount of assets received and liabilities assumed on the date of business combination and their breakdown

Refer to the notes in (Notes to consolidated statements of cash flows).

【社外秘/CONFIDENTIAL】T-Gaia Corp.

(8) Estimated amount and calculation method of the impact on the consolidated statements of income for the fiscal year under review assuming that the business combination was completed on the first day of the fiscal year

The information is omitted as it is immaterial.

(Business combinations through acquisition)

(1) Overview of business combinations

(i) Company name and business descriptions of an acquired company

Company name of acquired company: CCC FRONTIER Inc.

Business descriptions: mail order business, retail business, wholesale business

(ii) Main reasons for the business combination

The acquired company is developing own brand “UNICASE,” etc., which handle various cases and accessories for smartphones and tablet terminals in the mail order business (EC), that is its core business, and retail business (shops).

Utilizing the company’s E-commerce site operation capability and abundant number of access to the site (number of natural inflow), the Company will work on strengthening online marketing including enhancement of the degree of recognition of its own brand “BellezzaCalma.”

Making this a foothold, for the purpose of further expansion of online sales of not only accessories but also overall business products of the Company on a mid to long-term basis, the Company acquired the company’s shares and made it a consolidated subsidiary.

(iii) Date of business combination

September 30, 2022

(iv) Legal form of the business combination

Acquisition of equity securities in exchange for cash

(v) Name of the company after the business combination

UNiCASE Corporation (Trade name changed on October 1, 2022)

(vi) Ratio of acquired voting rights

100%

(vii) Main grounds for the decision of acquisition of the company

Acquisition of equity securities in exchange for cash.

(2) The operation period of the acquired company which is included in the consolidated financial statements

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

(3) Acquisition cost of acquired company and details of consideration by kind

After examining the result of various due diligence conducted by external institutions and discussing with the other party, the acquisition cost was determined.

(4) Details and amounts of main acquisition-related costs

Advisory fees, etc.	66 million yen

(5) Amount of occurred negative goodwill and causes of occurrence

(i) Amount of occurred negative goodwill

244 million yen

(ii) Causes of occurrence

Fair value of net assets of acquired company at the time of business combination exceeded the acquisition cost, therefore, gain from negative goodwill was recorded.

(6) Amount of assets received and liabilities assumed on the date of business combination and their breakdown

Current assets	495 million yen
Non-current assets	98 million yen
Current liabilities	149 million yen
Non-current liabilities	199 million yen

(7) Estimated amount and calculation method of the impact on the consolidated statements of income for the fiscal year under review assuming that the business combination was completed on the first day of the fiscal year

(Estimated amount of impact on consolidated statements of income)

【社外秘/CONFIDENTIAL】T-Gaia Corp.

Net sales	456 million yen
Operating profit	(81) million yen
Profit	(95) million yen

(Method for calculating the estimated amount)

Assuming that the business combination was completed on the first day of the fiscal year, the estimated amount is based on sales and profit and loss information of the acquiree from the first day of the acquired company's fiscal year up to the date of the business combination. Note that this note has not been certified by audit.

(Asset retirement obligations)

Asset retirement obligations stated on the consolidated balance sheets

A. Overview of the asset retirement obligations

Restoration obligations associated with real estate rent contracts for buildings, disposal costs for solar power generation equipment, etc.

B. Method of calculating the amount of the asset retirement obligations

With the period of use estimated at 1 - 20 years from acquisition and using the discount rate of 0.00 - 2.159% based on the government bond yield, the Company calculates the amount of the asset retirement obligations.

C. Changes in the total amount of the asset retirement obligations

(Millions of yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Fiscal year under review (From April 1, 2022 to March 31, 2023)
Balance at beginning of period	1,980	1,979
Increase due to merger	20	–
Increase due to new consolidation	–	25
Increase due to purchase of property, plant and equipment	51	102
Adjustments due to lapse of time	16	16
Decrease due to payments for asset retirement obligations	(89)	(131)
Other increase (decrease)	(0)	–
Balance at end of period	1,979	1,991

D. Changes in the estimated amount of the asset retirement obligations

Not applicable.

【社外秘/CONFIDENTIAL】T-Gaia Corp.

(Revenue recognition)

1. Information from an analysis of revenue from contracts with customers

   Breakdown of revenue from contracts with customers is as described in “Segment Information, etc.” in Notes to consolidated financial statements.

2. Basic information for understanding revenue from contracts with customers

   Information providing a basis for understanding revenue from contracts with customers is as described in “4. Accounting policies, (6) Recognition of significant revenues and expenses” of “Significant accounting policies for the preparation of consolidated financial statements” in Notes to consolidated financial statements.

   The Company generally receives payment of the promised consideration within two months from the point when the performance obligation is satisfied, and the amount of consideration does not include any significant financial component.

3. Information about the relationship between the satisfaction of performance obligations under contracts with customers and cash flows from said contracts, and the amount and timing of revenue from contracts with customers that existed at the end of the fiscal year under review expected to be recognized in the following fiscal year

   (1) Balance of contract assets and contract liabilities, etc.

(Millions of yen)

	Previous fiscal year	Fiscal year under review
Receivables from contracts with customers		
Balance at beginning of period	22,487	17,660
Balance at end of period	17,660	19,687
Contract assets		
Balance at beginning of period	–	–
Balance at end of period	–	–
Contract liabilities		
Balance at beginning of period	60	64
Balance at end of period	64	73

Contract liabilities are recorded in “Other” under current liabilities on the consolidated balance sheet. Contract liabilities are mainly, of service contracts provided by consolidated subsidiaries, those received from customers as advances received equivalent to the contract period, and for which performance obligations had not been satisfied as of the end of the fiscal year under review. Contract liabilities are reversed upon recognition of revenue.

Of the revenue recognized in the previous fiscal year, 60 million yen was included in the balance of contract liabilities at the beginning of the period. The revenue recognized in the fiscal year under review, 64 million yen is included in the balance of contract liabilities at the beginning of the period.

There were no significant changes to contract assets and contract liabilities in the previous fiscal year and the fiscal year under review.

In addition, the amount of revenue recognized from performance obligations for the previous fiscal year and the fiscal year under review that were satisfied (or partially satisfied) in the prior fiscal years was immaterial.

(2) Transaction prices allocated to remaining performance obligations

In the previous fiscal year and the fiscal year under review, there were no significant contracts with an initially anticipated contract period exceeding one year. Therefore, descriptions in regard thereto are omitted for practical expediency.

【社外秘/CONFIDENTIAL】T-Gaia Corp.

(Segment information, etc.)

Segment information

1. Overview of reportable segments

   Reportable segments of the Group are structural units of the Company for which segregated financial information is available and which are periodically reviewed to enable the Board of Directors to make decisions on the allocation of management resources and assess operating performance.

   The Group has three reportable segments — Consumer Mobile Business Segment, Enterprise Solutions Business Segment, and Payment Services Business and Other Business Segment — which are structured by industry segmentation.

   Consumer Mobile Business Segment engages in contract mediation for mobile and other telecommunications services and sells mobile phone handsets and related products.

   Enterprise Solutions Business Segment engages in contract agency and vendor operations for mobile handsets and enterprise solution services, etc., for enterprise clients, as well as network management service operations, etc., and contract agency and provider operations mainly for FTTH fixed-line services for enterprise and individual customers.

   Payment Service Business and Other Business Segment engages through major nationwide convenience store chains in sales of e-money related products and gift card sales using PIN sales systems, the business related to prepaid cards, and overseas business operations.

2. Method of computation of net sales, income or loss, assets, liabilities, and other items by reportable segment

   The accounting treatment applicable to reported business segment information is largely consistent with the descriptions in “Significant accounting policies for the preparation of consolidated financial statements,” and income of each reportable segment indicates profit attributable to owners of parent. Intersegment sales or transfers are recognized based on market prices.

(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 the fiscal year under review following a change in business format. Additionally, the segment information for previous fiscal year has not been prepared based on segment classifications reflecting this change, as its impact on segment profit is immaterial.

(Changes to segment asset allocation method)

As a result of reviewing assets to be allocated to reportable segments accompanying introduction of new system in the fiscal year under review, all assets (excluding assets under head-office management) are allocated to individual reportable segments.

Please note that segment information from the preceding fiscal year produced by the calculation method for the fiscal year under review is not listed due to the practical difficulties of retrospectively calculating the necessary financial data for the preceding fiscal year.

【社外秘/CONFIDENTIAL】T-Gaia Corp.

3. Information on net sales, income or loss, assets, liabilities, and other items by reportable segment and information on disaggregation of revenue

Previous fiscal year (From April 1, 2021 to March 31, 2022)

(Millions of yen)

	Consumer Mobile Business	Enterprise Solutions Business	Payment Service Business and Other Business	Adjustments (Note)	Total
Net sales					
Smart device	238,841	10,339	–	–	249,180
Prepaid cards, etc.	–	–	11,477	–	11,477
Fees related to smart device	163,096	11,371	–	–	174,468
Sales commissions of prepaid cards, etc.	–	–	15,217	–	15,217
Own solution services	–	5,908	–	–	5,908
TG Hikari & NW related	–	7,352	–	–	7,352
Other	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
Segment profit	5,607	1,862	3,109	–	10,579
Segment assets	42,131	8,950	98,336	91,859	241,277
Other items					
Depreciation	1,432	317	318	–	2,068
Amortization of goodwill	910	247	187	–	1,345
Interest income	0	5	0	–	6
Interest expenses	62	9	11	–	82
Equity method investment gain (loss)	6	(33)	(17)	–	(45)
Hoard profit of prepaid card	–	–	4,764	–	4,764
Extraordinary income	432	318	111	–	862
Extraordinary losses	108	0	12	–	121
Impairment losses	78	–	–	–	78
Tax expenses	3,037	968	1,529	–	5,536
Investments in equity-method affiliates	71	1,639	98	–	1,809
Increase in property, plant and equipment and intangible assets	814	851	413	3,191	5,270

(Note) The details of adjustment amounts are as follows:

(1) The segment asset adjustment of 91,859 million yen comprises mostly company-level assets under head office management, which are not allocated to individual reportable segments.

(2) The adjustment of 3,191 million yen for the increase in property, plant and equipment and intangible assets comprises mostly assets under head office management.

【社外秘/CONFIDENTIAL】T-Gaia Corp.

Fiscal year under review (From April 1, 2022 to March 31, 2023)

(Millions of yen)

	Reportable segments				Other (Note)	Total
	Consumer Mobile Business	Enterprise Solutions Business	Payment Service Business and Other Business	Total		
Net sales						
Smart device	227,299	11,884	–	239,183	–	239,183
Prepaid cards, etc.	–	–	8,927	8,927	–	8,927
Fees related to smart device	148,150	11,402	–	159,553	–	159,553
Sales commissions of prepaid cards, etc.	–	–	16,854	16,854	–	16,854
Own solution services	–	6,709	–	6,709	–	6,709
TG Hikari & NW related	–	7,304	–	7,304	–	7,304
Other	6,065	350	8,236	14,652	262	14,915
Revenue from contracts with customers	381,515	37,651	34,017	453,185	262	453,447
Other revenue	–	–	156	156	–	156
Sales to external customers	381,515	37,651	34,174	453,341	262	453,604
Intersegment sales or transfers	678	109	115	903	1,700	2,603
Total	382,194	37,760	34,289	454,244	1,963	456,207
Segment profit	2,583	2,032	2,999	7,615	322	7,938
Segment assets	119,414	22,427	226,222	368,064	490	368,554
Other items						
Depreciation	845	366	342	1,554	838	2,393
Amortization of goodwill	818	342	137	1,298	–	1,298
Interest income	9	4	161	176	0	176
Interest expenses	225	66	117	410	1	411
Equity method investment gain (loss)	–	34	(20)	14	–	14
Hoard profit of prepaid card	–	–	4,140	4,140	–	4,140
Extraordinary income	268	305	0	575	0	575
Gain from negative goodwill	249	–	–	249	–	249
Extraordinary losses	85	50	28	164	14	178
Impairment losses	43	–	–	43	–	43
Tax expenses	1,672	961	1,409	4,043	171	4,215
Investments in equity-method affiliates	–	1,256	169	1,425	–	1,425
Increase in property, plant and equipment and intangible assets	293	1,835	1,423	3,551	6	3,558

(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.

4. Reconciliation of variance between total amount of reportable segments and the amount recorded on the consolidated financial statements

Previous fiscal year (From April 1, 2021 to March 31, 2022)

Not applicable

Fiscal year under review (From April 1, 2022 to March 31, 2023)

(Millions of yen)

Net sales	Amount
Reportable segments total	454,244

Net sales categorized as “Other”	1,963
Elimination of intersegment transactions	(2,603)
Net sales on consolidated financial statements	453,604

(Millions of yen)

Profit	Amount
Reportable segments total	7,615
Profit categorized as “Other”	322
Profit attributable to owners of parent on consolidated financial statements	7,938

(Millions of yen)

Assets	Amount
Reportable segments total	368,064
Assets categorized as “Other”	490
Companywide assets and other adjustments (Note)	(122,485)
Total assets on consolidated financial statements	246,068

(Note) Companywide assets are mostly assets under head office management which do not belong to reportable segments. Other adjustments comprise mostly elimination by offsetting intersegment receivables/payables and elimination by offsetting the Company’s trade receivables/payables.

(Millions of yen)

Other items	Total of reportable segments	Other	Adjustments	Amount recorded on consolidated financial statements
Depreciation	1,554	838	–	2,393
Amortization of goodwill	1,298	–	–	1,298
Interest income (Note)	176	0	(170)	5
Interest expenses (Note)	410	1	(379)	32
Equity method investment gain (loss)	14	–	–	14
Hoard profit of prepaid card	4,140	–	–	4,140
Extraordinary income	575	0	–	575
(Gain from negative goodwill)	249	–	–	249
Extraordinary losses	164	14	–	178
(Impairment losses)	43	–	–	43
Tax expenses	4,043	171	–	4,215
Investments in equity-method affiliates	1,425	–	–	1,425
Increase in property, plant and equipment and intangible assets (Note)	3,551	6	321	3,879

(Note) Adjustment amounts of interest income comprise mostly elimination of intersegment transactions. Adjustment amounts of interest expense comprise mostly elimination of intersegment transactions. Adjustment amounts of increase in property, plant and equipment and intangible assets comprise mostly capital investment amount of head office.

Related information

Previous fiscal year (From April 1, 2021 to March 31, 2022)

1. Information by product and service

Similar information is disclosed as segment information, so the description is omitted.

2. Information by region

(1) Net sales

Omitted as the Company's sales to external customers in Japan exceed 90% of net sales stated in the consolidated statements of income.

(2) Property, plant and equipment

Omitted as the amount of property, plant and equipment located in Japan exceeds 90% of the amount of total property, plant and equipment on the consolidated balance sheets.

3. Information by major client

(Millions of yen)

Name of client	Net sales	Related segment
KDDI CORPORATION	66,977	Consumer Mobile Business and Enterprise Solutions Business
NTT DOCOMO, INC.	65,196	Consumer Mobile Business and Enterprise Solutions Business

Fiscal year under review (From April 1, 2022 to March 31, 2023)

1. Information by product and service

Similar information is disclosed as segment information, so the description is omitted.

2. Information by region

(1) Net sales

Omitted as the Company's sales to external customers in Japan exceed 90% of net sales stated in the consolidated statements of income.

(2) Property, plant and equipment

Omitted as the amount of property, plant and equipment located in Japan exceeds 90% of the amount of total property, plant and equipment on the consolidated balance sheets.

3. Information by major client

(Millions of yen)

Name of client	Net sales	Related segment
KDDI CORPORATION	61,092	Consumer Mobile Business and Enterprise Solutions Business
NTT DOCOMO, INC.	60,183	Consumer Mobile Business and Enterprise Solutions Business

【社外秘/CONFIDENTIAL】T-Gaia Corp.

Information concerning unamortized goodwill balances by reportable segment

Previous fiscal year (From April 1, 2021 to March 31, 2022)

(Millions of yen)

	Consumer Mobile Business	Enterprise Solutions Business	Payment Service Business and Other Business	Total
Balance at end of period	13,511	2,914	137	16,563

Fiscal year under review (From April 1, 2022 to March 31, 2023)

(Millions of yen)

	Consumer Mobile Business	Enterprise Solutions Business	Payment Service Business and Other Business	Other	Total
Balance at end of period	12,693	3,809	–	–	16,502

Information concerning gains from negative goodwill by reportable segment

Previous fiscal year (From April 1, 2021 to March 31, 2022)

Not applicable.

Fiscal year under review (From April 1, 2022 to March 31, 2023)

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

【社外秘/CONFIDENTIAL】T-Gaia Corp.

(Related party information)

1. Transactions with related parties

The information is omitted as it is immaterial.

2. Notes on parent company or significant affiliates

(1) Parent company information

Not applicable.

(2) Summary of financial information on significant affiliates

The information is omitted as the Company does not have significant affiliates.

(Per share information)

(yen)

	Previous fiscal year (From April 1, 2021 to March 31,2022)	Fiscal year under review (From April 1, 2022 to March 31,2023)
Net assets per share	1,263.30	1,333.28
Earnings per share	189.74	142.31

(Notes) 1. Information on diluted earnings per share is omitted as there are no dilutive shares.

2. The calculation basis for earnings per share is as follows:

	Previous fiscal year (From April 1, 2021 to March 31,2022)	Fiscal year under review (From April 1, 2022 to March 31,2023)
Profit attributable to owners of parent (millions of yen)	10,579	7,938
Net income not attributable to common shareholders (millions of yen)	–	–
Net income attributable to common owners of parent company (millions of yen)	10,579	7,938
Average number of shares outstanding during the period (shares)	55,756,422	55,783,632

(Significant subsequent events)

Not applicable.

【社外秘/CONFIDENTIAL】T-Gaia Corp.

(v) Annexed consolidated detailed schedules

Detailed schedule of corporate bonds

Not applicable.

Detailed schedule of borrowings

Category	Balance at beginning of period (millions of yen)	Balance at end of period (millions of yen)	Average interest rate (%)	Payment due
Current portion of long-term borrowings	12,751	3,751	0.36	–
Long-term borrowings (excluding current portion)	5,622	1,871	0.36	2024
Current portion of lease liabilities	3	7	4.6	–
Lease liabilities (excluding current portion)	5	80	4.6	2024 to 2033
Total	18,383	5,710	–	–

(Notes) 1. The average interest rate represents primarily a weighted average interest rate with respect to the ending balance of borrowings and lease liabilities.

2. Because the amounts are not significant, the current portion of lease liabilities are included in “Other” under “Current liabilities,” while lease liabilities (excluding current portion) are included in “Other” under “Non-current liabilities” in the consolidated balance sheets.

3. The repayment schedule of long-term borrowings and lease liabilities (excluding current potion) within five years after the consolidated balance sheet date is as follows:

(Millions of yen)

Category	Due after 1 year but within 2 years	Due after 2 years but within 3 years	Due after 3 years but within 4 years	Due after 4 years but within 5 years
Long-term borrowings	1,871	–	–	–
Lease liabilities	6	4	4	4

Detailed schedule of asset retirement obligations

Omitted as the matters to be listed in the Schedule are stated as notes as set forth in Article 15-23 of the Consolidated Financial Statements Regulation.

(2) Other

Quarterly information for the fiscal year under review

(Cumulative period)	First quarter	Second quarter	Third quarter	Fiscal year under review
Net sales (millions of yen)	108,497	212,828	328,308	453,604
Profit before income taxes (millions of yen)	3,577	6,197	8,411	12,034
Profit attributable to owners of parent (millions of yen)	2,388	4,140	5,493	7,938
Earnings per share (yen)	42.82	74.23	98.48	142.31

(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Earnings per share (yen)	42.82	31.41	24.24	43.82

【社外秘/CONFIDENTIAL】T-Gaia Corp.

VI. Outline of Stock-Related Administration of Reporting Company

Fiscal year	From April 1 to March 31
Ordinary General Meeting of Shareholders	June
Record date	March 31
Record date for distribution of surplus	September 30 / March 31
Number of shares constituting one unit	100 shares
Purchase of shares less than one unit Handling office Shareholder registry administrator Forward office Purchasing fee	 (Special account) Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Business Planning Department, 4-1 Marunouchi 1-chome, Chiyoda-ku, Tokyo (Special account) Sumitomo Mitsui Trust Bank, Limited, 4-1 Marunouchi 1-chome, Chiyoda-ku, Tokyo ― Free of charge
Method of public notice	Electronic public notice. However, if the Company cannot give notice by means of electronic public notice due to an accident or other inevitable reason, public notice will be published in Nihon Keizai Shimbun. URL for public notice: https://www.t–gaia.co.jp/ir/stock/notice.html
Special benefit for shareholders	Eligible shareholders and details of the benefit plan The Company gives a QUO Card twice a year to shareholders who are listed or recorded in the shareholder registry as of September 30 and March 31 and own 100 shares (one unit) or more, as outlined below:

<table>
<tr><td colspan="2" rowspan="3"></td><td colspan="4">Holding period</td></tr>
<tr><td colspan="2">Base date: End of September, end of March</td><td colspan="2">(Reference) Annual total</td></tr>
<tr><td>Six months or longer but less than three years</td><td>Three years or longer</td><td>Six months or longer but less than three years</td><td>Three years or longer</td></tr>
<tr><td rowspan="2">Number of shares held</td><td>100 shares or more but less than 300 shares</td><td rowspan="2">Worth 1,000 yen</td><td>Worth 2,000 yen</td><td rowspan="2">Worth 2,000 yen</td><td>Worth 4,000 yen</td></tr>
<tr><td>300 shares or more</td><td>Worth 3,000 yen</td><td>Worth 6,000 yen</td></tr>
</table>

(Note) Shareholders of the Company may not exercise any rights other than the following rights with respect to shares less than one unit that they hold:
(i) Rights as stipulated in the items in Article 189, Paragraph 2 of the Companies Act
(ii) Right to make a claim under Article 166, Paragraph 1 of the Companies Act
(iii) Right to allotment of shares and acquisition rights in proportion to the number of shares held

【社外秘/CONFIDENTIAL】T-Gaia Corp.

VII. Reference Information on Reporting Company

1. Information on the Parent Company, etc., of Reporting Company

The Company does not have a parent company, etc., as set forth in Article 24-7, Paragraph 1 of the Financial Instruments and Exchange Act.

2. Other Reference Information

The Company filed the following documents during the period from the beginning date of the fiscal year under review to the filing date of the Annual Securities Report:

(1) Annual Securities Report and attached documents, and Confirmation Letter

Fiscal year (31st) (from April 1, 2021 to March 31, 2022), filed on June 22, 2022 with the Director-General of the Kanto Local Finance Bureau

(2) Internal Control Report and attached documents

Fiscal year (31st) (from April 1, 2021 to March 31, 2022), filed on June 22, 2022 with the Director-General of the Kanto Local Finance Bureau

(3) Quarterly Report and Confirmation Letter

(First Quarter of the 32nd fiscal year) (from April 1, 2022 to June 30, 2022), filed on August 2, 2022 with the Director-General of the Kanto Local Finance Bureau

(Second Quarter of the 32nd fiscal year) (from July 1, 2022 to September 30, 2022), filed on November 4, 2022 with the Director-General of the Kanto Local Finance Bureau

(Third Quarter of the 32nd fiscal year) (from October 1, 2022 to December 31, 2022), filed on February 3, 2023 with the Director-General of the Kanto Local Finance Bureau

(4) Extraordinary Report

(i) Filed on April 20, 2022 with the Director-General of the Kanto Local Finance Bureau

An extraordinary report pursuant to Article 19, Paragraph 2, Item (iii) “A change to a specified subsidiary company” of the Cabinet Office Order on Disclosure of Corporate Affairs.

(ii) Filed on June 23, 2022 with the Director-General of the Kanto Local Finance Bureau

An extraordinary report pursuant to Article 19, Paragraph 2, Item (iii) “A change to a parent company” of the Cabinet Office Order on Disclosure of Corporate Affairs.

(iii) Filed on June 23, 2022 with the Director-General of the Kanto Local Finance Bureau

An extraordinary report pursuant to Article 19, Paragraph 2, Item (ix)-2 “Results of exercise of voting rights at general meeting of shareholders” of the Cabinet Office Order on Disclosure of Corporate Affairs.

(iv) Filed on July 29, 2022 with the Director-General of the Kanto Local Finance Bureau

An extraordinary report pursuant to Article 19, Paragraph 2, Item (iii) “A change to a specified subsidiary company” of the Cabinet Office Order on Disclosure of Corporate Affairs.

【社外秘/CONFIDENTIAL】T-Gaia Corp.

Part Two Information on Guarantee Companies etc., for Reporting Company

Not applicable.

【社外秘/CONFIDENTIAL】T-Gaia Corp.

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

June 22, 2023

To the Board of Directors of
T-Gaia Corporation:

Deloitte Touche Tohmatsu LLC
Tokyo office

Designated Engagement Partner,
Certified Public Accountant:

Tokio Suzuki

Designated Engagement Partner,
Certified Public Accountant:

Koji Hara

Audit of Financial Statements

Opinion

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements of T-Gaia Corporation and its consolidated subsidiaries (the "Group") included in the Financial Section, namely, the consolidated balance sheet as of March 31, 2023, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the fiscal year from April 1, 2022 to March 31, 2023, and a summary of significant accounting policies and other explanatory information, and the consolidated supplementary schedules.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Estimate of Hoard Profit of Prepaid Card	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
As described in the Notes "Significant accounting policies for the preparation of consolidated financial statements" and "Significant accounting estimates," QUO CARD Co., Ltd., a consolidated subsidiary, accounts for the third-party card issuance by recording the face value of the issued card in card deposits and reversing card deposits for the amount used by customers. In addition, although the card does not have an expiration date, the amount that is judged to be extremely unlikely to be used in the future in light of past usage results is transferred from card deposits to hoard profit of prepaid card in non-operating income. As stated in the consolidated statement of income, the amount of hoard profit of prepaid card for the year was ¥4,140 million, which accounted for 35.6% of ordinary profit in the amount of ¥11,637 million and had a significant impact on the consolidated financial statements. In the above accounting process, the card deposits system, a core system related to card issuance information ("the core system") and a payment system mainly related to card usage information ("the payment system") are used. Specifically, changes in card deposits due to the issuance and use of cards are recorded and aggregated by card type and by year of the issuance, and hoard profit of prepaid card is estimated based on the usage results according to the period lapsed subsequent to the card issuance. Thus, it is important to ensure the reliability of the information recorded and processed by these information technology ("IT") systems for estimating of hoard profit of prepaid card. In addition, the significant assumption in estimating hoard profit of prepaid card is the expected future use of cards. Management assumes that cards that have been outstanding for a certain period of time are extremely unlikely to be used in the future. Therefore, this assumption may have a significant impact on the estimate of hoard profit of prepaid card. Based on the above, we identified the estimate of hoard profit of prepaid card as a key audit matter.	To address the key audit matter, we performed the following audit procedures: (1) We obtained an understanding of the business processes and internal controls related to the issuance and use of cards and the estimate of hoard profit of prepaid card by QUO CARD Co., Ltd., and evaluated the design and operating effectiveness of those internal controls. (2) We inspected related administrative documents such as confirmation records of basic data for the calculation of hoard profit of prepaid card, i.e., card issuance information for each year of card issuance and card usage information for each year since card issuance ("the basic data") and examined the accuracy of the basic data by agreeing with the evidence for a sample of the data. (3) Regarding internal controls related to the card deposits system, the core system and the payment system, with the assistance of our IT specialists, we evaluated the design and operating effectiveness of general IT controls related to development, change, operation, and security, and the following automated application controls: • Interface into the card deposits system of the card issuance and usage data recorded in the core system and the payment system, • Aggregation of the card issuance and usage data by year in the card deposits system, and • Calculation of hoard profit of prepaid card in the card deposits system. (4) For substantive procedures related to hoard profit of prepaid card, we performed inspection of the output from the card deposits system and recalculation to test the aggregation of the amount of card issuance by year of the issuance, the estimate of the hoard rate of prepaid card, the appropriateness of the calculation logic and the estimation process of hoard profit of prepaid card. (5) In order to assess the reasonableness of the assumptions used by management, we inquired of management and involved our specialists in financial engineering to assist us in testing the expected future use of cards, which was assumed to be extremely low by management.

Valuation of Goodwill and Intangible Assets	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
As described in the Notes "Significant accounting policies for the preparation of consolidated financial statements" and "Significant accounting estimates," the Group recorded goodwill and contract-related intangible assets (hereinafter referred to as "Goodwill, etc.") of ¥15,015 million and ¥1,193 million, respectively, on the consolidated balance sheet at the end of the fiscal year under review. These assets were mainly related to TF Mobile Solutions Corporation, which became a consolidated subsidiary upon acquisition of all of its shares on November 2, 2020, and merged with T-Gaia Corporation on February 1, 2021. As a result of the impairment analysis for the valuation of Goodwill, etc., the Group identified an impairment indicator due to significant deterioration in the business environment as a result of the commission decrease caused by revisions to transaction conditions related to commission made by a certain telecommunication carrier from the previous second quarter (July–September 2021) and decrease in the number of new subscriptions for mobile phones and other devices due to deterioration of the external environment such as rising consumer prices, and tested whether an impairment loss should be recognized. The Group assessed whether to recognize an impairment loss based on the undiscounted future cash flows, and determined that no impairment loss was necessary to be recognized. The future cash flows are estimated based on the business plan approved by management considering uncertainties in the future periods. Significant assumptions in estimating the future cash flows are sales growth rates and profit margins used in the business plan. Goodwill, etc. accounts for a large portion of the consolidated financial statements, and the appropriateness of the valuation of Goodwill, etc. is significant for our audit. In addition, the estimate of the future cash flows involves uncertainty and requires management's judgment. Based on the above, we identified the valuation of Goodwill, etc. as a key audit matter.	To address the key audit matter, we performed the following audit procedures: (1) We obtained an understanding of the business processes and internal controls related to the valuation of Goodwill, etc., and evaluated the design and operating effectiveness of those internal controls. (2) In order to evaluate the appropriateness of management's judgment of whether there is any indication of impairment, we analyzed financial performance trends, discussed the changes in the business environment with management, compared the business plan at the time of acquisition of TF Mobile Solutions Corporation with the actual results, and inspected related documents. (3) We examined the consistency of the undiscounted future cash flows with the business plan approved by management. (4) Regarding the sales growth rates and profit margins used in the business plan, which are significant assumptions in the estimate of the undiscounted future cash flows, we discussed with management and inspected related documents. Regarding the sales growth rates, we inspected the documents related to the forecasts of sales volume of products such as mobile phones and communication services (hereinafter referred to as "Products, etc.") and commission received from telecommunications carriers (hereinafter referred to as "Commission"). Regarding profit margins, we inspected the documents related to the forecast of gross profit per unit of Products, etc. and Commissions, and the prospect of various cost reductions. (5) In order to assess the uncertainty of the estimate of the undiscounted future cash flows, we conducted a sensitivity analysis by applying certain stress at the judgment of the auditor to sales growth rates and profit margins, which are significant assumptions in the business plan.

Other Information

Management is responsible for the other information. Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the other information. The other information comprises the information included in the Annual Securities Report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board Members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit & Supervisory Board Members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Audit of Internal Control

Opinion

Pursuant to the second paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited management's report on internal control over financial reporting of T-Gaia Corporation as of March 31, 2023.

In our opinion, management's report on internal control over financial reporting referred to above, which represents that the internal control over financial reporting of T-Gaia Corporation as of March 31, 2023, is effectively maintained, presents fairly, in all material respects, the results of the assessment of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Basis for Opinion

We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Internal Control Audit section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for Report on Internal Control

Management is responsible for designing and operating effective internal control over financial reporting and for the preparation and fair presentation of its report on internal control in accordance with assessment standards for internal control over financial reporting generally accepted in Japan. Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing and verifying the design and operating effectiveness of internal control over financial reporting. There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

Auditor's Responsibilities for the Internal Control Audit

Our objectives are to obtain reasonable assurance about whether management's report on internal control over financial reporting is free from material misstatement and to issue an auditor's report that includes our opinion.

As part of an audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Perform audit procedures to obtain audit evidence regarding the results of the assessment of internal control over financial reporting in management's report on internal control. The procedures selected depend on the auditor's judgment, including the significance of effects on reliability of financial reporting.

- Examine representations on the scope, procedures and results of the assessment of internal control over financial reporting made by management, as well as evaluating the overall presentation of management's report on internal control.

- Obtain sufficient appropriate audit evidence regarding the results of the assessment of internal control over financial reporting. We are responsible for the direction, supervision and performance of the internal control audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board Members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the internal control audit, result of the internal control audit, including any identified material weakness which should be disclosed and the result of remediation.

We also provide Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Readers of Independent Auditor's Report

This is an English translation of the independent auditor's report as required by the Financial Instruments and Exchange Act of Japan for the conveniences of the reader.

Cover

Document Filed	Confirmation Letter
Application law	Article 24-4-2, Paragraph 1 of the Financial Instruments and Exchange Act
Filed to	Director-General, Kanto Local Finance Bureau
Filing Date	June 22, 2023
Company name	株式会社ティーガイア (Kabushiki Kaisha T-Gaia)
Company name in English	T–Gaia Corporation
Title and Name of Representative	Masato Ishida, President and Chief Executive Officer
Title and Name of Chief Financial Officer	Hiroyuki Sugai, Director, Executive Vice President, CFO
Address of Head Office	1-18 Ebisu 4-chome, Shibuya-ku, Tokyo
Place Where Available for Public Inspection	T-Gaia Corporation, Tokai Regional Headquarters (11-11 Nishiki 1-chome, Naka-ku, Nagoya City, Aichi Prefecture) T-Gaia Corporation, West Japan Regional Headquarters (6-20 Dojima 1-chome, Kita-ku, Osaka City, Osaka Prefecture) Tokyo Stock Exchange, Inc. (2-1 Nihombashi Kabuto-cho, Chuo-ku, Tokyo)

1 Matters Related to Adequacy of Statements Contained in the Annual Securities Report

Masato Ishida, President and Representative Director of the Company, and Hiroyuki Sugai, Chief Financial Officer, confirmed that the statements contained in the Annual Securities Report for the 32nd fiscal year (from April 1, 2022 to March 31, 2023) were adequate under the Financial Instruments and Exchange Act.

2 Special Notes

None.

Cover

Document Filed	Internal Control Report
Application law	Article 24-4-4, Paragraph 1 of the Financial Instruments and Exchange Act
Filed to	Director-General, Kanto Local Finance Bureau
Filing Date	June 22, 2023
Company name	株式会社ティーガイア (Kabushiki Kaisha T-Gaia)
Company name in English	T–Gaia Corporation
Title and Name of Representative	Masato Ishida, President and Chief Executive Officer
Title and Name of Chief Financial Officer	Hiroyuki Sugai, Director, Executive Vice President, CFO
Address of Head Office	1-18 Ebisu 4-chome, Shibuya-ku, Tokyo
Place Where Available for Public Inspection	T-Gaia Corporation, Tokai Regional Headquarters (11-11 Nishiki 1-chome, Naka-ku, Nagoya City, Aichi Prefecture) T-Gaia Corporation, West Japan Regional Headquarters (6-20 Dojima 1-chome, Kita-ku, Osaka City, Osaka Prefecture) Tokyo Stock Exchange, Inc. (2-1 Nihombashi Kabuto-cho, Chuo-ku, Tokyo)

1 Matters Related to Basic framework of Internal Control over Financial Reporting

Masato Ishida, President and Representative Director, and Hiroyuki Sugai, Executive Vice President and CFO, are responsible for establishing and managing the Company's internal control over financial reporting and have established and managed internal control over financial reporting in accordance with the "Standards for Management Assessment and Audit concerning Internal Control over Financial Reporting" and its "Practice Standards."

However, due to limitations specific to internal control over financial reporting, such as misjudgments or carelessness by the internal control officer and collusion among officers, there is a possibility that internal control over financial reporting may not prevent or detect misstatements. There also is a possibility that internal control over financial reporting may not prevent or detect financial misstatements resulting from changes in the internal and external environment of the Company and exceptional transactions, which were not initially expected, as they cannot be addressed.

2 Matters Related to Scope, Record Date, and Procedures for Evaluation

We evaluated our internal control over financial reporting on the record date of March 31, 2023, which is the end of the fiscal year under review, in accordance with evaluation standards for internal control over financial reporting generally accepted in Japan.

In this evaluation, we assessed the status of establishing and managing internal control that may have a material effect on the overall financial reporting on a consolidated basis (company-level controls). Based on the results, we selected business processes and analyzed them, and identified the risk of misstatements that may have a material impact on the reliability of our financial reporting and key controls that reduce such risk to a reasonable level to evaluate the effectiveness of establishing and operating these key controls.

For the scope of evaluation of internal control over financial reporting, we determined the necessary scope from the perspective of the significance of the quantitative and qualitative impact on the financial reporting of the Group (the Company, its consolidated subsidiaries and equity-method affiliates). For the procedure and method of determining the scope of evaluation, we rationally determined the scope of evaluation of internal control associated with business processes based on the assessment results of company-wide internal controls by taking into account the significance of the quantitative and qualitative impact on financial reporting.

For the scope of evaluation of internal control associated with business processes, we used consolidated net sales as a benchmark and selected business bases that account for about two-thirds of such as key business bases. At these key business bases, we set as the subjects of evaluation the business process leading to the accounts closely associated with the Group's business objectives, namely, "net sales," "accounts receivable-trade," and "inventories." Further, in light of the quantitative and qualitative impact on financial reporting, we added to the subjects of evaluation specific business processes that are judged as important.

3 Matters Related to Evaluation Results

As a result of the evaluation above, we concluded that our internal control over the Group's financial reporting was effective as of March 31, 2023.

4 Supplementary Matters

None.

5 Special Notes

None.