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Consolidated Financial Results for the Fiscal Year Ended March 31, 2022 (Based on J-GAAP)

May 2, 2022

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Financial results supplementary explanatory documents: Yes

Financial results presentation: Yes (for institutional investors & analysts)

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

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2022 (April 1, 2021 – March 31, 2022)

(1) Consolidated results of operations (twelve months)

(Percentages represent year-over-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY 2022	476,464	12.6	10,567	(24.7)	15,381	(22.3)	10,579	(18.9)
FY 2021	422,973	—	14,042	—	19,793	—	13,042	—

Note: Comprehensive income (million yen): FY 2022: 10,579 / [(19.8)%] FY 2021: 13,197 / [-%]

	Earnings per share	Diluted earnings per share	Return on Equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
	Yen	Yen	%	%	%
FY 2022	189.74	—	15.7	6.5	2.2
FY 2021	234.01	—	21.9	9.5	3.3

Reference: Share of profit (loss) of entities accounted for using equity method (million yen): FY 2022: (45) FY 2021: (540)

Note 1: As the Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020) and relevant revised ASBJ regulations have been applied from the beginning of the fiscal year, the figures for the FY 2021 are those after retrospectively applying the accounting standard and relevant revised ASBJ regulations. Therefore, year-over-year changes for the FY 2021 are not shown.

Note 2: During the second quarter of FY 2022, the Company finalized the provisional accounting treatment for a business combination. As a result, the figures for the FY 2021 reflect this finalization of the provisional accounting treatment.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY 2022	241,277	70,483	29.2	1,263.30
FY 2021	233,826	64,026	27.4	1,148.26

Reference: Shareholders' equity (million yen): FY 2022: 70,448 FY 2021: 63,998

(3) Consolidated cash flow position

	Cash flows from operating activities	Cash flow from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
FY 2022	18,864	(2,484)	(7,931)	56,162
FY 2021	19,338	(32,711)	17,849	47,601

2. Dividends

	Annual dividends					Total dividend annual	Dividend payout ratio consolidate	Dividend on equity consolidate
	1Q-end	Interim	3Q-end	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY 2021	—	37.50	—	37.50	75.00	4,179	32.1	7.0
FY 2022	—	37.50	—	37.50	75.00	4,180	39.5	6.2
FY 2023 (forecasts)	—	37.50	—	37.50	—		41.8	

3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2023 (April 1, 2022 – March 31, 2023)

(Percentages represent year-over-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	483,000	1.4	11,200	6.0	15,400	0.1	10,000	(5.5)	179.32

Note 1: Consolidated forecasts for the first half of FY 2023 have not been disclosed.

Notes

(1) Changes in significant subsidiaries during the period (twelve months) under review
(Changes in subsidiaries accompanying change in the scope of consolidation): None

(2) Changes in accounting principles, estimates and restatements
1) Changes in accounting principles caused by revision of accounting standards, etc.: Yes
2) Changes in accounting principles other than those mentioned above: None
3) Changes in accounting estimates: None
4) Restatement: None

Note: For more details, please refer to “3. Consolidated Financial Statements and Notes (5) Notes to consolidated financial statements (Changes in accounting principles)” on page 13.

(3) Number of shares issued and outstanding (shares of common stock)

1) Number of shares outstanding (including treasury shares) at the end of the period	FY 2022	56,074,000 shares	FY 2021	56,074,000 shares
2) Number of treasury shares at the end of the period	FY 2022	308,866 shares	FY 2021	338,866 shares
3) Average number of shares outstanding during the period twelve months)	FY 2022	55,756,422 shares	FY 2021	55,734,177 shares

* Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

* Cautionary statement with respect to forward-looking statements

(Disclaimer on forward-looking statements, etc.)

These materials contain forward-looking information including earnings projections based on information currently available to the Company and certain assumptions considered reasonable in the judgment of the Company. Nothing contained in these materials is meant to suggest that the Company promises to attain the said projections. Moreover, due to various factors, actual results may materially differ from projections.

(How to obtain supplementary documents on financial results)

The Company is scheduled to hold an online financial results presentation meeting for institutional investors and analysts on May 2, 2022 (Monday). The Company plans to post the documents used in this presentation on its website on the same day the meeting is held.

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1. Summary of Results of Operations

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant revised ASBJ regulations from the beginning of the current fiscal year. As for applying the accounting standard and relevant revised ASBJ regulations, the Company, in accordance with the general rules for accounting treatment as set forth in paragraph 84 of the accounting standard, retrospectively applies the new accounting principles to all of the prior periods. Therefore, the Company compares its performance with the previous fiscal year and analyzes the data using the figures after applying the accounting standard and relevant revised ASBJ regulations.

Regarding the business combination with TF Mobile Solutions Corporation carried out on November 2, 2020 (it was absorbed through an absorption-type merger on February 1, 2021. Below, “TFM.”), although a provisional accounting treatment was applied in the previous fiscal year, this was settled in the second quarter of the current fiscal year. Therefore, figures used in comparisons with the previous fiscal year and analysis are figures that have been revised following the settlement of this provisional accounting treatment.

(1) Summary of results of operations for the period under review

In the fiscal year under review (April 2021 to March 2022), the Japanese economy continues to face a difficult situation due to the impact of COVID-19. Looking forward, while there is an increasing sense of uncertainty because of the situation in Ukraine, for example, careful attention needs to be paid to the risk of an economic downturn at home and abroad due to supply side limitations and trends in raw material and other prices, as well as fluctuations in the financial and capital markets.

In the market for mobile phone handsets, which is the main business field of the Group (the Company, its consolidated subsidiaries, and its equity-method affiliates), the steady popularization of handsets compatible with 5G (5th-generation mobile communication system) has begun. On the other hand, the provision of online-only plans for service, which will not provide in-store assistance, started in March 2021, which has caused a dramatic change to the role of shops and the competitive environment. In the second quarter of the current fiscal year, commission terms and conditions for some telecommunications carriers were revised. Also, delays to the delivery of some products caused by a global supply shortage of semiconductors, etc., have become prolonged.

Under this business environment, the Group’s unit sales of mobile handsets, etc. (below, “unit sales”) during the period under review jumped from the previous period to 4,160,000 as a result of the following factors.

- A. The impact of shortened operating hours and suspensions of operations at carrier shops and some limits on services available (in response to a nationwide declaration of a state of emergency) in 1Q FY 2021 (April to June 2020)
- B. The shift from 3G (3rd-generation mobile communication system) networks to 4G and 5G networks and increased competition among telecommunications carriers
- C. An increase in the number of shops from making TFM a subsidiary in November 2020

On the other hand, the revisions to commission terms and conditions for some telecommunications carriers as mentioned above and an increase in the ratio of sales of products other than main brand products led to a year-on-year decline in Group commission income.

From the third quarter of the current fiscal year, the Group has been engaged in increasing sales of original products and enhancing the productivity of shop operations primarily in the Consumer Mobile Business Segment. Despite the gradual emergence of effects from an improvement in operating profit compared to the second quarter of the current fiscal year, for example, the financial forecasts announced at the beginning of the term were not achieved.

As a result, consolidated business results for the period under review marked net sales of 476,464 million yen (+12.6% year-on-year), with operating profit of 10,567 million yen (-24.7%). As a result of a significant year-on-year decrease in the recognized amount of card deposits, ordinary profit marked 15,381 million yen (-22.3%) and profit attributable to owners of parent posted 10,579 million yen (-18.9%).

Consolidated results of each business segment for the fiscal year under review are detailed below.

(Millions of yen)

	Consumer Mobile Business Segment	Enterprise Solutions Business Segment	Payment Service Business and Other Business Segment	Total
Net sales	407,141 14.6%	35,294 9.1%	34,028 (3.4%)	476,464 12.6%
Profit attributable to owners of parent	5,607 (23.5%)	1,862 (3.8%)	3,109 (17.8%)	10,579 (18.9%)
Supplementary information – Operating profit (loss)	8,249 (24.9%)	2,518 (24.9%)	(200) –	10,567 (24.7%)

* Percentages represent year-over-year changes

[Consumer Mobile Business Segment]

In Consumer Mobile Business Segment, although unit sales increased year on year as mentioned above, commission income declined due to factors such as revisions to commission terms and conditions.

In addition to selling handsets, shops are playing an important role in the area of offering value in the non-telecommunications field, which each telecommunications carrier is focusing on, such as content from various services and payment services using smartphones. Moreover, through such services as our on-site sales service, we have newly created opportunities for sales and service provision and are expanding our points of contact with customers. Internal support systems have been enhanced, including the centralization of tasks for the selection and preparation of on-site sales service locations, for example.

At shops that were formerly directly managed by TFM, we integrated various internal systems and shop management systems in July 2021. We will continue to accelerate initiatives aiming at maximizing synergies, such as personnel exchanges and efficient

personnel deployment.

Regarding investments in shops, in the period under review, we closed or transferred ownership of unprofitable shops.

As a result, net sales totaled 407,141 million yen (+14.6% year-on-year) and net income attributable to shareholders of the parent company totaled 5,607 million yen (-23.5%).

[Enterprise Solutions Business Segment]

In mobile solutions for enterprise clients' business, sales units jumped year on year due to the inclusion of the corporate sales channel of the former TFM. Although workstyle reforms are driving proactive ICT investment and demand for smart devices that can be used for remote work continues to flourish due to the impact of COVID-19 infections, delays to the delivery of some products caused by a global supply shortage of semiconductors, etc., have continued for a prolonged time.

Selling, general and administrative expenses increased year on year due to staff expansion and system investments, etc. with the aim to expand business scale and improve productivity.

Under these conditions, the Group is expanding products and services for its Life Cycle Management operations revolving around administrative and support services for device life cycles spanning from procurement, propositions, and introduction support for smart devices including PCs, to building Wi-Fi environment, maintenance, operations, and updating services. Moreover, the Group continued to adapt to changes in the business environment, including by focusing on proposing the building, operation, maintenance, etc. of networks that use edge solutions.

In products related to fixed-line telecommunications, the Company has continued to work to improve the quality of support for resale wholesalers and clients for the Company's own "TG Hikari" fiber-optics access service, and to improve business efficiency and strengthen direct sales through the introduction of systems.

As a result, we recorded net sales of 35,294 million yen (+9.1% year-on-year) and net income attributable to shareholders of the parent company of 1,862 million yen (-3.8%).

[Payment Service Business and Other Business Segment]

In Payment Service Business and Other Business Segment, gift card transaction volumes were down compared with the same period of 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 during the nationwide voluntary lockdown.

Sales in the wholesale of smartphone accessories mainly to convenience stores continued to be robust due to the expansion of sales channels and the broadening of the merchandise lineup, despite costs which were recorded in the first quarter, such as the cost of addressing mislabeling of the manufacturing country in some products.

With respect to other new business, 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.

QUO CARD Co., Ltd., a consolidated subsidiary, saw a decline in the amount of issuance for QUO Card compared to the same period of the previous fiscal year, when there was the special demand, primarily from local governments and other organizations, in order to support healthcare workers.

On the other hand, the number of member stores which accept QUO Card and QUO Card Pay steadily expanded.

As a result, net sales marked 34,028 million yen (-3.4% year-on-year), with profit attributable to owners of parent of 3,109 million yen (-17.8%) due to the significant year-on-year decrease related to hoarded cards mentioned above.

(2) Summary of financial position for the current fiscal year

(Assets)

Current assets at the end of the period under review were 194,542 million yen, which was 10,929 million yen higher than at the end of the previous fiscal year. This was mainly due to an 8,760 million yen increase in cash and deposits. Non-current assets were 46,735 million yen, which was 4,739 million yen lower than at the end of the previous fiscal year. This was mainly due to a 2,193 million yen decrease in goodwill and a 2,100 million yen decrease in deferred tax assets.

As a result, total assets posted 241,277 million yen, which was 6,190 million yen higher than at the end of the previous fiscal year.

(Liabilities)

Current liabilities at the end of the period under review were 162,290 million yen, which was 13,816 million yen higher than at the end of the previous fiscal year. This was mainly due to a 9,000 million yen increase in current portion of long-term borrowings and a 11,825 million yen increase in card deposits. Non-current liabilities at the end of the period under review were 8,503 million yen, which was 12,822 million yen lower than at the end of the previous fiscal year. This was mainly due to a 12,751 million yen decrease in long-term borrowings.

As a result, total liabilities posted 170,794 million yen, which was 994 million yen higher than at the end of the previous fiscal year.

(Net assets)

Total net assets at the end of the period under review were 70,483 million yen, which was 6,456 million yen higher than at the end of the previous fiscal year. This was mainly due to 10,579 million yen recognized in profit attributable to owners of parent and 4,181 million yen in payment of dividends of surplus.

As a result, the equity ratio was 29.2% (27.4% at the end of the previous fiscal year).

(3) Summary of cash flows for the current fiscal year

Consolidated cash and cash equivalents (below, “cash”) in the period under review were 56,162 million yen at the end of the period under review, which was 8,560 million yen higher than at the end of the previous fiscal year.

Cash flows and major components during the consolidated fiscal year under review were as follows.

(Cash flows from operating activities)

Cash received as a result of operating activities was 18,864 million yen (compared to receipts of 19,338 million yen in the previous consolidated fiscal year). This was mainly due to a 16,122 million yen recognized in profit before income taxes.

(Cash flows from investing activities)

Cash used in investing activities was 2,484 million yen (compared to 32,711 million yen used in the preceding consolidated fiscal year). This was mainly due to expenditure of 1,745 million yen for the purchase of software.

(Cash flows from financing activities)

Cash used in financing activities was 7,931 million yen (compared to receipts of 17,849 million yen in the previous consolidated fiscal year). The main factors were expenditure of 3,751 million yen due to the repayment of long-term borrowings and 4,177 million yen in dividends paid.

(Reference) Consolidated cash flow indicators

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Equity ratio (%)	22.8	26.1	30.4	27.4	29.2
Shareholders' equity ratio based on market prices (%)	103.2	57.2	62.9	45.7	37.8
Interest-bearing debt to cash flow ratio (%)	75.2	22.5	0.1	114.5	97.44
Interest coverage ratio (times)	325.5	1,182.6	5,637.1	252.2	227.0

Equity ratio: Shareholders' equity / Total assets

Shareholders' equity ratio based on market price: Market capitalization / Total assets

Interest-bearing debt to cash flow ratio: Interest-bearing debt / Operating cash flow

Interest coverage ratio: Operating cash flow / Interest payments

(Note 1) Numbers stated in the consolidated financial statements are used in all cases.

(Note 2) Market capitalization has been calculated based on the number of shares issued and outstanding at the end of the fiscal year after deduction of treasury shares.

(Note 3) Cash flow is taken from the statement of cash flows.

(Note 4) Interest-bearing debt includes all the liabilities carried on the consolidated balance sheets that incur interest.

(4) Outlook

<Medium-Term Management Plan>

In the Medium-Term Management Plan (FY 2022-FY 2024) published in May 2021, in addition to setting the realization of the TG Universe (the ecosystem within T-Gaia) as our management strategy, we specified eight material issues that we should resolve through our business practices.

Centering on “People x Technology,” 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.

* Explanatory materials on the Medium-Term Management Plan are available on the Company’s website.

[The consolidated forecast for the fiscal year ending in March 31, 2023]

In the period under review, which was the first year of the Medium-Term Management Plan, there were major changes in the external business environment of the Company, including revisions to commission terms and conditions for some telecommunications carriers and prolonged delays to the delivery of some products caused by a global supply shortage of semiconductors.

Based on the assumption that the business environment will continue to be difficult, increased operating profit is expected in the consolidated forecast for the fiscal year ending March 31, 2023, due to the continued expansion of proprietary business, organizational/personnel optimization with the objective of increased company-wide productivity, and a review of various expenditures.

As a result, the forecast is net sales of 483,000 million yen (+1.4% compared with the previous year), operating profit of 11,200 million yen (+6.0%), non-operating income of 4,200 million yen (-12.8%), including card deposits, ordinary profit of 15,400 million yen (+0.1%), and profit attributable to owners of parent of 10,000 million yen (-5.5%).

The main factors behind the decrease in the profit attributable to owners of parent are as follows.

- A. Decrease in Card deposits
- B. The impact of including gain on sales of investment securities in extraordinary income in the period under review

[Initiatives in each business segment]

In the second year of the Medium-Term Management Plan ending on March 31, 2023, we will focus on the following initiatives in each business segment.

[Consumer Mobile Business Segment]

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 Segment]

By expanding its products and services in the LCM business and new business areas such as edge computing, the Group will evolve into an integrated 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.

[Payment Service Business and Other Business Segment]

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 eSports, ICT classes, smart agriculture, and renewable energy business.

(5) Basic profit allocation policy, and dividends in the current and next fiscal years

In response to its business performance, it is a basic policy of the Company to return profits to our Shareholders with a dividend payout ratio of at least 30 % while securing the internal reserves necessary for future business expansion and the reinforcement of its business foundations.

The year-end dividend for the period under review will be 37.50 yen per share as the initial dividend estimate. As a result, combined with the interim dividend of 37.50 yen in December 2021, annual dividends are set to reach 75.00 yen per share.

In addition, as stated in “Announcement Regarding Changes to Profit Allocation and Shareholder Special Benefit Plan” published today, the basic policy of the Company from the period ending March 31, 2023, is the “stable and continuous redistribution of profits in the long-term targeting a payout ratio of 40% with due consideration for securing the internal retention necessary for future business initiatives and for a strong management base.” Taking into account the consolidated earnings forecast and the basic dividend policy, the Company plans to pay a dividend of 75 yen per share for the fiscal year ending March 31, 2023 (interim dividend of 37.50 yen and year-end dividend of 37.50 yen per share), the same amount as the year-earlier period.

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.

2. Fundamental Concepts Concerning the Choice of Accounting Standards

As a policy, the Group for the time being will prepare its consolidated financial statements in accordance with Japanese accounting standards to ensure comparability between accounting periods and between companies.

However, in the light of changing shareholder percentages of foreign investors and a trend toward applying international accounting standards among domestic competitors, the Company plans to initiate deliberations concerning the application of international accounting standards in future.

3. Consolidated Financial Statements and Notes

(1) Consolidated balance sheets

(Millions of yen)

	FY 2021 (As of March 31, 2021)	FY 2022 (As of March 31, 2022)
Assets		
Current assets		
Cash and deposits	49,401	58,162
Notes and accounts receivable - trade	22,487	17,660
Merchandise	21,530	22,158
Supplies	70	80
Accounts receivable - other	14,148	12,621
Guarantee deposits	73,790	81,400
Other	2,254	2,495
Allowance for doubtful accounts	(71)	(37)
Total current assets	183,612	194,542
Non-current assets		
Property, plant and equipment		
Buildings and structures	10,726	10,786
Accumulated depreciation	(8,256)	(8,788)
Buildings and structures, net	2,470	1,998
Machinery, equipment and vehicles	894	965
Accumulated depreciation	(55)	(109)
Machinery, equipment and vehicles, net	838	856
Furniture and fixtures	5,828	5,799
Accumulated depreciation	(5,030)	(5,101)
Furniture and fixtures, net	798	697
Land	304	304
Leased assets	152	152
Accumulated depreciation	(100)	(121)
Leased assets, net	51	30
Construction in progress	23	16
Total property, plant and equipment	4,487	3,903
Intangible assets		
Goodwill	17,835	16,563
Software	1,340	3,953
Contract-related intangible assets	1,328	1,260
Other	3,026	931
Total intangible assets	23,530	22,709
Investments and other assets		
Investment securities	4,119	3,742
Deferred tax assets	11,779	10,085
Retirement benefit asset	5	14
Leasehold deposits	4,800	4,707
Other	1,496	1,594
Allowance for doubtful accounts	(4)	(21)
Total investments and other assets	22,196	20,122
Total non-current assets	50,214	46,735
Total assets	233,826	241,277

(Millions of yen)

	FY 2021 (As of March 31, 2021)	FY 2022 (As of March 31, 2022)
Liabilities		
Current liabilities		
Accounts payable - trade	9,689	9,964
Current portion of long-term borrowings	3,751	12,751
Accounts payable - other	19,675	16,576
Income taxes payable	3,966	722
Provision for bonuses	2,926	2,719
Card deposits	106,516	118,341
Other	1,948	1,215
Total current liabilities	148,474	162,290
Non-current liabilities		
Long-term borrowings	18,373	5,622
Years of service gratuity reserve provisions	201	146
Retirement benefit liability	318	349
Asset retirement obligations	1,980	1,979
Other	451	406
Total non-current liabilities	21,325	8,503
Total liabilities	169,800	170,794
Net assets		
Shareholders' equity		
Share capital	3,154	3,154
Capital surplus	5,092	5,123
Retained earnings	55,739	62,137
Treasury shares	(312)	(284)
Total shareholders' equity	63,672	70,129
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	311	263
Foreign currency translation adjustment	14	55
Total accumulated other comprehensive income	325	318
Non-controlling interests	28	35
Total net assets	64,026	70,483
Total liabilities and net assets	233,826	241,277

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

(Millions of yen)

	FY 2021 (From April 1, 2020 to March 31, 2021)	FY 2022 (From April 1, 2021 to March 31, 2022)
Net sales	422,973	476,464
Cost of sales	353,089	403,889
Gross profit	69,884	72,574
Selling, general and administrative expenses	55,842	62,006
Operating profit	14,042	10,567
Non-operating income		
Interest income	3	6
Dividend income	9	8
Hoard profit of prepaid card	5,926	4,764
Other	569	211
Total non-operating income	6,508	4,990
Non-operating expenses		
Interest expenses	78	82
Share of loss of entities accounted for using equity method	540	45
Other	138	47
Total non-operating expenses	757	175
Ordinary profit	19,793	15,381
Extraordinary income		
Gain on sale of non-current assets	8	54
Gain on sale of investment securities	78	807
Settlement income	350	—
Total extraordinary income	436	862
Extraordinary losses		
Loss on sale of non-current assets	11	5
Loss on retirement of non-current assets	49	37
Impairment losses	168	78
Other	1	—
Total extraordinary losses	230	121
Profit before income taxes	19,998	16,122
Income taxes - current	6,199	3,769
Income taxes - deferred	743	1,766
Total income taxes	6,943	5,536
Profit	13,055	10,586
Profit attributable to non-controlling interests	12	7
Profit attributable to owners of parent	13,042	10,579

(Consolidated statements of comprehensive income)

(Millions of yen)

	FY 2021 (From April 1, 2020 to March 31, 2021)	FY 2022 (From April 1, 2021 to March 31, 2022)
Profit	13,055	10,586
Other comprehensive income		
Valuation difference on available-for-sale securities	147	(48)
Share of other comprehensive income of entities accounted for using equity method	(4)	41
Total other comprehensive income	142	(6)
Comprehensive income	13,197	10,579
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	13,185	10,572
Comprehensive income attributable to non-controlling interests	12	7

(3) Consolidated statements of changes in shareholders' equity
Consolidated Fiscal Year 2021 (from April 1, 2020 to March 31, 2021)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	3,154	5,177	46,876	(315)	54,893
Changes during period					
Dividends of surplus			(4,180)		(4,180)
Profit attributable to owners of parent			13,042		13,042
Disposal of treasury shares		3		2	6
Change in ownership interest of parent due to transactions with non-controlling interests		(89)			(89)
Net changes in items other than shareholders' equity					
Total changes during period	—	(85)	8,862	2	8,779
Balance at end of period	3,154	5,092	55,739	(312)	63,672

	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	163	18	182	26	55,102
Changes during period					
Dividends of surplus					(4,180)
Profit attributable to owners of parent					13,042
Disposal of treasury shares					6
Change in ownership interest of parent due to transactions with non-controlling interests					(89)
Net changes in items other than shareholders' equity	147	(4)	142	1	144
Total changes during period	147	(4)	142	1	8,923
Balance at end of period	311	14	325	28	64,026

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

(4) Consolidated statements of cash flows

(Millions of yen)

	FY 2021 (From April 1, 2020 to March 31, 2021)	FY 2022 (From April 1, 2021 to March 31, 2022)
Cash flows from operating activities		
Profit before income taxes	19,998	16,122
Depreciation	1,986	2,068
Impairment losses	168	78
Amortization of goodwill	880	1,345
Increase (decrease) in provision for bonuses	606	(206)
Increase (decrease) in retirement benefit liability	(50)	22
Increase (decrease) in years of service gratuity reserve provisions	76	(55)
Interest and dividend income	(13)	(14)
Interest expenses	78	82
Settlement income	(350)	-
Share of loss (profit) of entities accounted for using equity method	540	45
Loss (gain) on sale of investment securities	(78)	(807)
Decrease (increase) in trade receivables	(4,213)	4,826
Decrease (increase) in accounts receivable - other	2,428	1,552
Decrease (increase) in inventories	(2,411)	(638)
Decrease (increase) in guarantee deposits	(8,560)	(7,610)
Increase (decrease) in trade payables	(549)	274
Increase (decrease) in accounts payable - other	(443)	(2,927)
Increase (decrease) in card deposits	13,152	11,825
Other, net	(459)	(187)
Subtotal	22,788	25,795
Interest and dividends received	137	114
Interest paid	(76)	(83)
Settlement received	350	-
Income taxes refund (paid)	(3,860)	(6,962)
Net cash provided by (used in) operating activities	19,338	18,864
Cash flows from investing activities		
Decrease (increase) in time deposits	100	(200)
Purchase of property, plant and equipment	(947)	(1,005)
Proceeds from sale of property, plant and equipment	100	75
Purchase of software	(2,877)	(1,745)
Purchase of investment securities	(529)	(50)
Proceeds from sale of investment securities	140	856
Purchase of shares of subsidiaries and associates	(541)	(89)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(27,928)	-
Net increase (decrease) in loans to affiliates	(190)	(354)
Other, net	(39)	28
Net cash provided by (used in) investing activities	(32,711)	(2,484)
Cash flows from financing activities		
Proceeds from long-term borrowings	24,000	-
Repayments of long-term borrowings	(1,875)	(3,751)
Dividends paid	(4,171)	(4,177)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(100)	-
Other, net	(3)	(3)
Net cash provided by (used in) financing activities	17,849	(7,931)
Net increase (decrease) in cash and cash equivalents	4,476	8,448
Cash and cash equivalents at beginning of period	43,125	47,601
Increase in cash and cash equivalents resulting from merger	-	112
Cash and cash equivalents at end of period	47,601	56,162

(5) Notes to consolidated financial statements
(Notes on the going-concern assumption)
Not applicable.

(Changes in accounting principles)

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

The Company has applied the Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations from the beginning of the current fiscal year, and recognizes the amount of revenue that is expected to be received upon exchange of promised goods or services at the moment the control of said goods or services is transferred to customers.

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

As a general rule, this change in the accounting principles has been applied retrospectively. Therefore, the new accounting principles were reflected in the consolidated financial statements for the previous fiscal year; provided, however, that in the retrospective application, the following method set forth in paragraph 85 of the Accounting Standard for Revenue Recognition has been applied.

(1) Comparative information is not retrospectively restated for contracts where nearly all the revenue amounts have been recognized prior to the beginning of the previous fiscal year subject to the previous treatment

For the previous fiscal year, as a result of this change, and compared with the figures before the retrospective application, net sales decreased by 27,890 million yen, cost of sales decreased by 27,840 million yen and selling, general and administrative expenses decreased by 49 million yen. However, operating profit, ordinary profit and profit before income taxes were unaffected.

(Consolidated statements of income)

Major items and figures among Selling, General and Administrative Expenses are as follows.

	(Millions of yen)	
	FY 2021 (From April 1, 2020 to March 31, 2021)	FY 2022 (From April 1, 2021 to March 31, 2022)
Remuneration for directors (and other officers)	210	228
Employees' salaries	17,667	20,892
Temporary staff wages	1,995	1,636
Provision for bonuses	2,833	2,641
Retirement benefit expenses	241	333
Years of service gratuity reserve provisions amount	101	112
Dispatched staff wages	4,542	5,811
Promotion expenses	3,196	3,551
Rent expenses on real estate	5,557	5,807
Depreciation	1,805	1,824
Amortization of goodwill	880	1,345
Provision of allowance for doubtful accounts	(65)	(33)

(Segment information, etc.)

[Segment information]

1. Summary 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 take decisions on the allocation of management resources and assess operating performance.

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

Consumer Mobile Business Segment undertakes contract mediation for mobile phones and other telecommunications services and sells mobile phone handsets and related merchandise.

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 electronic money-enabled merchandise and gift card sales using PIN sales systems, sales of prepaid card business operations, and overseas business operations.

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

The accounting treatment applicable to reported business segment information is largely consistent with the descriptions in the “Significant Accounting Policies in the Preparation of Consolidated Financial Statements,” and income of each reportable segment indicates profit attributable to owners of parent.

(Changes in reportable segments, etc.)

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

As stated in “Changes in accounting principles,” from the beginning of the fiscal year, the Company applied the Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations and changed the accounting treatment for revenue recognition. Accordingly, similar changes were made to the measurement method for profit or losses in the business segments.

Please note that the segment information for the previous fiscal year was prepared based on the new measurement method for segment profit or loss. In line with this change, in comparison with the figures obtained by the previous method, net sales for the previous fiscal year decreased by 49 million yen for Consumer Mobile Business Segment, and by 27,840 million yen for Payment Service Business and Other Business Segment. There was no impact regarding segment profit.

(Changes to segment asset allocation method)

In the fiscal year under review, as a result of changing the accounting system and reviewing the assets to be allocated to each segment, non-current assets, etc. (excluding goodwill and investment securities) of the Company that were not previously allocated to reportable segments were allocated to each reportable segment.

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

3. Information by reportable segment on net sales and income or loss amounts, assets, liabilities, and other items
FY 2021 (From April 1, 2020 to March 31, 2021)

(Millions of yen)

	Consumer Mobile Business Segment	Enterprise Solutions Business Segment	Payment Service Business and Other Business Segment	Adjustment amounts (Note) 1	Total
Net sales					
Smart device	209,213	8,747	—	—	217,960
Prepaid cards, etc.	—	—	10,422	—	10,422
Fees related Smart device	142,013	10,394	—	—	152,408
Sales commissions of prepaid card, etc.	—	—	17,891	—	17,891
Own solution services	—	5,281	—	—	5,281
TG Hikari & NW related	—	7,658	—	—	7,658
Other	4,191	264	6,894	—	11,350
Revenue from contracts with customers	355,418	32,345	35,208	—	422,972
Other revenue	—	—	1	—	1
Sales to external customers	355,418	32,345	35,209	—	422,973
Segment profit	7,326	1,935	3,780	—	13,042
Segment assets	36,570	7,188	90,313	99,754	233,826
Other items					
Depreciation (Note) 2	1,462	243	281	—	1,986
Amortization of goodwill	523	161	194	—	880
Interest income	1	2	0	—	3
Interest expenses	59	4	14	—	78
Equity method investment gain (loss)	44	(574)	(10)	—	(540)
Card deposits	—	—	5,926	—	5,926
Extraordinary income (Note) 2	72	350	13	—	436
Extraordinary losses (Note) 2	145	2	83	—	230
Impairment losses (Note) 2	93	—	75	—	168
Tax expenditure	4,051	1,177	1,714	—	6,943
Amount of investments in equity-method affiliates	308	1,757	23	—	2,089
Increase in property, plant and equipment and intangible assets	—	—	—	—	—

(Notes) 1. The segment asset adjustment amount of 99,754 million yen comprises mostly company-level assets under head office management which are not allocated to individual reportable segments.

2. Property, plant, and equipment and intangible non-current assets (excluding goodwill) of the Company are not subject to individual segment allocation. However, depreciation and related income and expenditure are, respectively, allocated in accordance with allocation standards based on management accounting and standards reasonable in the circumstances

FY 2022 (From April 1, 2021 to March 31, 2022)

(Millions of yen)

	Consumer Mobile Business Segment	Enterprise Solutions Business Segment	Payment Service Business and Other Business Segment	Adjustment amounts (Note)	Total
Net sales					
Smart device	238,841	10,339	—	—	249,180
Prepaid cards, etc.	—	—	11,477	—	11,477
Fees related Smart device	163,096	11,371	—	—	174,468
Sales commissions of prepaid card, 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)
Card deposits	—	—	4,764	—	4,764
Extraordinary income	432	318	111	—	862
Extraordinary losses	108	0	12	—	121
Impairment losses	78	—	—	—	78
Tax expenditure	3,037	968	1,529	—	5,536
Amount of 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 amount 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 amount of 3,191 million yen for the increase in the property, plant and equipment and intangible asset comprises mostly assets under head office management.

Related information

FY 2021 (From April 1, 2020 to March 31, 2021)

1. Information by products and services

(Millions of yen)

	Consumer Mobile Business Segment	Enterprise Solutions Business Segment	Payment Service Business and Other Business Segment	Total
Sales to external customers	355,418	32,345	35,209	422,973

2. Information by region

(1) Net sales

Omitted as the Company's net sales for outside customers in Japan exceed 90% of net sales listed in the Consolidated Statements of Income.

(2) Property, plant and equipment

Omitted as the amount of non-current tangible assets in Japan exceed 90% of the amount of non-current tangible assets listed in the Consolidated Balance Sheets.

3. Information by major clients

(Millions of yen)

Name of client (mobile carrier)	Net sales	Related segment
NTT DOCOMO, Inc.	60,562	Consumer Mobile Business Segment and Enterprise Solutions Business Segment
KDDI CORPORATION	50,692	Consumer Mobile Business Segment and Enterprise Solutions Business Segment

FY 2022 (From April 1, 2021 to March 31, 2022)

1. Information by products and services

(Millions of yen)

	Consumer Mobile Business Segment	Enterprise Solutions Business Segment	Payment Service Business and Other Business Segment	Total
Sales to external customers	407,141	35,294	34,028	476,464

2. Information by region

(1) Net sales

Omitted as the Company's net sales for outside customers in Japan exceed 90% of net sales listed in the Consolidated Statements of Income.

(2) Property, plant and equipment

Omitted as the amount of non-current tangible assets in Japan exceed 90% of the amount of non-current tangible assets listed in the Consolidated Balance Sheets.

3. Information by major clients

(Millions of yen)

Name of client (mobile carrier)	Net sales	Related segment
KDDI CORPORATION	66,977	Consumer Mobile Business Segment and Enterprise Solutions Business Segment
NTT DOCOMO, Inc.	65,196	Consumer Mobile Business Segment and Enterprise Solutions Business Segment

Information concerning unamortized goodwill balances by reportable segment
FY 2021 (From April 1, 2020 to March 31, 2021)

(Millions of yen)

	Consumer Mobile Business Segment	Enterprise Solutions Business Segment	Payment Service Business and Other Business Segment	Total
Balance at the end of period	14,348	3,161	324	17,835

(Note) Regarding the business combination with TF Mobile Solutions Corporation carried out on November 2, 2020 (it was absorbed through an absorption-type merger on February 1, 2021), the allocation of the acquisition cost had not yet been completed. Although the amount of goodwill in the previous fiscal year was a provisional calculation, the allocation of the acquisition cost was completed in the second quarter of the current fiscal year, and a provisional accounting treatment was applied. Therefore, the amount of goodwill in the Consumer Mobile Business Segment has been revised.

FY 2022 (From April 1, 2021 to March 31, 2022)

(Millions of yen)

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

Information concerning gains from negative goodwill by reported segment
Not applicable.

(Per Share Information)

(Yen)

	FY 2021 (From April 1, 2020 to March 31, 2021)	FY 2022 (From April 1, 2021 to March 31, 2022)
Book value per share	1,148.26	1,263.30
Earnings per share	234.1	189.74

(Notes) 1. Information on diluted earnings per share has been omitted as no dilutive shares are in existence.
2. The calculation basis for net earnings per share is as follows.

	FY 2021 (From April 1, 2020 to March 31, 2021)	FY 2022 (From April 1, 2021 to March 31, 2022)
Profit attributable to owners of parent (million yen)	13,042	10,579
Net income not available to common shareholders (million yen)	—	—
Net Income attributable to common owners of parent company (million yen)	13,042	10,579
Average number of shares outstanding during the period (shares)	55,734,177	55,756,422

(Business combinations and relevant)

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

Regarding the business combination with TF Mobile Solutions Corporation carried out on November 2, 2020 (it was absorbed through an absorption-type merger on February 1, 2021), a provisional accounting treatment for a business combination was applied in the previous fiscal year, but this was settled in the second quarter of the current fiscal year.

In accordance with this settlement of the provisional accounting treatment, comparative information included in the consolidated financial statements for the consolidated fiscal year reflects important revisions to the initial allocation of the acquisition cost.

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

Also, at the end of the previous fiscal year, goodwill was decreased by 921 million yen, deferred tax assets was decreased by 406 million yen, and contract-related intangible assets was increased by 1,328 million yen. The impact of this on the consolidated statements of income for the previous fiscal year was slight.

(Significant subsequent events)

Not applicable.

4. Other

Transfers of directors

With regard to transfers of directors, please refer to the “Announcement Regarding Transfer of Directors and Changes in Organization” released on February 24, 2022.