

Annual Securities Report

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

The 31st fiscal year (from April 1, 2021 to March 31, 2022)

T-Gaia Corporation
E05392

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Audit Report

Cover

Document Filed	Annual Securities Report
Applicable Law	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act
Filed to	Director, Kanto Local Finance Bureau
Filing Date	June 22, 2022
Fiscal Year	The 31st Fiscal Year (From April 1, 2021 to March 31, 2022)
Company Name	株式会社ティーガイア (Kabushiki Kaisha T-Gaia)
Company Name in English	T-Gaia Corporation
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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. Key Financial Data, etc.

(1) Consolidated financial data, etc.

Business term	27th	28th	29th	30th	31st
Fiscal year	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2020	Year ended March 31, 2021	Year ended March 31, 2022
Net sales (millions of yen)	552,771	526,929	474,150	422,973	476,464
Ordinary profit (millions of yen)	15,335	20,593	19,194	19,793	15,381
Profit attributable to owners of parent (millions of yen)	10,161	13,842	12,628	13,042	10,579
Comprehensive income (millions of yen)	10,070	13,858	12,555	13,197	10,579
Net assets (millions of yen)	36,473	46,745	55,102	64,026	70,483
Total assets (millions of yen)	159,923	178,994	181,378	233,826	241,277
Book value per share (yen)	653.98	838.54	988.23	1,148.26	1,263.30
Earnings per share (yen)	182.34	248.40	226.59	234.01	189.74
Diluted earnings per share (yen)	–	–	–	–	–
Equity ratio (%)	22.8	26.1	30.4	27.4	29.2
Return on equity (%)	30.9	33.3	24.8	21.9	15.7
Price-earnings ratio (times)	16.2	7.4	9.0	8.2	8.6
Cash flows from operating activities (millions of yen)	12,470	20,483	30,998	19,338	18,864
Cash flows from investing activities (millions of yen)	19,168	(3,479)	(4,642)	(32,711)	(2,484)
Cash flows from financing activities (millions of yen)	(16,696)	(8,296)	(8,868)	17,849	(7,931)
Cash and cash equivalents at end of period (millions of yen)	16,850	25,482	43,125	47,601	56,162
Number of employees (persons)	3,570	3,884	4,090	5,088	5,056
[Separately, average number of temporary employees]	[2,644]	[2,435]	[2,155]	[2,193]	[2,103]

- (Notes)
- Information on diluted earnings per share is omitted as there are no dilutive shares.
 - 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 under review, key financial data, etc. for the previous fiscal year are those after retrospectively applying the accounting standard and relevant revised ASBJ regulations.
 - During the fiscal year under review, the Company finalized the provisional accounting treatment for a business combination. As a result, related key financial data, etc. for the previous fiscal year reflect this finalization of the provisional accounting treatment.

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

Business term	27th	28th	29th	30th	31st
Fiscal year	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2020	Year ended March 31, 2021	Year ended March 31, 2022
Net sales (millions of yen)	549,900	521,716	469,580	399,307	471,907
Ordinary profit (millions of yen)	14,595	16,741	16,986	16,928	13,252
Profit (millions of yen)	9,113	11,280	11,660	11,397	9,590
Share capital (millions of yen)	3,154	3,154	3,154	3,154	3,154
Total number of outstanding shares (shares)	79,074,000	79,074,000	56,074,000	56,074,000	56,074,000
Net assets (millions of yen)	36,819	44,532	51,898	59,269	64,688
Total assets (millions of yen)	116,510	129,914	125,478	169,442	170,068
Book value per share (yen)	660.70	799.09	931.21	1,063.41	1,160.02
Dividend per share (yen)	55.00	75.00	75.00	75.00	75.00
[Interim dividend per share]	[27.50]	[36.50]	[37.50]	[37.50]	[37.50]
Earnings per share (yen)	163.54	202.41	209.23	204.49	172.00
Diluted earnings per share (yen)	–	–	–	–	–
Equity ratio (%)	31.6	34.3	41.4	35.0	38.0
Return on equity (%)	27.0	27.7	24.2	20.5	15.5
Price-earnings ratio (times)	18.1	9.1	9.8	9.4	9.5
Dividend payout ratio (%)	33.6	37.1	35.8	36.7	43.6
Number of employees (persons)	3,393	3,725	3,895	4,181	4,227
[Separately, average number of temporary employees]	[2,601]	[2,388]	[2,098]	[2,066]	[2,001]
Total shareholder return (%)	157.5	102.7	117.7	114.7	104.0
[Comparative index: TOPIX] (%)	[113.5]	[105.2]	[92.8]	[129.2]	[128.7]
Highest stock price (yen)	3,115	3,230	2,844	2,338	2,081
Lowest stock price (yen)	1,836	1,832	1,638	1,761	1,585

- (Notes)
- Information on diluted earnings per share is omitted as there are no dilutive shares.
 - The highest and lowest stock prices are those on the First Section of the Tokyo Stock Exchange.
 - As the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant revised ASBJ regulations have been applied from the beginning of the fiscal year under review, key financial data, etc. for the previous fiscal year are those after retrospectively applying the accounting standard and relevant revised ASBJ regulations.
 - During the fiscal year under review, T-Gaia Corporation (the “Company”) finalized the provisional accounting treatment for a business combination. As a result, related key financial data, etc. for the previous fiscal year reflect this finalization of the provisional accounting treatment.

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.
Apr. 1992	Mitsui Electronic Telecommunication Services launched a landline phone infrastructure business, pager business, and mobile phone business in Tokyo.
Mar. 1994	MC Telenet was solely established by Mitsubishi Corporation.
Apr. 1994	Mitsui Electronic Telecommunication Services relocated its head office to Shibuya-ku, Tokyo. Mitsui & Co., Ltd., the parent company of Mitsui Electronic Telecommunication Services, established Bussan Telecommunication in Aichi Prefecture.
May 1994	Mitsui Electronic Telecommunication Services started the business of selling NTT telephone subscription rights.
Feb. 1995	Mitsui Electronic Telecommunication Services started selling personal handy-phone system (PHS) handsets.
June 1995	Sumisho Telemates was solely established by Sumitomo Corporation.
Mar. 1996	Mitsui Electronic Telecommunication Services relocated its head office to Bunkyo-ku, Tokyo.
June 1997	Mitsui & Co., Ltd., the parent company of Mitsui Electronic Telecommunication Services, established Bussan Telecommunication Osaka in Osaka Prefecture.
Nov. 2000	Mitsui Electronic Telecommunication Services launched a mobile content business in response to the widespread of mobile phones and other Internet devices.
Apr. 2001	Mitsui Electronic Telecommunication Services was merged with Bussan Telecommunication and Bussan Telecommunication Osaka to form Mitsui & Associates Telepark Corp.
July 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.
July 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 business 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.
July 2005	MS Communications Co., Ltd. made Calsonic Communication Co., Ltd. a subsidiary.
Aug. 2005	Telepark Corp. started providing payment services (sales of e-money related products using the PIN sales system).
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.).
June 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.
June 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.

Month/Year	Event
Apr. 2022	<p>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.</p> <p>T-Gaia Corporation absorbed and merged T-Gaia Retail Service Corporation.</p> <p>T-Gaia Corporation created TG Solutions Corporation a consolidated subsidiary.</p> <p>T-Gaia Corporation created Relay2, Inc. a consolidated subsidiary.</p>

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 the Company, four consolidated subsidiaries and 11 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.

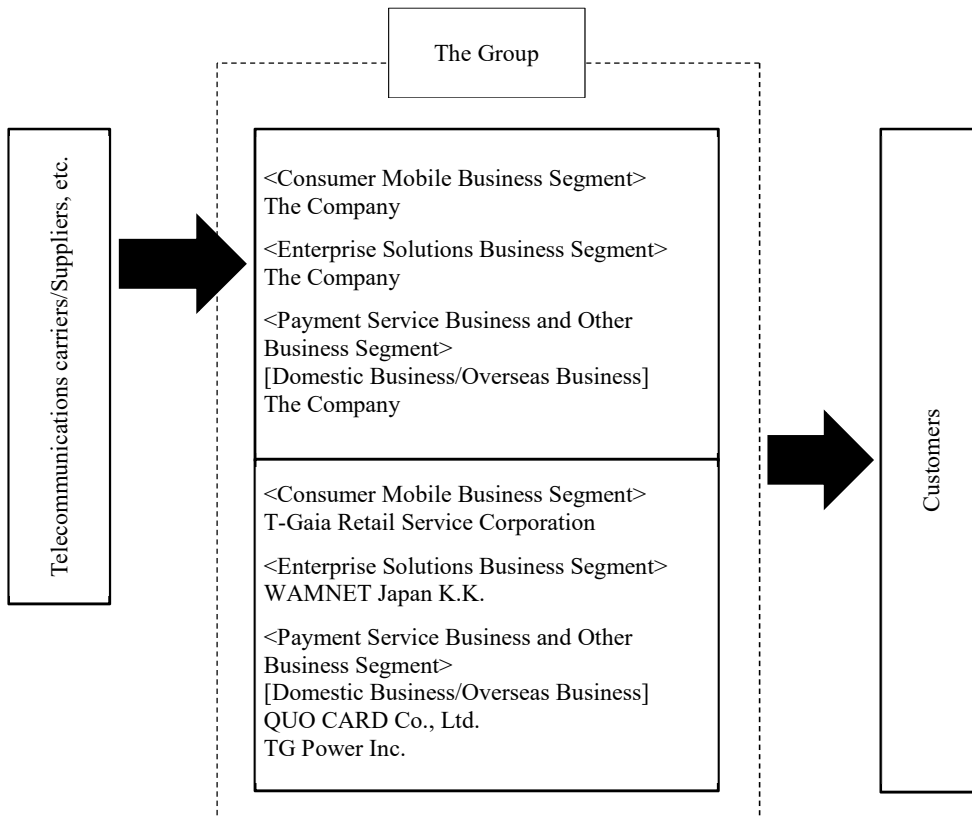
(2) Enterprise Solutions Business

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 chart below illustrates the scheme of our business segments.



(Note) The Group has 11 equity-method affiliates that are not included in the chart.

4. Overview of Associated Companies

Company name	Location	Share capital (millions of yen)	Principal business activities	Owning/Owned ratio of voting rights (%)	Relationship
(Parent company) Sumitomo Corporation (Notes) 1, 4	Chiyoda-ku, Tokyo	219,894	General trading company	Owned 41.9	–
(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 25.8 (25.8)	–
(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
One other company					
(Equity-method affiliate) Relay2, Inc. (Note) 5	California, the U.S.A.	US\$59 million	Development and sales of cloud Wi-Fi solutions with edge computing	28.3	–
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. As of the filing date of this Annual Securities Report, this company is an other associated company.
 5. As of the filing date of this Annual Securities Report, this company is a specified subsidiary.
 6. The Group has seven non-consolidated subsidiaries accounted for by the equity method that are not included in the table.

5. Data on Employees

(1) Consolidated companies

As of March 31, 2022

Segment	Number of employees (persons)	
Consumer Mobile Business	3,726	(1,830)
Enterprise Solutions Business	593	(75)
Payment Service Business and Other Business	249	(114)
Corporate (common)	488	(84)
Total	5,056	(2,103)

- (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.

(2) Reporting company

As of March 31, 2022

Number of employees (persons)	Average age (years old)	Average length of service (years)	Average annual salary (yen)
4,227 (2,001)	38.8	10.4	5,000,058

Segment	Number of employees (persons)	
Consumer Mobile Business	3,103	(1,785)
Enterprise Solutions Business	556	(73)
Payment Service Business and Other Business	80	(59)
Corporate (common)	488	(84)
Total	4,227	(2,001)

- (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.

(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.

II. Business Overview

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

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.

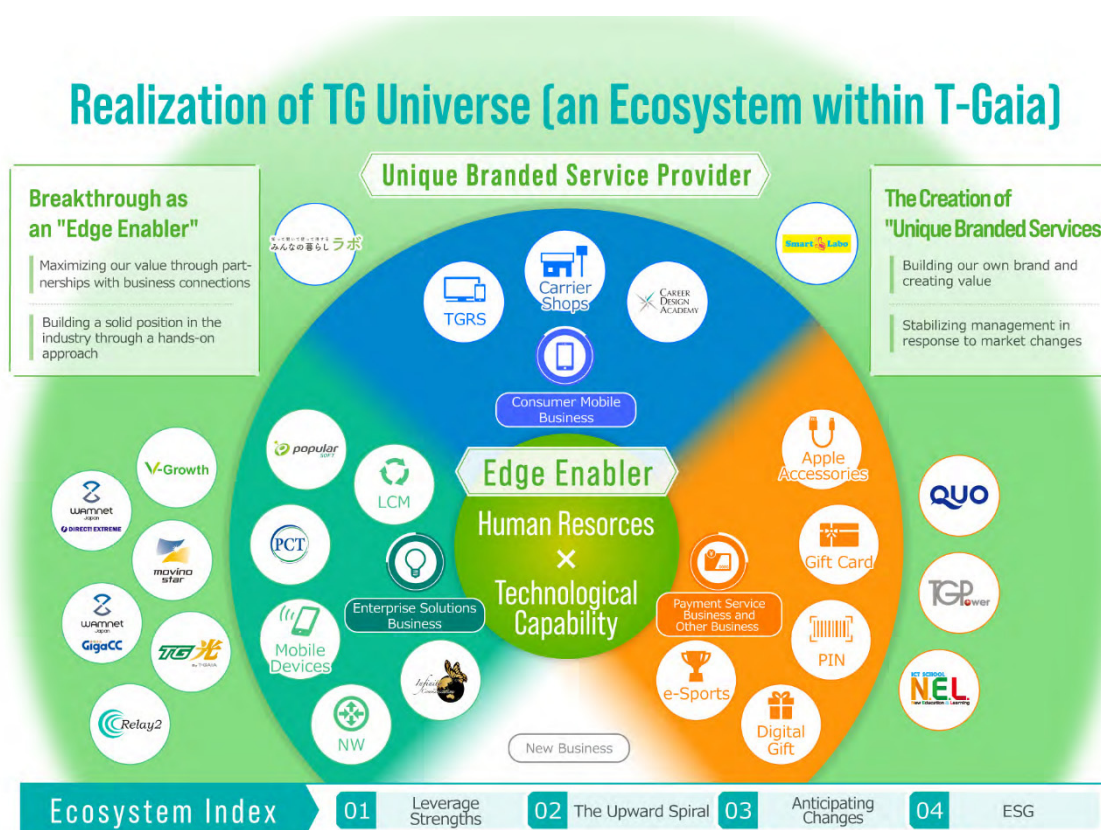
(2) Management strategy, etc.

In the Medium-Term Management Plan (FY2022-FY2024) published in May 2021, we set the realization of the TG Universe (the ecosystem within T-Gaia) as our management strategy.

Additionally, in December 2021, the Company also formulated a Sustainability Policy consisting of policies related to the three areas of “environment,” “society,” and “corporate governance.” Through our business activities, we will contribute to the sustainable growth of society.

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.

<Management strategy>



(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.

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 hoard profit of prepaid card, ordinary profit of 15,400 million yen (+0.1%), and profit attributable to owners of parent of 10,000 million yen (-5.5%).

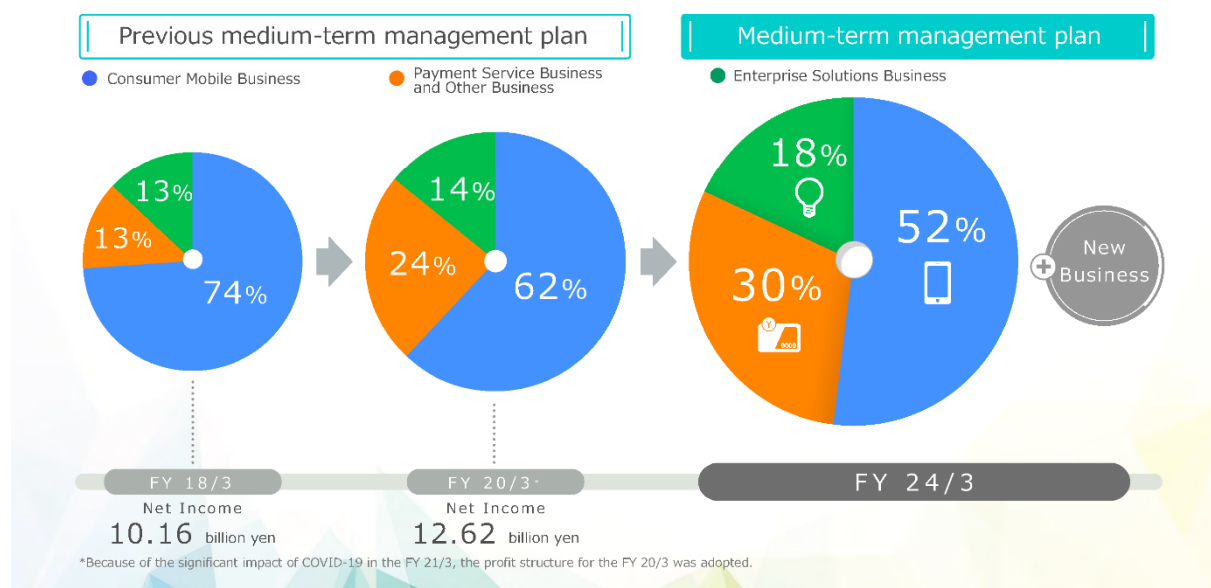
The main factors behind the decrease in the profit attributable to owners of parent are as follows.

- A. Decrease in hoard profit of prepaid card
- B. The impact of including gain on sales of investment securities in extraordinary income in the fiscal year under review

<Business portfolio>

Business Portfolio Transformation

Turning a profit structure dependent on Consumer Mobile Business
to a well-balanced 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 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.

<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) Environmental initiatives

In December 2021, the Company expressed support for the recommendations of the “Task Force on Climate-related Financial Disclosures (TCFD),” and established a greenhouse gas reduction target of “carbon neutrality by 2040.*” We will endeavor to reduce the environmental impact of our business activities and contribute to achieving a sustainable society.

* The Company has set forth a medium-term target of a “50% reduction in greenhouse gas (GHG) emissions by 2030 (compared with fiscal 2019).” Both targets are for the Company on a non-consolidated basis (Scopes 1 and 2).

<Disclosure regarding TCFD recommendations>

(Governance)

The Company evaluates and manages environmental issues, including climate change, 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 issues related to climate change. The committee reports its discussions to the Management Conference on a case-by-case basis, 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, and measures related to company management, including responses to climate change, as well as company-wide risks. 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 that will contribute to solving climate change-related issues. Further, it manages climate change-related risks in cooperation with the Risk Management Committee.

(Strategy)

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 TCFD recommendations: “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

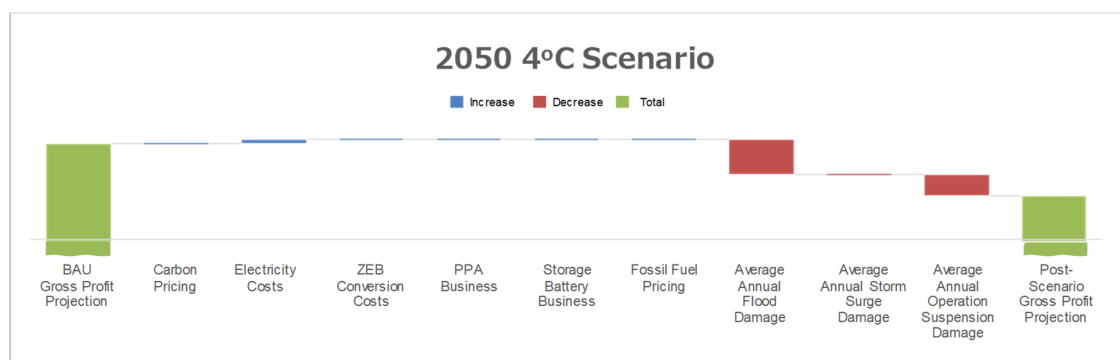
<Major opportunities>

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 solar 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 more than 400 stores 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.



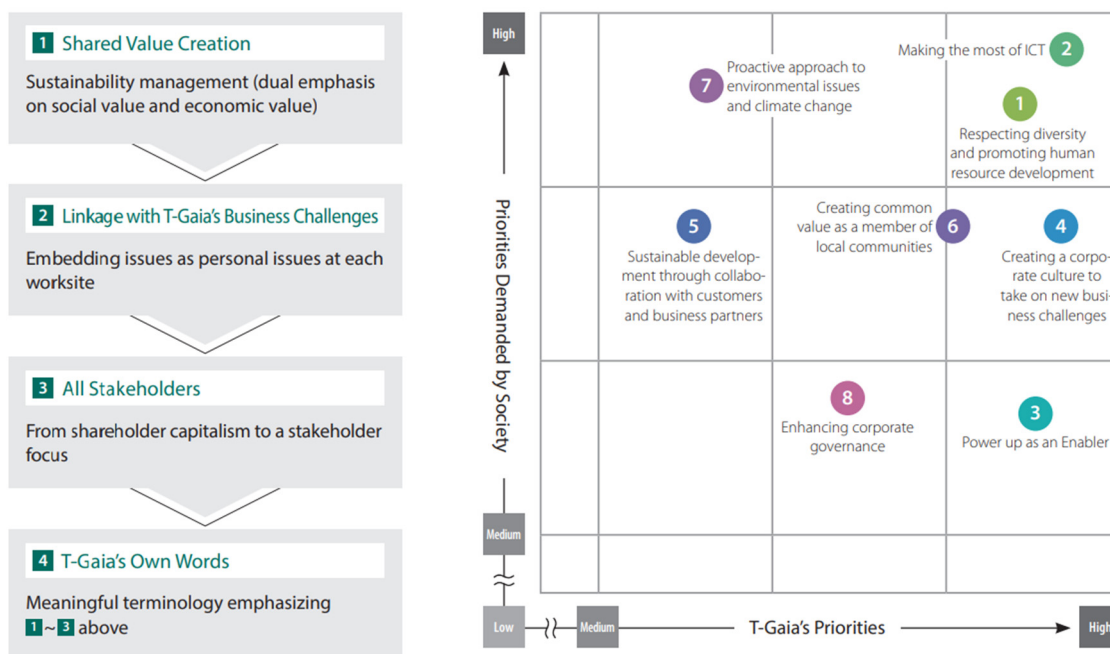
• Consideration of response measures

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

(Risk management)

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

<Approach to identifying material issues>



• Risk Management Committee (Chairperson: CFO)

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

(Indicators and targets)

As mentioned above, the Company is committed to reach “Carbon Neutral by 2040.”

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

(iv) Social initiatives

The Group is implementing various initiatives based on a growth strategy of creating a work environment where all employees can work with excitement and continuing as a company that values our employees as well as their families.

<Pursuit of work fulfillment and ease of work for every individual employee>

The cultivation of “human resources” that form the core of the Group is positioned as an important business strategy, and the Company aims to further expand training and other cultivation of professional human resources. In addition, we have enhanced systems to increase the motivation of employees, such as expanding the scope of approved side jobs, inhouse FA and inhouse recruitment, and introduced various measures to stimulate communication between employees, such as holding 1on1 meetings and online social gatherings.

<Realization of diversity & inclusion>

The Group believes diversity of human resources is important for sustainable growth and to create new value and is proactively undertaking initiatives to promote diversity and inclusion. Specifically, this includes initiatives such as the enhancement of various measures and systems to promote the empowerment of women, the creation of work environments that enable long-term service for people with special needs, and rules that are appropriate for LGBT, as well as enhancements to various support systems in line with a healthy management. As a result, the Company has been rated highly by external institutions, including receiving the highest distinction in the “D&I Award 2021” and being included in the Gold level of the “PRIDE Index,” as well as being certified as a “Health & Productivity Management Outstanding Organization 2022” (large enterprise category) for the fourth consecutive year.

<Diverse work styles regardless of time or location>

The Company is undertaking initiatives to enhance flexible work styles and the work environment such as the super flex system, hot desking, and a system to accommodate working from remote offices, further enhancing the business environment by promoting operational reforms such as going paperless and remote work for the purpose of enhancing the work-life balance and maintaining and improving mental and physical health, as well as increasing employee satisfaction and productivity.

(v) 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.

2. 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) Novel coronavirus disease (COVID-19)

The impact of COVID-19 on Japan's public health and economy remains harsh, and prospects remain uncertain. We are going to take COVID-19 measures in line with orders from the national and local governments and the policies of telecommunications carriers at the carrier shops run by the Company.

Although the Group's business performance may be affected if COVID-19 spreads further, by offering utility value that meets customer requirements that respond to changes in the environment and market caused by COVID-19 and other factors, the Group will work to increase customer satisfaction and strengthen continuous relationships with customers.

(2) Macroeconomic factors

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.

The Group's product procurement has already been affected by the shortage of semiconductors and stagnated logistics resulting from the aforementioned factors, and we are still finding it difficult to have an optimistic outlook.

We are and will be collecting information from organizations concerned to keep ourselves updated on situations.

(3) 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, not only 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.

In fact, during the second quarter of the fiscal year under review, some telecommunications carriers made changes to their terms and conditions on commissions. The Group has been more engaged in increasing sales of original products and enhancing the productivity of shop operations primarily in the Consumer Mobile Business Segment.

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.

(4) 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 Payment Service 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 through tie-ups or 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.

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

(5) 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.

(6) 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 Payment Service 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.

(7) Corporate compliance

The Group places a priority on compliance as well as observance of laws and regulations. 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. However, in the time in which information postings by individuals become more popular along with the higher availability of various types of social networking services and increased interest in handling or misconduct of information, we are finding it increasingly difficult to ensure effective measures for improvement or raising awareness therefor. If a compliance violation occurs as a result of our failure to eliminate violation risks, that might damage trust by society in the Group and affect its business performance.

We continue to improve our corporate compliance practices and raise awareness of the importance of corporate compliance among employees.

(8) 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.

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.

(9) 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.

(10) Litigation risk

All of the Group's businesses are constantly exposed to litigation risk, and hence 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.

(11) Ensuring independence

Sumitomo Corporation holds 50% or less of the Company's outstanding shares with voting rights. As of the filing date of this Report, employees on assignment from Sumitomo Corporation are not more than half of the members on the Company's Board of Directors, and therefore, Sumitomo Corporation is not the Company's parent based on the substantial control criteria.

The Group has run business in all of its business segments independently from Sumitomo Corporation.

3. 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

In the fiscal year under review, 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 phones, which is the main business segments of the Group, the steady popularization of handsets compatible with 5G (5th-generation mobile communication system) has begun. However, 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, the delivery of some products continues to experience delays due to the global supply shortage of semiconductors, etc.

Under this business environment, the Group's unit sales of mobile phones ("unit sales") during the fiscal year 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 the first quarter of the previous fiscal year (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 TF Mobile Solutions Corporation a subsidiary in November 2020

However, 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. The effects have gradually emerged, for example, from an improvement in operating profit compared to the second quarter of the current fiscal year.

As a result, consolidated business results for the fiscal year 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 hoard profit of prepaid card, ordinary profit marked 15,381 million yen (-22.3%) and profit attributable to owners of parent posted 10,579 million yen (-18.9%).

As the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant revised ASBJ regulations have been applied from the current fiscal year, 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.

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 241,277 million yen, an increase of 7,451 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 10,929 million yen	As for an increase of 8,760 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.” Notes and accounts receivable - trade decreased by 4,826 million yen. There was an increase of 7,610 million yen in guarantee deposits due to an increase in card deposits at consolidated subsidiaries.
Non-current assets	Decrease of 3,478 million yen	This was mainly due to goodwill decreased by 1,272 million yen due to amortization of goodwill, etc., and deferred tax assets decreased by 1,694 million yen due to reversal of deferred tax assets.

(Liabilities)

Total liabilities at the end of the fiscal year under review were 170,794 million yen, an increase of 994 million yen compared with the end of the previous fiscal year. The main contributing factors behind the increases or decreases are as shown below.

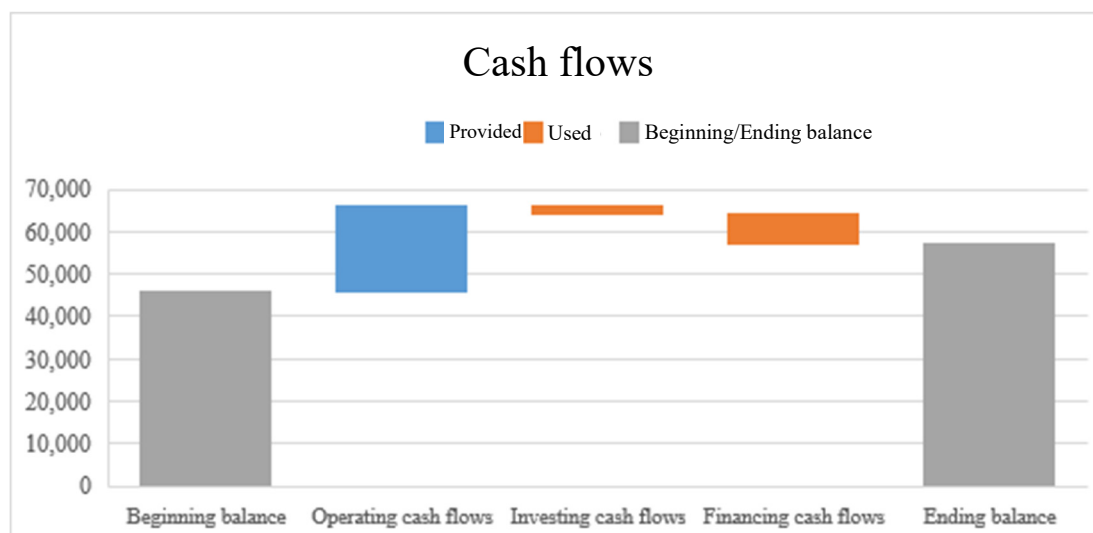
Contributing factors behind increases/decreases by item

Item	Change from the end of the previous fiscal year	Main factors
Current liabilities	Increase of 13,816 million yen	Current liabilities increased by 12,700 million yen as a result of a transfer of debts payable to financial institutions from non-current liabilities to current liabilities.
Non-current liabilities	Decrease of 12,822 million yen	Non-current liabilities decreased by 12,700 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 70,483 million yen, an increase of 6,456 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 29.2% (27.4% at the end of the previous fiscal year).

(iii) Cash flows



Cash and cash equivalents (hereafter, “cash”) for the fiscal year under review were 56,162 million yen, an increase of 8,560 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 18,864 million yen (net cash provided by operating activities of 19,338 million yen for the previous fiscal year). This was mainly due to the profit before income taxes of 16,122 million yen recognized. For details on the profit before income taxes, please see “II. Business Overview, 3. 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 2,484 million yen (net cash used in investing activities of 32,711 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 1,005 million yen for the purchase of property, plant and equipment and 1,745 million yen for the purchase of software.

(Cash flows from financing activities)

Net cash used in financing activities was 7,931 million yen (net cash provided by financing activities of 17,849 million yen for the previous fiscal year). Cash was used only for scheduled repayments, and there was no new borrowing. There was a decrease of 3,751 million yen in borrowings. Cash was also used for the dividend payment of 4,177 million yen.

(iv) Actual purchases and sales

a. Actual purchases of merchandise, etc.

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

Segment	Category (Note 1)	FY2022 (From April 1, 2021 to March 31, 2022)	
		Amount (millions of yen)	Year-to-year comparison (%)
Consumer Mobile Business	Smart devices, etc.	234,595	108.9
	Commission expenses	106,227	120.6
	Subtotal	340,822	112.3
Enterprise Solutions Business	Smart devices, etc.	18,537	118.3
	Commission expenses	6,470	97.5
	Subtotal	25,007	112.2
Payment Service Business and Other Business	Prepaid cards, etc.	19,684	97.8
	Commission expenses	8,583	92.1
	Other	123	155.2
	Subtotal	28,391	96.2
Total		394,222	111.0

b. Actual sales, etc.

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

Segment	Category (Note 1)	FY2022 (From April 1, 2021 to March 31, 2022)	
		Amount (millions of yen)	Year-to-year comparison (%)
Consumer Mobile Business	Smart devices, etc.	240,009	114.0
	Commission income	167,132	115.3
	Subtotal	407,141	114.6
Enterprise Solutions Business	Smart devices, etc.	18,718	122.6
	Commission income	16,576	97.0
	Subtotal	35,294	109.1
Payment Service Business and Other Business	Prepaid cards, etc.	18,494	108.5
	Commission income	15,323	85.1
	Other	209	130.5
	Subtotal	34,028	96.6
Total		476,464	112.6

(Note 1) The category “mobile telecommunications equipment, etc.” was used until the previous fiscal year, but has been changed to “smart devices, etc.” effective from the fiscal year under review.

(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	FY2021 (From April 1, 2020 to March 31, 2021)		FY2022 (From April 1, 2021 to March 31, 2022)	
	Amount (millions of yen)	Ratio (%)	Amount (millions of yen)	Ratio (%)
KDDI CORPORATION	50,692	12.0	66,977	14.0
NTT DOCOMO, INC.	60,562	14.3	65,196	13.7

(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, 3. 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."

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.

In the fiscal year under review, some of our client telecommunications carriers revised their terms and conditions on commission after they changed their business policies, including price cutting for their existing service plans and the launch of online-only plans for service. 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 improve the quality and retention rate 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. 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, 2. 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 segment, although unit sales increased year on year, 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 traveling sales, 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 traveling sales locations, for example.

At shops that were formerly directly managed by TF Mobile Solutions Corporation, 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 fiscal year under review, we closed or transferred ownership of unprofitable shops.

As a result, net sales totaled 407,141 million yen (up 14.6% year on year) and profit attributable to owners of parent totaled 5,607 million yen (down 23.5% year on year).

(Enterprise Solutions Business)

In mobile solutions for enterprise clients' business, unit sales jumped year on year due to the inclusion of the corporate sales channel of TF Mobile Solutions Corporation. Although work style 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, the delivery of some products continues to be delayed due to the global supply shortage of semiconductors, etc.

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 (up 9.1% year on year) and profit attributable to owners of parent of 1,862 million yen (down 3.8% year on year).

(Payment Service Business and Other Business)

In Payment Service Business and Other Business segment, 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 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 products 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 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 (down 3.4% year on year), with profit attributable to owners of parent of 3,109 million yen (down 17.8% year on year) due to the significant 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, 3. 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 changed from a consolidated dividend payout ratio of 30% or more, based on profit attributable to owners of parent, to a dividend payout ratio of 40%.

The management's stance on the dividend payout ratio is not affected by factors related to COVID-19.

(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. Estimates 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."

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

Regarding objective metrics, etc., for measuring the achievement of management goals of the management policies, strategies, and goals, please find below the achievement of the Group's plan for the fiscal year ended March 31, 2022.

For the comparisons of the Group's business results with the previous fiscal year, please see "II. Business Overview, 3. Management's Analysis of Financial Position, Operational Results, and Cash Flows, (1) Overview of operational results, etc., (i) Results of operations."

Net sales were higher than the projection due to an increase in sales volume in the Consumer Mobile Business. On the other hand, operating profit was lower than the projection by 21.1%, ordinary profit lower by 16.4%, and profit attributable to owners of parent lower by 11.8%. Those profitability downturn results are mainly attributed to a decrease in commission income resulting from changes made by part of telecommunications carriers to their terms and conditions on commissions and also to the prolonged short supply of devices in the Enterprise Solutions Business.

(Millions of yen)

	Actual result for the fiscal year ended March 31, 2021	Actual result for the fiscal year ended March 31, 2022	Plan for the fiscal year ended March 31, 2022	Comparison with the previous fiscal year	Comparison with the plan
Net sales	422,973	476,464	453,000	12.6%	5.2%
Operating profit	14,042	10,567	13,400	(24.7)%	(21.1)%
Ordinary profit	19,793	15,381	18,400	(22.3)%	(16.4)%
Profit attributable to owners of parent	13,042	10,579	12,000	(18.9)%	(11.8)%

4. 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, 2022 to March 31, 2023 (Renewed automatically)
Ditto	KDDI CORPORATION	Ditto	Ditto	Ditto	From April 1, 2022 to March 31, 2023 (Renewed automatically)
		Ditto	Intermediary service for FTTH, ADSL, and other telecommunications service plans	Outsourcing contract for sales operations	From April 1, 2022 to March 31, 2023 (Renewed automatically)
Ditto	SoftBank Corp.	Ditto	Intermediary service for mobile and other telecommunications services plans	Sales agency contract	From April 1, 2022 to March 31, 2023 (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, 2022 to March 31, 2023

(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, 2022 to March 31, 2023.

(2) Business succession through merger and acquisition

- (i) 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, Significant subsequent events in Notes to consolidated financial statements."

- (ii) The Company's Board of Directors resolved at a Board meeting held on November 27, 2020 that the Company would absorb and merge TGC, Inc., the Company's non-consolidated subsidiary, effective on April 1, 2021, to make the former the merging and the latter the merged. The M&A agreement was signed on November 27, 2020.

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."

5. Research and Development Activities

Not applicable.

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 2,350 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 618 million yen mainly to cover the cost of renovating our nationwide mobile phone shops and the purchase of furnishings.

(2) Systems-related

We invested 1,443 million yen in measures such as to introduce and strengthen our sales and accounting systems, and develop system infrastructure.

(3) Others

We invested 288 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 seven branches and runs 395 mobile phone and other shops (all brick-and-mortar shops) across the country.

As of March 31, 2022

Business sites (Location)	Segments	Facility descriptions	Book values (millions of yen)				Total	Number of employees (persons)
			Buildings and structures	Machinery, equipment and vehicles	Furniture and fixtures	Land (area m ²)		
Tokyo Head Office (Shibuya-ku, Tokyo) and 77 shops	Consumer Mobile Business Enterprise Solutions Business Payment Service Business and Other Business	- Office - Mobile phone shops	428	-	147	233 (13,853.87)	809	1,708 (934)
West Japan Regional Headquarters (Kita-ku, Osaka City, Osaka Prefecture) and 62 shops	Consumer Mobile Business Enterprise Solutions Business	Ditto	357	-	68	-	425	503 (264)
Tokai Regional Headquarters (Naka-ku, Nagoya City, Aichi Prefecture) and 51 shops	Consumer Mobile Business Enterprise Solutions Business	Ditto	298	-	57	-	355	440 (140)
Kyushu Regional Headquarters (Hakata-ku, Fukuoka City, Fukuoka Prefecture) and 50 shops	Consumer Mobile Business Enterprise Solutions Business	Ditto	233	-	40	-	273	383 (124)
Hokkaido Branch (Chuo-ku, Sapporo City, Hokkaido) and 20 shops	Consumer Mobile Business Enterprise Solutions Business	Ditto	108	-	20	-	128	154 (84)
Tohoku Branch (Aoba-ku, Sendai City, Miyagi Prefecture) and 37 shops	Consumer Mobile Business	Ditto	151	-	34	-	185	261 (97)
Niigata Branch (Chuo-ku, Niigata City, Niigata Prefecture) and 15 shops	Consumer Mobile Business	Ditto	69	-	5	-	74	131 (69)
Nagano Branch (Nagano City, Nagano Prefecture) and 17 shops	Consumer Mobile Business	Ditto	51	-	4	-	56	149 (77)

Business sites (Location)	Segments	Facility descriptions	Book values (millions of yen)					Number of employees (persons)
			Buildings and structures	Machinery, equipment and vehicles	Furniture and fixtures	Land (area m ²)	Total	
Hokuriku Branch (Kanazawa City, Ishikawa Prefecture) and 12 shops	Consumer Mobile Business	Ditto	71	–	28	–	100	82 (30)
Chugoku Branch (Naka-ku, Hiroshima City, Hiroshima Prefecture) and 39 shops	Consumer Mobile Business Enterprise Solutions Business	Ditto	121	–	24	–	146	349 (106)
Shikoku Branch (Takamatsu City, Kagawa Prefecture) and 15 shops	Consumer Mobile Business	Ditto	35	–	9	71 (991.74)	116	67 (14)

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

(2) Subsidiaries in Japan

As of March 31, 2022

Company names	Business sites (Location)	Segments	Facility descriptions	Book values (millions of yen)					Number of employees (persons) (Note 1)
				Buildings and structures	Machinery, equipment and vehicles	Furniture and fixtures	Leased assets	Total	
QUO CARD Co., Ltd.	Headquarters (Chuo-ku, Tokyo) and 1 business site	Payment Service Business and Other Business	- Office - Production facility	45	–	202	30	277	151 (55)
WAMNET Japan K.K.	Headquarters (Chuo-ku, Tokyo)	Enterprise Solutions Business	- Office	0	–	53	–	53	37 (2)
TG Power Inc.	Headquarters (Shibuya-ku, Tokyo)	Payment Service Business and Other Business	- Office - Solar panels	27	856	0	–	883	18 (–)
T-Gaia Retail Service Corporation	Headquarters (Shibuya-ku, Tokyo)	Consumer Mobile Business	- Office	–	–	–	–	–	623 (44)

(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.

IV. Information About Reporting Company

1. Company's Shares, etc.

(1) Total number of shares, etc.

(i) Total number of shares

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

(ii) Outstanding shares

Type of shares	Number of outstanding shares as of fiscal year end (shares) (March 31, 2022)	Number of outstanding shares as of filing date (shares) (June 22, 2022)	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. First Section (as of fiscal year end) Prime Market (as of filing date)	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

Date/Month/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.

(5) Shareholding by shareholder category

As of March 31, 2022

Categories	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)	–	14	22	174	162	64	28,214	28,650	–
Number of shares held (units)	–	40,248	4,346	380,043	65,601	86	70,249	560,573	16,700
Proportion of number of shares held (%)	–	7.179	0.775	67.795	11.702	0.015	12.531	100.000	–

(Note) Treasury shares of 308,866 shares are represented in “Individuals and others” as 3,088 units and in “Status of shares less than one unit” as 66 shares.

(6) Information about major shareholders

As of March 31, 2022

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	41.86
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	3,380,700	6.06
The Master Trust Bank of Japan, Ltd. (Trust account)	11-3 Hamamatsucho 2-Chome, Minato-ku, Tokyo	2,648,700	4.75
T-Gaia Employee Shareholding Association	1-18 Ebisu 4-Chome, Shibuya-ku, Tokyo	949,900	1.70
SIL, Inc.	9-9 Minamiikebukuro 2-Chome, Toshima-ku, Tokyo	785,700	1.41
Custody Bank of Japan, Ltd. (Trust account)	8-12 Harumi 1-Chome, Chuo-ku, Tokyo	782,100	1.40
MLI FOR CLIENT GENERAL OMNI NON COLLATERAL NON TREATY-PB (Standing proxy: BofA Securities Japan Co., Ltd.)	MERRILL LYNCH FINANCIAL CENTRE 2 KING EDWARD STREET LONDON UNITED KINGDOM (4-1 Nihombashi 1-Chome, Chuo-ku, Tokyo)	523,097	0.94
GOLDMAN SACHS INTERNATIONAL (Standing proxy: Goldman Sachs Japan Co., Ltd.)	PLUMTREE COURT, 25 SHOE LANE, LONDON EC4A 4AU, U.K. (10-1 Roppongi 6-Chome, Minato-ku, Tokyo)	495,134	0.89
Total	—————	43,158,031	77.39

(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. The Company owns treasury shares of 308,866.

(7) Voting rights

(i) Outstanding shares

As of March 31, 2022

Categories	Number of 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: 308,800	–	–
Shares with full voting rights (other)	Common stocks: 55,748,500	557,485	Shares treated as standard at the Company, whose rights are not restricted in any way
Shares less than one unit	Common stocks: 16,700	–	–
Total number of issued shares	56,074,000	–	–
Voting rights of all shareholders	–	557,485	–

(ii) Treasury shares, etc.

As of March 31, 2022

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	308,800	–	308,800	0.55
Total	–	308,800	–	308,800	0.55

2. Acquisition and Disposal of Treasury Shares

Type of shares, etc.

Common stocks

(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

Not applicable.

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

Categories	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)	30,000	58,770,000	–	–
Number of treasury shares held	308,866	–	308,866	–

(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, 2022 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 in response to its business performance, 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 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. 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 2021. As a result, the dividend payout ratio for the fiscal year under review shall be 39.5%.

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.”

The Company is a company subject to consolidated dividend regulations. The dividends of surplus for the 31st fiscal year are as follows.

Date of resolution	Total amount of dividend (millions of yen)	Dividend per share (yen)
November 1, 2021 Resolution of Board of Directors Meeting	2,091	37.5
June 22, 2022 Resolution of Ordinary General Meeting of Shareholders	2,091	37.5

In addition, as stated in “Announcement Regarding Changes to Profit Allocation and Shareholder Special Benefit Plan” published on May 2, 2022, the basic policy of the Company from the fiscal year ending March 2023 is the “stable and

continuous redistribution of profits in the long-term targeting a payout ratio of 40% with due consideration for securing internal reserves necessary for future business initiatives and for a stronger management base.”

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.

Corporate Auditors, 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 Corporate Auditors.”

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 Corporate Auditors (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.

Board of Auditors and Corporate Auditors

Of the four Corporate Auditors of the Company, three are Outside Auditors (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 Board of Auditors meetings convene on a monthly basis in principle, and the four Corporate Auditors hold discussions and report matters at the meetings. Corporate Auditors 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, Corporate Auditors 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 Corporate Auditors is as follows.

A candidate for Corporate Auditor 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 Auditor in particular shall have advanced expertise and abundant experience in areas such as legal affairs, accounting, and corporate management.

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.

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 & Representative Director	Masato Ishida	○	○	○
Director	Nobutaka Kanaji	◎		
Director	Hiroyuki Sugai	○		
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.

(Reference) Skills Matrix

Officer		Independence	Knowledge and experience expected by the Company						
			Corporate management Business strategy	Investment M&A	ICT Digital	Accounting Finance	Legal affairs, personnel, and compliance	Global experience and internationality	
Director	Internal	Masato Ishida		●	●				●
		Nobutaka Kanaji		●	●	●			●
		Hiroyuki Sugai		●			●		●
	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 Directors.

* Up to four areas of knowledge and experience in which the Director is particularly outstanding have been provided.

2) Board of Auditors

Official title or position	Name	Board of Auditors
Corporate Auditor (Full-time)	Naoya Okutani	○
Outside Auditor (Full-time)	Nobuo Oyama	◎
Outside Auditor	Toshiro Kaba	○
Outside Auditor	Tetsuo Kitagawa	○

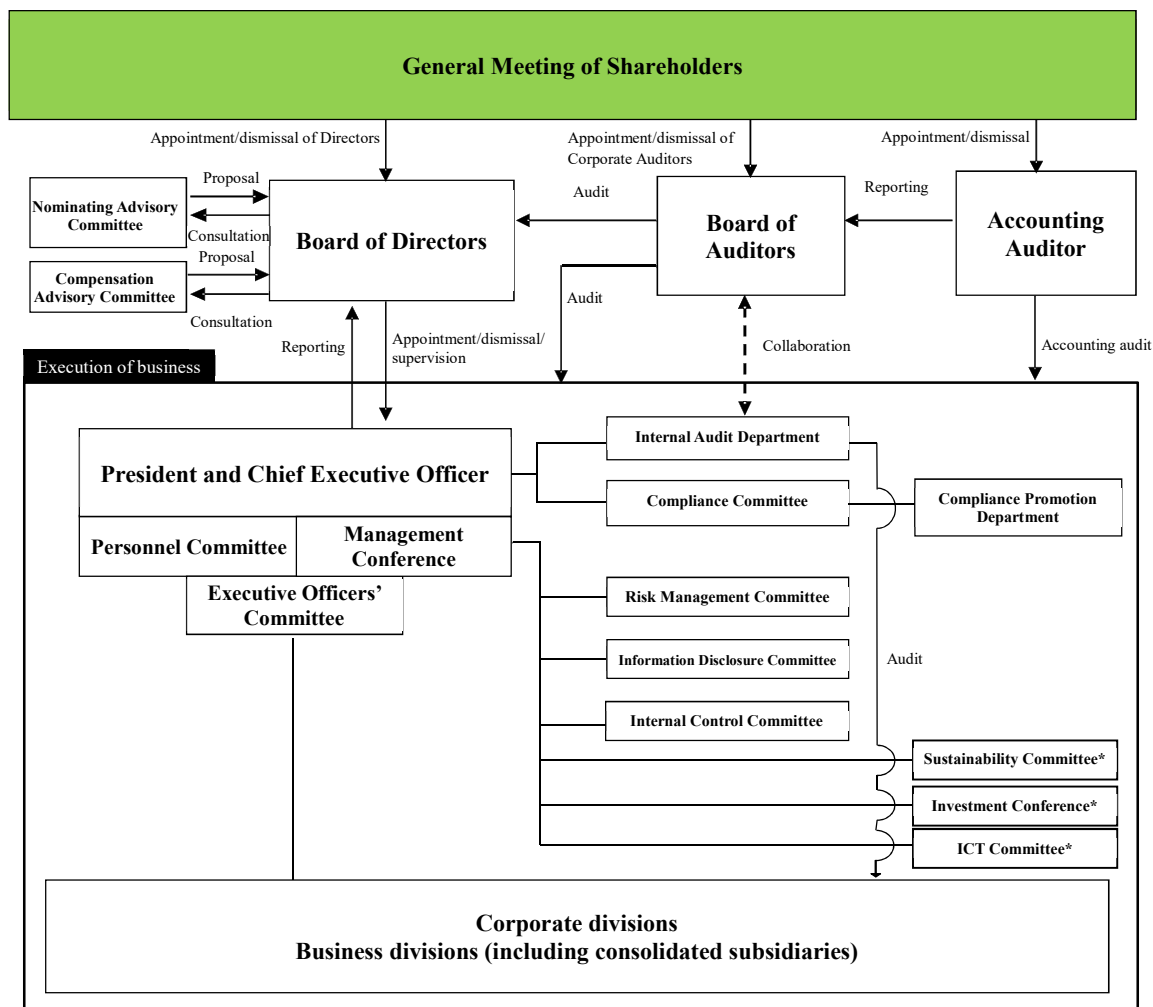
*○: Assigned member, ◎: Chairperson of the organ

The Board of Auditors meetings convene on a regular basis. However, extraordinary meetings may be held as required.

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.

- 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 Corporate Auditors 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, regional headquarters, division, or business branch 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 Company appropriately makes 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.
- 6) Matters about employees that are assigned on request from Corporate Auditors to assist in the performance of Corporate Auditors' duties:
- In the event Corporate Auditors 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 Corporate Auditor 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 Statutory Auditor.
- 8) Framework for reporting to Corporate Auditors by Directors, Employees, and Others:
- Corporate Auditors may attend meetings of the Board of Directors, Management Conference, Executive Officers' Committee, and other important meetings.
 - Corporate Auditors may review important documentation and request submission of that documentation.
 - Corporate Auditors may receive reports from the Group's officers and employees whenever necessary.
 - Corporate Auditors 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 Board of Auditors or to a Corporate Auditor ("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 a Corporate Auditor, and explicitly prohibit job dismissals and other adverse actions against whistleblowers solely for submitting such reports.
- 9) Other frameworks to ensure that Corporate Auditors are performing audits effectively:
- Directors are familiar with the audit standards that clarify Corporate Auditor duties and responsibilities and fully recognize the importance of audits performed by Corporate Auditors. Additionally, Directors help cultivate an appropriate environment for audits.
 - Corporate Auditors 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, Corporate Auditors endeavor to exchange information and develop their understanding of the audit activities of the Accounting Auditor and help improve audit efficiency and quality.
- 10) Matters about policy on the processing of expenses incurred from the fulfillment of Corporate Auditor duties and responsibilities:
- When Corporate Auditors 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 Corporate Auditors' duties.

Overview of content of limited-liability agreement

The Company has entered into an agreement with each Director (excluding an Executive Director) and Corporate Auditor, 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 Corporate Auditor 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 Corporate Auditors 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.

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 Corporate Auditors (including persons who were Corporate Auditors) 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 Corporate Auditors 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 Corporate Auditor, 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.

(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 2022 - June 2023	2,000
			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 & 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 & CIS (UK), Sumitomo Corporation, and concurrently Chairman of Sumitomo Corporation Europe Holding Limited		
			Apr. 2020	Executive Vice President, CSO, in charge of HR & general affairs, legal, management planning and public relations, T-Gaia Corporation		
			June 2020	Director, Executive Vice President, CSO, in charge of HR & general affairs, legal, management planning and public relations, T-Gaia Corporation		
			Apr. 2022	President & Representative Director, Chief Executive Officer, T-Gaia Corporation (current)		
			Apr. 2022	Director, QUO CARD Co., Ltd. (current)		

Official title or position	Name	Date of birth	Career summary	Term of office	Number of shares held (shares)
Director Chairman of the Board	Nobutaka Kanaji	March 18, 1960	<p>Apr. 1983 Joined Sumitomo Corporation</p> <p>June 1988 Assigned to Representative Office in Saudi Arabia, Sumitomo Corporation</p> <p>Aug. 2001 Sumitomo Corporation of Americas (New York)</p> <p>Apr. 2005 President, Presidio STX, LLC (US)</p> <p>Oct. 2007 Manager of Net Business, Sumitomo Corporation</p> <p>Oct. 2008 Manager of Mobile & Internet Business, Sumitomo Corporation</p> <p>June 2013 Outside Director, T-Gaia Corporation</p> <p>Apr. 2014 Director, Executive Vice President; Senior Director of Administrative Unit No. 1, T-Gaia Corporation</p> <p>Apr. 2015 Director, Executive Vice President; Senior Director of Corporate Strategy, T-Gaia Corporation</p> <p>Apr. 2016 Director, Executive Vice President; Senior Director of Smart Life Business and concurrently Senior Director of Enterprise Solutions Business; Responsibility for Network Business Division, T-Gaia Corporation</p> <p>Apr. 2017 President & Representative Director, Chief Executive Officer, T-Gaia Corporation</p> <p>Dec. 2017 Director, QUO CARD Co., Ltd.</p> <p>June 2020 Representative Director and Chairman, National Association of Mobile-phone Distributors (current)</p> <p>Apr. 2022 Director, Chairman of the Board, T-Gaia Corporation (current)</p>	June 2022 - June 2023	12,880
Director Executive Vice President	Hiroyuki Sugai	February 6, 1961	<p>Apr. 1984 Joined Sumitomo Corporation</p> <p>May 2001 Sumitomo Corporation of Americas (New York)</p> <p>Nov. 2009 Head of the Finance and Accounting Group, Sumitomo Corporation China Group (Shanghai)</p> <p>Nov. 2013 General Manager of the Accounting Dept., Media, ICT, Lifestyle Related Goods & Services Business Unit, Sumitomo Corporation</p> <p>Apr. 2017 General Manager of the Accounting Controlling Dept., Sumitomo Corporation</p> <p>Apr. 2019 Executive Officer, Assistant CFO, Accounting; and concurrently General Manager, Accounting Controlling Dept., Sumitomo Corporation</p> <p>Apr. 2021 Executive Vice President; CFO, in charge of corporate accounting, finance and settlement, risk management and logistics, T-Gaia Corporation</p> <p>June 2021 Director, Executive Vice President; CFO, in charge of corporate accounting, finance and settlement, risk management and logistics, T-Gaia Corporation</p> <p>Apr. 2022 Director, Executive Vice President; CFO, in charge of corporate accounting, finance and settlement, and logistics, T-Gaia Corporation (current)</p>	June 2022 - June 2023	300

Official title or position	Name	Date of birth	Career summary	Term of office	Number of shares held (shares)
Director	Katsuya Kashiki	June 28, 1966	<p>Apr. 1990 Joined Sumitomo Corporation</p> <p>Jan. 1994 Assistant to General Manager of Islamabad Office (Pakistan), Sumitomo Corporation</p> <p>Sept. 2004 Moscow Office (Russia), IT & Telecom Unit, Sumitomo Corporation</p> <p>Feb. 2005 Director, Market & Business Development, ZAO Prestige Internet (Russia)</p> <p>June 2012 Director, ICT Business Division, Sumitomo Corporation (Central Eurasia) LLC (Russia)</p> <p>Apr. 2018 Manager of Smart Infrastructure Business Dept., Sumitomo Corporation</p> <p>Apr. 2020 General Manager of Smart Communications Platform Division, Sumitomo Corporation (current)</p> <p>June 2020 Director, T-Gaia Corporation</p> <p>June 2022 Outside Director, T-Gaia Corporation (current)</p>	June 2022 - June 2023	-
Director	Toshiya Asaba	June 12, 1962	<p>Apr. 1989 Joined Recruit Co., Ltd.</p> <p>Apr. 1995 Manager of Network Technology, Internet Initiative Japan Inc.</p> <p>Mar. 1996 Director, IJ America Inc.</p> <p>Sept. 1997 Director of Technology, Internet Multifeed Co.</p> <p>Oct. 1998 Manager of Technology Planning, Crosswave Communications, Inc.</p> <p>June 1999 Director, Crosswave Communications, Inc</p> <p>June 1999 Director, Co-CTO, Internet Initiative Japan Inc.</p> <p>June 2004 Director and Vice President, Internet Initiative Japan Inc. (Retired from this position as of June 2009)</p> <p>June 2004 Director, NTT Resonant Incorporated</p> <p>June 2008 Representative Director, IJ Innovation Institute Inc.</p> <p>Apr. 2012 Representative Director, Stratosphere Inc.</p> <p>June 2015 Director, IJ Innovation Institute Inc.</p> <p>June 2015 Representative Partner, Gaia Lab LLC (current)</p> <p>June 2016 Outside Director, T-Gaia Corporation (current)</p> <p>Nov. 2017 Representative Director and Vice Chairman, The Japanese Society for Quality Control (JSQC)</p> <p>Dec. 2018 Corporate Auditor, Parongo Co., Ltd. (current)</p> <p>Dec. 2021 Representative Director, IJ Innovation Institute Inc.</p>	June 2022 - June 2023	600

Official title or position	Name	Date of birth	Career summary	Term of office	Number of shares held (shares)
Director	Kyoko Deguchi	December 12, 1965	<p>Apr. 1989 Joined Bain & Company Japan, Incorporated</p> <p>Feb. 1998 Senior Director of Planning, Disney Store Japan Inc.</p> <p>Feb. 1999 Senior Finance Director, Disney Store Japan Inc.</p> <p>Mar. 2001 Director and CFO, GE Plastics Japan Ltd.</p> <p>Apr. 2004 Product Director, Janssen Pharmaceutical (currently Ortho Neurologics) (US)</p> <p>Sept. 2005 Senior Director of Digestive Region, Pain, and OTC Business Division, Janssen-Cilag Pty Ltd. (Australia)</p> <p>Jan. 2007 Assistant Senior Director of Marketing Division, Janssen Pharmaceutical K.K.</p> <p>Aug. 2009 Director, Vice President of Global Marketing, Stryker Japan K.K.</p> <p>Jan. 2012 President and CEO, Stryker Japan K.K.</p> <p>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)</p> <p>Mar. 2014 CEO, AbbVie GK</p> <p>July 2014 Outside Director, Nippon Ski Resort Development Co., Ltd.</p> <p>Feb. 2015 COO, Medical Corporation Shikiku-kai</p> <p>Apr. 2015 Professor, Kenichi Ohmae Graduate School of Business, Business Breakthrough, Inc. (current)</p> <p>Mar. 2016 Outside Director, Cookpad Inc. (Retired from this position as of March 2018)</p> <p>June 2016 Outside Director, T-Gaia Corporation (current)</p> <p>Aug. 2017 Vice President, Medical Corporation Shikiku-kai</p> <p>June 2019 Outside Director, NHK Technologies, Inc. (current)</p> <p>Jan. 2020 Outside Director, Heartseed Inc. (current)</p> <p>June 2021 External Director, PHC Holdings Corporation (current)</p>	June 2022 - June 2023	2,200
Director	Junichi Kamata	November 28, 1953	<p>Apr. 1978 Joined Hitachi Metals, Ltd.</p> <p>Jan. 1992 CFO, HMT Technology Inc. (US)</p> <p>May 1999 Manager, Corporate Management Department, LET Inc. (Philippines)</p> <p>Nov. 2000 Vice President and CFO, Hitachi Metals America, Ltd. (US)</p> <p>Jan. 2005 General Manager of Human Resources & General Administration Dept., Hitachi Metals, Ltd.</p> <p>Apr. 2008 Managing Officer, General Manager of Corporate Management Planning Office, Hitachi Metals, Ltd.</p> <p>Apr. 2011 Managing Officer, President of Piping Components Company, Hitachi Metals, Ltd.</p> <p>Apr. 2014 Managing Officer, Hitachi Metals, Ltd.; President & CEO, Hitachi Metals America, Ltd. (US)</p> <p>June 2015 Director, Hitachi Metals, Ltd.</p> <p>June, 2018 Outside Director, T-Gaia Corporation (current)</p>	June 2022 - June 2023	2,000

Official title or position	Name	Date of birth	Career summary	Term of office	Number of shares held (shares)
Director	Toshio Morohoshi	August 24, 1953	<p>Apr. 1976 Joined Fujitsu Limited</p> <p>June 1998 President & CEO, Fujitsu PC Corporation (US)</p> <p>June 2004 President & CEO, Fujitsu Computer Systems Corporation (currently Fujitsu America Inc.) (US)</p> <p>Oct. 2005 Managing Executive Officer, Fujitsu Limited (Retired from this position as of June 2007)</p> <p>July 2007 President & CEO of EMC Japan K.K. and concurrently Vice President of EMC Corporation (US)</p> <p>Jan. 2012 President & CEO of NCR Japan, Ltd. and concurrently North Asia Representative of NCR Corporation (US) (Retired from this position as of February 2015)</p> <p>May 2015 President & CEO, Yaskawa Information Systems Corporation (currently YE DIGITAL Corporation)</p> <p>Mar. 2018 Outside Director of the Board, Nippon Paint Holdings Co., Ltd. (current)</p> <p>Aug. 2018 Outside Director, WingArc1st Inc.</p> <p>June 2020 Outside Director, T-Gaia Corporation (current)</p>	June 2022 - June 2023	—
Director	Yoshisada Takahashi	December 8, 1955	<p>Apr. 1978 Joined Komatsu Ltd.</p> <p>June 1995 Plant Manager, Komatsu Brasil International Ltda. (São Paulo)</p> <p>Oct. 1999 General Manager, Purchasing Department, Awazu Plant, Production Division, Komatsu Ltd.</p> <p>Apr. 2006 Executive Officer and Awazu Plant Manager, Production Division, Komatsu Ltd.</p> <p>Apr. 2011 Senior Executive Officer (Jomu); Vice President, Production Division; and Osaka Plant Manager, Komatsu Ltd.</p> <p>Apr. 2013 Senior Executive Officer (Senmu); President, Production Division; and Supervising Environment, Komatsu Ltd.</p> <p>Apr. 2016 Senior Executive Officer (Senmu); Chief Information & Innovation Officer; President, Information Strategy Division; Supervising Production and Industrial Machinery Business, Komatsu Ltd.</p> <p>Apr. 2017 Executive Vice President; Chief Information & Innovation Officer; President, Information Strategy Division; Supervising Industrial Machinery Business, Komatsu Ltd.</p> <p>June 2019 Outside Director, T.Rad Co., Ltd. (current)</p> <p>July 2019 Consultant, Komatsu Ltd. (current)</p> <p>Sept. 2019 Consultant, Ishikawa Prefecture (current)</p> <p>June 2022 Outside Director, T-Gaia Corporation (current)</p>	June 2022 - June 2023	—

Official title or position	Name	Date of birth	Career summary	Term of office	Number of shares held (shares)
Corporate Auditor (Full-time)	Naoya Okutani	May 16, 1960	<p>Apr. 1983 Joined Sumitomo Corporation</p> <p>May 1993 Sumitomo Corporation Singapore Pte. Ltd.</p> <p>Jan. 2013 Manager of Environment and CSR, Sumitomo Corporation</p> <p>Apr. 2015 Managing Executive Officer; Senior Director of Smart life Business and concurrently Director of Smart Service Promotion, T-Gaia Corporation</p> <p>Apr. 2016 Managing Executive Officer, Assistant to President, T-Gaia Corporation</p> <p>June 2016 Statutory Auditor, T-Gaia Corporation (current)</p> <p>June 2016 Corporate Auditor, WAMNET Japan K.K. (Retired from this position as of June 2019)</p>	June 2020 - June 2024	600
Corporate Auditor (Full-time)	Nobuo Oyama	August 26, 1961	<p>Apr. 1985 Joined Sumitomo Corporation</p> <p>Dec. 1996 Sumitomo Corporation (Hong Kong) Limited</p> <p>June 2005 Sumitomo Corporation (Shanghai) Limited, Huadong Corporate Group, Sumitomo Corporation China Group</p> <p>Apr. 2012 General Manager of Investor Relations Dept., Corporate Coordination Group, Sumitomo Corporation</p> <p>July 2015 General Manager of Accounting Dept., Mineral Resources, Energy, Chemical & Electronics Business Unit, Corporate Group, Sumitomo Corporation</p> <p>Apr. 2017 General Manager of Accounting Dept., Media, ICT, Lifestyle Related Goods & Services Business Unit, Corporate Group, Sumitomo Corporation</p> <p>June 2020 Assistant to CFO, Sumitomo Corporation; and concurrently President and Chief Executive Officer, Sumitomo Shoji Financial Management Co., Ltd.</p> <p>June 2022 Full-time Outside Auditor, T-Gaia Corporation (current)</p>	June 2022 - June 2026	-
Corporate Auditor (Part-time)	Toshiro Kaba	September 10, 1960	<p>Apr. 1993 Licensed as an attorney</p> <p>June 2003 Founder and Representative Attorney, Shiroyama Tower Law Office (current)</p> <p>Apr. 2005 Professor, Graduate School of Laws, Toin University of Yokohama</p> <p>Mar. 2006 Outside Auditor, GungHo Online Entertainment, Inc. (current)</p> <p>Aug. 2007 Outside Auditor, Cave Interactive Co., Ltd.</p> <p>Apr. 2010 Dean, Toin Law School</p> <p>June 2013 Outside Auditor, T-Gaia Corporation (current)</p> <p>June 2014 Director, Toin Gakuen</p> <p>Mar. 2015 Outside Auditor, Piala, Inc. (current)</p> <p>June 2015 Director, Tokyo-toei Kotsu Kyoryoku-kai (current)</p> <p>Apr. 2017 Outside Auditor, J.Score Co., Ltd. (current)</p> <p>Aug. 2019 Outside Director (Audit and Supervisory Committee Member), Cave Interactive Co., Ltd.</p> <p>Apr. 2021 Director, Toin Legal Research Support Center (current)</p> <p>Apr. 2021 Visiting Professor, Graduate School of Laws, Toin University of Yokohama (current)</p>	June 2021 - June 2025	5,000

Official title or position	Name	Date of birth	Career summary	Term of office	Number of shares held (shares)
Corporate Auditor (Part-time)	Tetsuo Kitagawa	August 17, 1961	Sept. 1985 Joined Aoyama Audit Corporation Mar. 1989 Received CPA license July 2002 Representative employee, Chuo-Aoyama Audit Corporation Sept. 2006 Representative employee, Aarata Audit Corporation (now PricewaterhouseCoopers Aarata LLC) Leader, Chemicals, Medicine, Industrial Materials Audit Division, Aarata Audit Corporation July 2013 Leader, Independence Management Group, Risk Management and Compliance Office, Aarata Audit Corporation Aug. 2014 Vice Chair, Ethics Committee, Japanese Institute of Certified Public Accountants June 2016 Resigned from Aarata Audit Corporation (now PricewaterhouseCoopers Aarata LLC) June 2017 Outside Auditor, T-Gaia Corporation (current) Dec. 2017 Certified Public Accountant Examination Committee Member, Certified Public Accountants and Auditing Oversight Board, Financial Services Agency June 2019 Outside Director, Daio Paper Corporation	June 2021 - June 2025	-
Total	13 persons		-		25,580

- (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. Corporate Auditors Mr. Nobuo Oyama, Mr. Toshiro Kaba, and Mr. Tetsuo Kitagawa are Outside Auditors.

(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 a 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 a director, executive officer, or corporate executive officer of a company (or its parent company or subsidiary), for which the director or corporate auditor is seconded from the Group
12. A person who is a 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 Auditor)

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 a 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 for 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 the director or corporate auditor is seconded from the Group
12. A person who is a 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 a 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 executive 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/Auditors

There are six Outside Directors (including five independent officers) and three Outside Auditors (including two independent officers) in the Company.

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 & 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 Auditor, 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 Auditor of the Company and has invited him as an Outside

Auditor. In addition, he is an executor of business of Sumitomo Corporation and falls under abovementioned “A. Independence judgment criteria (Outside Auditor) 7” as of filing date of this report.

Mr. Toshiro Kaba, Outside Auditor, 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 Auditor 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 Auditor. 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 Auditor, 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 insight would be useful to supervise general management and for proper audit activities, the Company has invited him as an Outside Auditor. 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 Auditors. The holding status of the Company’s shares by Outside Directors and Outside Auditors 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 Auditors with internal audit, Corporate Auditors’ 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 Auditors to audit the status of the execution of Directors’ duties, as Outside Auditors 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 Board of Corporate Auditors, etc. as well as attending regular meetings between the Representative Director, Outside Directors, and Corporate Auditors. Among Outside Auditors, 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 Auditors 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 Corporate Auditors

A. Organization, personnel, and procedures of audits by Corporate Auditors

The outline of the framework of the Company’s Board of Auditors 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.” One employee who assists the duties of Corporate Auditors works as a staff member for Corporate Auditors.

Corporate Auditors 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 meetings of the Board of Directors and other important meetings, holding hearings with Directors and key officers and employees of the Company and its subsidiaries, conducting on-site audits of the Company’s head office, regional headquarters, branches, directly managed shops, and subsidiaries, and reviewing important documentation. Corporate Auditors 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, Corporate Auditors 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 Corporate Auditors are as described in “4. Corporate Governance, (2) Information about Officers, (i) List of officers.” Of the Corporate Auditors, Statutory Auditors Naoya Okutani and Nobuo Oyama and Outside Auditors Toshiro Kaba and Tetsuo Kitagawa possess considerable expertise in the fields of finance and accounting or legal affairs, as detailed below.

- Statutory Auditor Naoya Okutani is licensed as a Small and Medium sized Enterprise Consultant.
- Statutory Auditor Nobuo Oyama has many years of experience in financial and accounting operations.
- Outside Auditor Toshiro Kaba is licensed as an attorney.
- Outside Auditor Tetsuo Kitagawa is licensed as a certified public accountant.

B. Activities of Corporate Auditors and the Board of Auditors during the fiscal year under review

(Frequency of Board of Auditors meetings and each Corporate Auditor's attendance)

The Board of Auditors convenes on a monthly basis in principle and on other occasions when necessary. 12 meetings of the Board of Auditors were held during the fiscal year under review. The attendance of each Corporate Auditor was as shown below.

	Name	Meetings attended / Meetings held
Statutory Auditors	Naoya Okutani	13/13 (Attendance rate: 100%)
	◎ Ryo Hashimoto	13/13 (Attendance rate: 100%)
Outside Auditors	Toshiro Kaba	13/13 (Attendance rate: 100%)
	Tetsuo Kitagawa	13/13 (Attendance rate: 100%)

◎: Chair of the Board of Auditors

(Key matters considered by the Board of Auditors)

The key matters considered by the Board of Auditors 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, selection, 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 Statutory Auditors and Outside Auditors)

During the fiscal year under review, Corporate Auditors carried out audit activities as detailed below. The Statutory Auditors share the responsibility of holding hearings with officers and employees of the Company and its subsidiaries, conducting on-site audits, attending important meetings other than the meetings of the Board of Directors, and holding information liaison meetings with auditors of the subsidiaries. Outside Auditors are shared information and materials from Statutory Auditors and provide advice and recommendations from their respective professional viewpoints. During the fiscal year under review, audit quality was 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	Statutory Auditors held meetings with the President and Representative Director as needed. Meetings between all members of the Board of Auditors and the President and Representative Director were held three times during the fiscal year under review. The Corporate Auditors 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 Independent Outside Directors	Three meetings were held during the fiscal year under review. The Corporate Auditors 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 and its subsidiaries	The Corporate Auditors 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 subsidiaries	Through the on-site audits, the Corporate Auditors examined and confirmed the situation of important matters and concerns related to the subject's duties.

Item	Activities and status
Attendance at important meetings other than the meetings of the Board of Directors	The Corporate Auditors 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 proceedings, results, and progress of the agenda concerning key matters in management strategy. The Corporate Auditors attended one meeting of the Nominating Advisory Committee and two meetings of the Compensation Advisory Committee as observers to confirm the proceedings and results of the agenda.
Convening information liaison meetings with auditors of the subsidiaries	Two meetings were held during the fiscal year under review. Opinions were exchanged on the progress of subsidiary auditors' 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 eight 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 Corporate Auditors 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 accounting audits and business audits (e.g., regular business audits, personal data protection audits), among other audits, in accordance with the Internal Audit Regulations. Specifically, it 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, as well as various internal regulations, and reports its audit findings to the President and Representative Director. The Internal Audit Department performs audits based on the predetermined internal audit plans. It performs a special audit if it is especially ordered to do so by the President and Representative Director.

With regard to the results of the internal audit, an internal audit report is prepared, based on which the audited division creates a follow-up report and promptly reflects it in business improvements.

B. Mutual cooperation between internal audits, audits by Corporate Auditors, 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 Board of Auditors and the Internal Audit Department cooperates to enhance the quality and efficiency of audits by Corporate Auditors, 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

21 years

C. Certified public accountants performing the audit

Tokio Suzuki, Designated Limited Liability Partner and Engagement Partner

Koji Hara, Designated Limited Liability Partner and Engagement Partner

(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 17 persons comprising 5 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 Corporate Auditors and the Board of Auditors

The Company's Corporate Auditors and the Board of Auditors evaluate the Primary Auditor each year. The Corporate Auditors and the Board of Auditors have evaluated that audits are properly performed, based on a report by the Corporate Auditors and the Board of Auditors on the execution of duties by the Primary Auditor received directly from the Primary 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	FY2021		FY2022	
	Audit fees (millions of yen)	Non-audit fees (millions of yen)	Audit fees (millions of yen)	Non-audit fees (millions of yen)
Reporting company	71	0	63	–
Consolidated subsidiaries	17	-	17	–
Total	88	0	80	–

(FY2021)

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

Non-audit operations at the Company are advisory operations concerning the revenue recognition standard.

(FY2022)

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

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.

E. Reasons for the Board of Auditors to have agreed to the remuneration, etc. for the Primary Auditor

In regard to the remuneration, etc. for the Primary Auditor proposed by the Board of Directors, the Company's Board of Auditors has decided to approve the amount of remuneration, etc. for the Primary Auditor after verifying

the content of the Primary 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 determines the policy for decisions on individual remuneration etc., for Directors at the meeting of the Board of Directors. With regard to the individual remuneration, etc., for Directors for the fiscal year under review, the Company's 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, and proposed remuneration is formulated and submitted for resolution to a meeting of the Board of Directors held in the 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 Corporate Auditors

With regard to remuneration for Corporate Auditors, 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 Corporate Auditors.

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).

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, 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 Corporate Auditors 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.

- (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-linked remuneration	Non-monetary remuneration, etc.	
Director (Excluding Outside Director)	138	90	43	4	5
Corporate Auditor (Excluding Outside Auditor)	40	40	–	–	2
Outside Officer	44	44	–	–	6

(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 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. It 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, 2022, and the judgment of whether the stock should be sold or continue to be held were reported to the Board of Directors. The Company will consider selling the stocks that were deemed to lack rationality for holding.

B. Number of stocks and total carrying amount

	Number of stocks (stocks)	Total carrying amount (millions of yen)
Unlisted shares	14	1,426
Shares other than those not listed	5	485

(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	–	–	–
Shares other than those not listed	–	–	–

(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	1	42
Shares other than those not listed	1	813

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	FY2022	FY2021	Purpose of stockholding, 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. Shares of the company have been held from before to maintain and strengthen good business relations.	No
	114	179		
IID, Inc.	250,000	250,000	As the Company searches for a new business model in the Payment Service Business and Other Business Segment, shares of IID have been held to create business opportunities and establish a partnership.	No
	191	227		
Valuedesign Inc.	66,700	66,700	The Company established a joint venture with Valuedesign to jointly operate overseas businesses in three Southeast Asian countries. Shares of the company have been held from before to maintain the partnership and strengthen synergies.	No
	115	277		
Safie Inc.	40,000	–	These shares were held as unlisted shares in the previous fiscal year, but have changed to specific investment shares as a public stock offering was carried out in the fiscal year under review. A portion of shares have been sold through a public stock offering for the said company's shares. Shares of Safie have been held for investment in the development of solutions to improve productivity of the Group's directly managed shops.	No
	61	–		
Kyoritsu Computer & Communication Co., Ltd.	1,500	1,500	Kyoritsu Computer & Communication is the Company's agent mainly in the Consumer Mobile Business. Shares of the company have been held from before to maintain and strengthen good business relations.	Yes
	2	2		

(iii) Investment shares held for pure investment

The Company does not hold investment shares for pure investment.

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, 2021 to March 31, 2022) and the non-consolidated financial statements for the fiscal year (from April 1, 2021 to March 31, 2022) 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.

1. Consolidated Financial Statements and Other Information

(1) Consolidated financial statements

(i) Consolidated balance sheets

(Millions of yen)

	As of March 31, 2021		As of March 31, 2022	
Assets				
Current assets				
Cash and deposits	*1	49,401	*1	58,162
Notes and accounts receivable - trade	*2, *3	22,487	*2, *3	17,660
Merchandise		21,530		22,158
Supplies		70		80
Accounts receivable - other	*3	14,148	*3	12,621
Guarantee deposits	*1	73,790	*1	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	*4	(8,256)	*4	(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	*4	(5,030)	*4	(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	*5	4,119	*5	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)

	As of March 31, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	*3 9,689	*3 9,964
Current portion of long-term borrowings	3,751	12,751
Accounts payable - other	*1, *3 19,675	*1, *3 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

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

(Millions of yen)

		Fiscal year ended March 31, 2021		Fiscal year ended March 31, 2022
Net sales	*1	422,973	*1	476,464
Cost of sales		353,089		403,889
Gross profit		69,884		72,574
Selling, general and administrative expenses	*2	55,842	*2	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	*3	8	*3	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	*4	11	*4	5
Loss on retirement of non-current assets	*5	49	*5	37
Impairment losses	*6	168	*6	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)

	Fiscal year ended March 31, 2021	Fiscal year ended 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

(iii) Consolidated statements of changes in shareholders' equity
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

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

(iv) Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended 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	*2 (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	*1 47,601	*1 56,162

Notes to consolidated financial statements

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

1. Scope of consolidation

(1) Number of consolidated subsidiaries	4
Names of consolidated subsidiaries	QUO CARD Co., Ltd. WAMNET Japan K.K. TG Power Inc. T-Gaia Retail Service Corporation

(2) Names of major non-consolidated subsidiaries	
Major 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. Application of the equity method

(1) Number of non-consolidated subsidiaries accounted for by the equity method	7
Names of major companies	PC TECHNOLOGY Co., LTD. Infinity Communication Co. Ltd.

(2) Number of affiliates accounted for by the equity method	4
Names of major companies	Ralay2, Inc.

(Changes in scope of application of the equity method)

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

In the fiscal year under review, the Company merged with TGC, Inc.; accordingly, TGC, Inc. is excluded from the scope of application of the equity method.

(3) Other specific matters to be disclosed regarding application of the equity method

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

3. Fiscal year of consolidated subsidiaries

All the consolidated subsidiaries' fiscal year-end is the same as the consolidated balance sheet date.

4. Accounting policies

(1) Valuation basis and valuation method for significant assets

(i) Securities

Available-for-sale securities

Securities other than equity securities, etc. without market quotations

Fair value method (Differences in valuation are included directly in net assets. The cost of securities sold is determined by the moving-average method.)

Equity securities, etc. without market quotations

Valuation at cost, with cost determined by the moving-average method

(ii) Inventories

(A) Merchandise

Valuation at cost, with cost determined by the first-in first-out method (Balance sheet value is calculated by reducing carrying 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

Valuation at cost, with cost 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)
 Straight-line method and 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)
 Straight-line method.
 Depreciable life of principle assets is as follows:
- | | |
|------------------------------------|----------|
| Contract-related intangible assets | 20 years |
| Software for internal use | 5 years |
| Software for sale | |
- 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 in which the ownership of leased property is not transferred to the lessee are amortized by the straight-line method by assuming that the lease period is the useful life and there is no residual value.
- (3) Accounting policy for significant allowances and provisions
- (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) 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) Method of accounting for 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 currency-denominated assets and liabilities
 Assets and liabilities and income and expenditure of foreign subsidiaries are converted into yen at the spot exchange rates prevailing on the balance sheet date. Conversion differences are stated in net assets under the foreign currency translation adjustment account.
- (6) Recognition of significant revenues 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.

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

(Enterprise Solutions Business)

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

When selling or providing these products and services, revenue is recognized when the product is shipped to the customer or when the provision of the service under an agency contract, etc., is 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.

(Significant accounting estimates)

FY2021 (From April 1, 2020 to March 31, 2021)

1. Estimates of hoard profit of prepaid card

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

	FY2022 (millions of yen)
Hoard profit of prepaid card	5,926

(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, changes in card deposits (which are recorded on the consolidated balance sheet and fall under financial liabilities) due to issuance and use of prepaid cards are recorded and aggregated for each 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.

(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 of the COVID-19 pandemic

Regarding the impact of COVID-19, it did not contribute to any notable fluctuations in the actual usage of prepaid cards during the fiscal year under review compared to the preceding fiscal years. In addition, no significant fluctuations have been seen in the actual usage since April 2021 compared to the preceding fiscal years. Therefore, the Company judges that the impact on the consolidated financial statements is minimal.

2. Impairment of non-current assets

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

	FY2022 (millions of yen)
Impairment losses	168

(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

With respect to the impairment of non-current assets, for business assets, etc. within the Company's non-current assets that are subject to the "Accounting Standard for Impairment of Fixed Assets," indications of impairment are assessed based on internal information such as the profit and loss report and management plan according to asset grouping units for business assets, etc. of the Company's directly-managed shops and consolidated subsidiaries, and on external factors such as the business environment.

If it is judged that there is an indication of impairment, we make reasonable estimates of future cash flows based on the profit and loss plans, etc. for asset group units and determine the recoverability of the carrying amount before reducing it to the recoverable amount.

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

As stated in "V. Financial Information, 1. Consolidated Financial Statements and Other Information, (1) Consolidated financial statements, Business combinations in Notes to consolidated financial statements," a large amount of goodwill and contract-related intangible assets were recorded for the fiscal year under review. If uncertain events, which cannot be assessed at the time of valuation, emerge due to considerable changes from the management environment projected at the time of acquisition or significant divergence of actual performance from the projected business plans, the assumptions used for estimating future cash flows may change, and the recoverable amount may change accordingly. In such case, impairment losses may be recognized.

(iii) Impact of the COVID-19 pandemic

Regarding the impact of COVID-19, the business operations of the Company have returned to normal in sequence since June 2020. At the time the second state of emergency was declared in January 2021, we were not the subject of the government's request for shortened business hours or closure; thus, our assumption is based on COVID-19 having a marginal impact on future cash flows estimates. Under the third state of emergency declared in April 2021,

certain shops became the subject of the closure request. While the future impact remains uncertain, we still assume that the impact on the estimates of future cash flows is insignificant.

FY2022 (From April 1, 2021 to March 31, 2022)

1. Estimates of hoard profit of prepaid card

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

	FY2022 (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, changes in card deposits (which are recorded on the consolidated balance sheet and fall under financial liabilities) due to issuance and use of prepaid cards are recorded and aggregated for each 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.

(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 of the COVID-19 pandemic

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

	FY2022 (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 of the COVID-19 pandemic

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

(Changes in accounting policies)

(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 fiscal year under review, and recognizes the amount of revenue that is expected to be received upon exchange of promised goods or services at the moment the control of the said goods or services is transferred to customers.

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

As a general rule, this change in the accounting policy applies retrospectively, and the new accounting policy has been reflected in the consolidated financial statements for the previous fiscal year. However, the following method set forth in Paragraph 85 of the Accounting Standard for Revenue Recognition has been applied:

- (1) Comparative information shall not be retrospectively restated for the contracts for which nearly all the revenues were already recognized before the beginning of the previous fiscal year in accordance with the previous accounting 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.

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

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

In addition, information on a breakdown of the fair values of financial instruments for each appropriate category, etc., is provided in “Financial instruments” in Notes to consolidated financial statements. However, in accordance with the transitional treatment prescribed in Paragraph 7-4 of the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, July 4, 2019), said notes for the previous fiscal year are not included.

(Changes in presentation method)

(Consolidated statements of cash flows)

“Increase (decrease) in allowance for doubtful accounts,” “subsidy income,” “loss (gain) on sale of non-current assets,” “loss on retirement of non-current assets,” and “proceeds from subsidy income” under “cash flows from operating activities,” which were stated as a separate account in the previous fiscal year, are included in “other, net” for the fiscal year under review due to their decreased financial significance. To reflect the change in the presentation method, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, in the consolidated statements of cash flows for the previous fiscal year, increase (decrease) in allowance for doubtful accounts (-60 million yen), subsidy income (-424 million yen) and proceeds from subsidy income (424 million yen), loss (gain) on sale of non-current assets (3 million yen), and loss on retirement of non-current assets (49 million yen) under “cash flows from operating activities” have been reclassified as “other, net,” and the amount of “subtotal” has changed from 22,363 million yen to 22,788 million yen.

(Notes to consolidated balance sheet)

*1. Pledged assets and secured liabilities

Assets pledged as collateral are as follows:

	(Millions of yen)	
	FY2021	FY2022
	(As of March 31, 2021)	(As of March 31, 2022)
Cash and deposits	1,800	2,000

Secured liabilities are as follows:

	(Millions of yen)	
	FY2021	FY2022
	(As of March 31, 2021)	(As of March 31, 2022)
Accounts payable - other	2,106	2,116

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: 73,790 million yen, balance for the fiscal year under review: 81,400 million yen)

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

	(Millions of yen)	
	FY2021	FY2022
	(As of March 31, 2021)	(As of March 31, 2022)
Notes receivable - trade	29	14
Accounts receivable - trade	22,457	17,646

*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)	
	FY2021	FY2022
	(As of March 31, 2021)	(As of March 31, 2022)
Notes and accounts receivable - trade	61,033	66,540
Accounts receivable - other	29,725	26,109
Accounts payable - trade	46,681	57,317
Accounts payable - other	36,806	31,591

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

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

	(Millions of yen)	
	FY2021	FY2022
	(As of March 31, 2021)	(As of March 31, 2022)
Investment securities (equity securities)	2,089	1,809

5. 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)	
	FY2021	FY2022
	(As of March 31, 2021)	(As of March 31, 2022)
Maximum amount of overdraft	3,500	3,500
Outstanding balance of used line of credit	-	-
Net	3,500	3,500

6. Guarantee obligations

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

	(Millions of yen)	
	FY2021 (As of March 31, 2021)	FY2022 (As of March 31, 2022)
T-GAIA ASIA PACIFIC PTE. Ltd.	296	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)	
	FY2021 (From April 1, 2020 to March 31, 2021)	FY2022 (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	101	112
Dispatched staff wages	4,542	5,811
Promotion expenses	3,246	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)

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

	(Millions of yen)	
	FY2021 (From April 1, 2020 to March 31, 2021)	FY2022 (From April 1, 2021 to March 31, 2022)
Buildings and structures	4	36
Machinery, equipment and vehicles	3	-
Furniture and fixtures	0	17
Other	-	0
Total	8	54

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

	(Millions of yen)	
	FY2021 (From April 1, 2020 to March 31, 2021)	FY2022 (From April 1, 2021 to March 31, 2022)
Buildings and structures	11	5
Other	0	0
Total	11	5

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

	(Millions of yen)	
	FY2021 (From April 1, 2020 to March 31, 2021)	FY2022 (From April 1, 2021 to March 31, 2022)
Buildings and structures	38	13
Machinery, equipment and vehicles	–	10
Furniture and fixtures	4	8
Software	6	3
Other	–	1
Total	49	37

*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:

FY2021 (From April 1, 2020 to March 31, 2021)

Location	Used for	Type of assets	Impairment losses (Millions of yen)
Shops (in Kumamoto City, Kumamoto Prefecture and other locations)	Business asset	Buildings and structures, furniture and fixtures	91
Shibuya-ku, Tokyo	Business asset	Software, construction in progress, other	76
Total			168

FY2022 (From April 1, 2021 to March 31, 2022)

Location	Used for	Type of assets	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

(Notes to consolidated statements of comprehensive income)

* Reclassification adjustments and tax effects relating to other comprehensive income

(Millions of yen)

	FY2021 (From April 1, 2020 to March 31, 2021)	FY2022 (From April 1, 2021 to March 31, 2022)
Valuation difference on available-for-sale securities		
Amount arising during the period	292	(91)
Reclassification adjustments	(78)	-
Before tax effects	213	(91)
Tax effects	(66)	43
Valuation difference on available-for-sale securities	147	(48)
Share of other comprehensive income of entities accounted for using the equity method		
Amount arising during the period	(4)	41
Share of other comprehensive income of entities accounted for using the equity method	(4)	41
Total other comprehensive income	142	(6)

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

FY2021 (From April 1, 2020 to March 31, 2021)

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

	Number of shares at beginning of the fiscal year (shares)	Increase (shares)	Decrease (shares)	Number of shares at end of the fiscal year (shares)
Outstanding shares				
Common stock	56,074,000	-	-	56,074,000
Total	56,074,000	-	-	56,074,000
Treasury shares				
Common stock (Note)	341,827	-	2,961	338,866
Total	341,827	-	2,961	338,866

(Note) The decrease in shares of common stock under treasury shares is due to the disposal of treasury shares (2,961 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
June 29, 2020 Ordinary General Meeting of Shareholders	Common stock	2,089	37.50	March 31, 2020	June 30, 2020
November 5, 2020 Board of Directors Meeting	Common stock	2,090	37.50	September 30, 2020	December 2, 2020

(2) Dividends with a record date in the fiscal year 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
June 18, 2021 Ordinary General Meeting of Shareholders	Common stock	2,090	Retained earnings	37.50	March 31, 2021	June 21, 2021

FY2022 (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 (shares)	Increase (shares)	Decrease (shares)	Number of shares at end of the fiscal year (shares)
Outstanding shares				
Common stock	56,074,000	–	–	56,074,000
Total	56,074,000	–	–	56,074,000
Treasury shares				
Common stock (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
June 18, 2021 Ordinary General Meeting of Shareholders	Common stock	2,090	37.50	March 31, 2021	June 21, 2021
November 1, 2021 Board of Directors Meeting	Common stock	2,091	37.50	September 30, 2021	December 6, 2021

(2) Dividends with a record date in the fiscal year 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
June 22, 2022 Ordinary General Meeting of Shareholders	Common stock	2,091	Retained earnings	37.50	March 31, 2022	June 23, 2022

(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)	
	FY2021 (From April 1, 2020 to March 31, 2021)	FY2022 (From April 1, 2021 to March 31, 2022)
Cash and deposits	49,401	58,162
Time deposits with maturity over 3 months	(1,800)	(2,000)
Cash and cash equivalents	47,601	56,162

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

FY2021 (From April 1, 2020 to March 31, 2021)

The components of assets and liabilities of TF Mobile Solutions Corporation, a newly consolidated subsidiary acquired by purchase of shares in the fiscal year, at the start of its consolidation, and the relationship between the acquisition cost of its shares and the related payments (net amount) were as follows:

Current assets	7,354 million yen
Non-current assets	9,671
Goodwill	17,078
Contract-related intangible assets	1,357
Current liabilities	(6,945)
Non-current liabilities	(240)
Acquisition cost of shares	28,276
Cash and cash equivalents	(348)
Net: Acquisition-related payments	27,928

The provisional accounting treatment for the business combination was finalized in the fiscal year under review, and the figures for the previous fiscal year are based on the amounts after the significant revision of the initial allocation of acquisition costs due to the finalization of the provisional accounting treatment was reflected.

FY2022 (From April 1, 2021 to March 31, 2022)

Not applicable.

(Leases)

(As lessee)

1. Finance lease transactions

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.

(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. Operating lease transactions

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

(Millions of yen)

	FY 2021 (As of March 31, 2021)	FY 2022 (As of March 31, 2022)
Due within 1 year	74	59
Due after 1 year	167	106
Total	241	165

(Financial instruments)

1. 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.

Trade 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) Risk management system for financial instruments

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

The Company manages risks associated with trade receivables in line with the Credit Management Regulations, under which a department in charge of risk management periodically monitors the business status of major trading partners, manages settlement due dates and the outstanding balance for each entity, and ensures the early detection of any concerns on collectability, which are caused by deterioration in financial positions and other factors, 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.)

For investment securities, the Company periodically monitors their fair values and the financial positions of issuers (trading partners) to review the holding status on a continual basis by considering 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 funding (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.

2. Fair values of financial instruments

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

FY2021 (As of March 31, 2021)

	Carrying amount	Fair value	Difference
(i) Investment securities (Note 1)			
Available-for-sale securities	686	686	–
(ii) Leasehold deposits	4,800	4,751	(49)
(iii) Long-term borrowings (Note 2)	(22,124)	(22,124)	(0)

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

(Note 1) Financial instruments whose fair value is deemed extremely difficult to determine

Category	FY2021 (millions of yen) (As of March 31, 2021)
Unlisted shares	3,433

As the fair value is deemed extremely difficult to determine since they have no market prices, the above are not included in “(i) Investment securities.”

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

FY2022 (As of March 31, 2022)

	Carrying amount	Fair value	Difference
(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 ().

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

Category	FY2022 (millions of yen) (As of March 31, 2022)
Unlisted shares	3,256

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 is 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

For card deposits, which must be reimbursed according to the use amount stated in the notice of card usage sent from member stores, the reimbursement amount (payment) expected, as of the account settlement date, to be demanded in the future 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 FY2021 (As of March 31, 2021)

(Millions of yen)

	Due within 1 year	Due after 1 year Within 5 years	Due after 5 years Within 10 years	Over 10 years
Cash and deposits	49,401	–	–	–
Notes and accounts receivable - trade	22,487	–	–	–
Accounts receivable - other	14,148	–	–	–
Total	86,037	–	–	–

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

FY2022 (As of March 31, 2022)

(Millions of yen)

	Due within 1 year	Due after 1 year Within 5 years	Due after 5 years 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	–	–	–

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

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

FY2021 (As of March 31, 2021)

(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
Long-term borrowings	3,751	12,751	3,751	1,871	–	–
Total	3,751	12,751	3,751	1,871	–	–

FY2022 (As of March 31, 2022)

(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
Long-term borrowings	12,751	3,751	1,871	–	–	–
Total	12,751	3,751	1,871	–	–	–

5. Breakdown by level of fair value of financial instruments

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 their fair values.

Level 1 fair values:

Fair values calculated using the market prices, which are formed on active markets, of the assets or liabilities that are the subject of the fair value calculation, 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 sheets at fair value

FY2022 (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

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

FY2022 (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

(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 with future cash flows and interest rates based on appropriate benchmarks, such as the interest rate of Japanese Government Bonds (the discount rate is set at zero if the interest rate of Japanese Government Bonds is negative), and 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.

(Securities)

1. Available-for-sale securities

FY2021 (As of March 31, 2021)

(Millions of yen)

	Type	Carrying amount	Acquisition cost	Difference
Items whose carrying amount exceeds acquisition cost	(1) Equity securities	458	31	427
	(2) National/local government bonds	–	–	–
	Subtotal	458	31	427
Items whose carrying amount does not exceed acquisition cost	(1) Equity securities	227	237	(9)
	(2) National/local government bonds	–	–	–
	Subtotal	227	237	(9)
Total		686	268	417

FY2022 (As of March 31, 2022)

(Millions of yen)

	Type	Carrying amount	Acquisition cost	Difference
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

2. Available-for-sale securities sold

FY2021 (From April 1, 2020 to March 31, 2021)

(Millions of yen)

Type	Sale proceeds	Total gain on sale	Total loss on sale
(1) Equity securities	140	78	–
(2) National/local government bonds	–	–	–
Total	140	78	–

FY2022 (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	–

3. Impaired securities

FY2021 (From April 1, 2020 to March 31, 2021) and FY2022 (From April 1, 2021 to March 31, 2022)

Not applicable.

(Derivatives)

Not applicable as the Group does not use any derivatives.

(Retirement benefits)

1. Overview of retirement benefit plans adopted

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.

2. Defined benefit plans

(1) Changes in retirement benefit obligations (excluding plans to which the simplified method is applied)

(Millions of yen)

	FY2021 (From April 1, 2020 to March 31, 2021)	FY2022 (From April 1, 2021 to March 31, 2022)
Balance of retirement benefit obligations at beginning of period	–	–
Service cost	6	–
Interest cost	0	–
Increase due to new consolidation	326	–
Decrease due to termination of retirement benefit plan	(333)	–
Balance of retirement benefit obligations at end of period	–	–

(2) Changes in plan assets (excluding plans to which the simplified method is applied)

	(Millions of yen)	
	FY2021 (From April 1, 2020 to March 31, 2021)	FY2022 (From April 1, 2021 to March 31, 2022)
Balance of plan assets at beginning of period	-	-
Expected return on plan assets	3	-
Contribution from employer	4	-
Increase due to new consolidation	247	-
Decrease due to termination of retirement benefit plan	(255)	-
Balance of plan assets at end of period	-	-

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

	(Millions of yen)	
	FY2021 (From April 1, 2020 to March 31, 2021)	FY2022 (From April 1, 2021 to March 31, 2022)
Balance of retirement benefit liabilities at beginning of period	368	318
Balance of retirement benefit assets at beginning of period	-	(5)
Increase due to merger	-	19
Retirement benefit expenses	(19)	37
Retirement benefits paid	(19)	(17)
Contributions to plans	(17)	(17)
Balance of retirement benefit liabilities at end of period	318	349
Balance of retirement benefit assets at end of period	(5)	(14)

(4) 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)	
	FY2021 (As of March 31, 2021)	FY2022 (As of March 31, 2022)
Retirement benefit obligations of funded plans	446	466
Plan assets	(451)	(480)
	(5)	(14)
Retirement benefit obligations of unfunded plans	318	349
Net amount of assets and liabilities recorded on the consolidated balance sheets	312	334
Retirement benefit liabilities	318	349
Retirement benefit assets	(5)	(14)
Net amount of assets and liabilities recorded on the consolidated balance sheets	312	334

(Note) The plans to which the simplified method is applied are included.

(5) Amounts of retirement benefit expenses and their components

	(Millions of yen)	
	FY2021 (From April 1, 2020 to March 31, 2021)	FY2022 (From April 1, 2021 to March 31, 2022)
Service cost	6	–
Interest cost	0	–
Expected return on plan assets	(3)	–
Amortization of actuarial gains and losses	8	–
Retirement benefit expenses calculated by the simplified method	(19)	37
Retirement benefit expenses for defined benefit plans	(6)	37
Loss on termination of retirement benefit plan (*)	48	–

(*) Recorded in “other” under “non-operating expenses” in the consolidated statements of income.

3. Defined contribution plans

FY2021 (From April 1, 2020 to March 31, 2021)

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 248 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, 2020)

Plan assets	44,897 million yen
Total amount of actuarial pension obligations and minimum liability reserve	41,101
Net	3,795

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

0.66% (From April 1, 2019 to March 31, 2020)

(3) Supplementary explanation

The major factors for the net amount in (1) include unappropriated surplus of 3,795 million yen.

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

FY2022 (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.

(Tax effect accounting)

1. Major components of deferred tax assets and liabilities

	(Millions of yen)	
	FY2021	FY2022
	(As of March 31, 2021)	(As of March 31, 2022)
Deferred tax assets		
Provision for bonuses	913	848
Allowance for doubtful accounts	23	18
Loss on valuation of inventories	70	68
Accrued business tax and business office tax	281	117
Excessive depreciation	1,089	1,024
Asset retirement obligations	584	582
Retirement benefit liabilities	97	106
Loss on valuation of investment securities	194	186
Asset adjustment	7,295	5,707
Hoard profit of prepaid card	1,529	1,571
Other	846	919
Deferred tax assets subtotal	12,926	11,150
Valuation allowance	(394)	(398)
Total deferred tax assets	12,532	10,751
Deferred tax liabilities		
Asset retirement obligations	(203)	(181)
Valuation difference on available-for-sale securities	(140)	(94)
Contract-related intangible assets	(406)	(386)
Retirement benefit assets	(1)	(4)
Other	(0)	(0)
Total deferred tax liabilities	(752)	(666)
Net deferred tax assets	11,779	10,085

(Note) For the previous fiscal year, the amounts are disclosed after reflecting the significant revision of the initial allocation of acquisition costs due to the finalization of the provisional accounting treatment as described in “1. Settlement of the provisional accounting treatment for the business combination in Business combinations in Notes to consolidated financial statements.”

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

	FY2021	FY2022
	(As of March 31, 2021)	(As of March 31, 2022)
Statutory effective tax rate	30.6%	30.6%
(Adjustments)		
Expenses not deductible permanently, such as entertainment expenses	0.1	0.2
Denial of amortization of goodwill	1.3	2.5
Changes in valuation allowance	1.4	(0.5)
Inhabitant per capita taxes	1.0	1.2
Other	0.3	0.3
Effective rate of income taxes after application of deferred tax accounting	34.7	34.3

(Business combinations)

1. Settlement of the provisional accounting treatment for the business combination

Regarding the business combination with TF Mobile Solutions Corporation executed 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 fiscal year under review.

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

As a result, the provisional goodwill amount of 18,020 million yen 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 and deferred tax assets had decreased by 921 million yen and 406 million yen, respectively, while contract-related intangible assets had increased by 1,328 million yen. The impact of this on the consolidated statements of income for the previous fiscal year was immaterial. In the consolidated statements of cash flows for the previous fiscal year, profit before income taxes decreased by 8 million yen and amortization of goodwill decreased by 19 million yen, while depreciation increased by 28 million yen.

(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 - 2.98% 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)	
	FY2021 (From April 1, 2020 to March 31, 2021)	FY2022 (From April 1, 2021 to March 31, 2022)
Balance at beginning of period	1,722	1,980
Increase due to new consolidation	173	-
Increase due to merger	-	20
Increase due to purchase of property, plant and equipment	117	51
Adjustments due to lapse of time	17	16
Decrease due to payments for asset retirement obligations	(49)	(89)
Other increase (decrease)	(0)	(0)
Balance at end of period	1,980	1,979

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

Not applicable.

(Revenue recognition)

1. Breakdown 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. Information providing a basis 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) Balances of contract assets and contract liabilities, etc.

(Millions of yen)

	FY2021	FY2022
Receivables from contracts with customers		
Balance at beginning of period	15,655	22,487
Balance at end of period	22,487	17,660
Contract assets		
Balance at beginning of period	–	–
Balance at end of period	–	–
Contract liabilities		
Balance at beginning of period	59	60
Balance at end of period	60	64

Contract liabilities are recorded as “other” under current liabilities on the consolidated balance sheets. Contract liabilities are mainly the balance of services provided by consolidated subsidiaries for which performance obligations had not been satisfied as of the end of the fiscal year under review.

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

(2) Transaction prices allocated to remaining performance obligations

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

(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.

(Changes in reportable segments, etc.)

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

As stated in “Changes in accounting policies,” from the beginning of the fiscal year under review, the Company has applied the Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations and changed the accounting treatment for revenue recognition. Accordingly, similar changes have been 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 on segment profit.

(Changes to segment asset allocation method)

For the fiscal year under review, as a result of changing the accounting system and reviewing the assets to be allocated to reportable segments, non-current assets, etc. (excluding goodwill and investment securities) of the Company that previously were unallocated have been allocated to each reportable segment.

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.

3. Information on net sales, income or loss, assets, liabilities, and other items by reportable segment
FY2021 (From April 1, 2020 to March 31, 2021)

(Millions of yen)

	Consumer Mobile Business	Enterprise Solutions Business	Payment Service Business and Other Business	Adjustments (Note 1)	Total
Net sales					
Smart device	209,213	8,747	–	–	217,960
Prepaid cards, etc.	–	–	10,422	–	10,422
Fees related to smart device	142,013	10,394	–	–	152,408
Sales commissions of prepaid cards, 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)
Hoard profit of prepaid card	–	–	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 expenses	4,051	1,177	1,714	–	6,943
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 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 assets (excluding goodwill) of the Company are not subject to individual segment allocation. However, depreciation and related income and expenditure are allocated in accordance with the allocation standards for management accounting and standards that are reasonable in the circumstances, respectively.

FY2022 (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 adjustments 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.

Related information

FY2021 (From April 1, 2020 to March 31, 2021)

1. Information by product and service

(Millions of yen)

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

2. Information by region

(1) 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	Sales	Related segment
NTT DOCOMO, Inc.	60,562	Consumer Mobile Business and Enterprise Solutions Business
KDDI CORPORATION	50,692	Consumer Mobile Business and Enterprise Solutions Business

FY2022 (From April 1, 2021 to March 31, 2022)

1. Information by product and service

(Millions of yen)

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

2. Information by region

(1) 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	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

Information concerning unamortized goodwill balances by reportable segment
 FY2021 (From April 1, 2020 to March 31, 2021)

(Millions of yen)

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

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

FY2022 (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

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

(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

Sumitomo Corporation (listed on the Tokyo Stock Exchange, the Nagoya Stock Exchange, and the Fukuoka Stock Exchange)

(2) Summary of financial information on significant affiliates

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

(Per share information)

(Yen)

	FY2021 (From April 1, 2020 to March 31, 2021)	FY2022 (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 is omitted as there are no dilutive shares.

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

	FY2021 (From April 1, 2020 to March 31, 2021)	FY2022 (From April 1, 2021 to March 31, 2022)
Profit attributable to owners of parent (millions of yen)	13,042	10,579
Net income not attributable to common shareholders (millions of yen)	–	–
Net income attributable to common owners of parent company (millions of yen)	13,042	10,579
Average number of shares outstanding during the period (shares)	55,734,177	55,756,422

(Significant subsequent events)

Not applicable.

(5) 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	3,751	12,751	0.40	–
Long-term borrowings (excluding current portion)	18,373	5,622	0.40	September 2024
Current portion of lease obligations	3	3	–	–
Lease obligations (excluding current portion)	9	5	–	September 2024
Total	22,137	18,383	–	–

- (Notes)
1. The average interest rate represents a weighted average interest rate with respect to the ending balance of borrowings.
 2. The average interest rate for lease obligations is not listed as it is recorded on the consolidated balance sheets at the amount before deduction of the interest-equivalent amount included in total lease payments.
 3. The repayment schedule of long-term borrowings and lease obligations (excluding current portion) 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	3,751	1,871	–	–
Lease obligations	3	1	–	–

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)	111,173	220,337	339,744	476,464
Profit before income taxes (millions of yen)	4,879	8,222	11,690	16,122
Profit attributable to owners of parent (millions of yen)	3,224	5,397	7,649	10,579
Earnings per share (yen)	57.85	96.81	137.20	189.74

(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Earnings per share (yen)	57.85	38.96	40.39	52.54

- (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), although a provisional accounting treatment was applied until the first quarter of the current fiscal year, this was finalized in the second quarter. As a result, figures related to the first quarter reflect this finalization of the provisional accounting treatment.

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	(Special account)						
Handling office	Stock Transfer Agency Department, Sumitomo Mitsui Trust Bank, Limited 4-1 Marunouchi 1-chome, Chiyoda-ku, Tokyo						
Shareholder registry administrator	(Special account) Sumitomo Mitsui Trust Bank, Limited 4-1 Marunouchi 1-chome, Chiyoda-ku, Tokyo						
Forward office	—						
Purchasing fee	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 program 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:						
		Holding period					
		Base date: End of September		Base date: End of March		(Reference) Annual total	
		Less than 1 year	One year or longer	Less than 1 year	One year or longer	Less than 1 year	One year or longer
Number of shares held	100 shares or more but less than 300 shares	Worth 1,000 yen	Worth 2,000 yen	Worth 1,000 yen	Worth 1,000 yen	Worth 2,000 yen	Worth 3,000 yen
	300 shares or more	Worth 2,000 yen	Worth 3,000 yen	Worth 1,000 yen	Worth 2,000 yen	Worth 3,000 yen	Worth 5,000 yen
	Date of mailing: twice a year, in the end of June and the beginning of December						

(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

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 (30th) (from April 1, 2020 to March 31, 2021), filed on June 18, 2021 with the Director of the Kanto Local Finance Bureau
- (2) Internal Control Report and attached documents
Fiscal year (30th) (from April 1, 2020 to March 31, 2021), filed on June 18, 2021 with the Director of the Kanto Local Finance Bureau
- (3) Quarterly Report and Confirmation Letter
(First Quarter of the 31st fiscal year) (from April 1, 2021 to June 30, 2021), filed on August 3, 2021 with the Director of the Kanto Local Finance Bureau
(Second Quarter of the 31st fiscal year) (from July 1, 2021 to September 30, 2021), filed on November 2, 2021 with the Director of the Kanto Local Finance Bureau
(Third Quarter of the 31st fiscal year) (from October 1, 2021 to December 31, 2021), filed on February 3, 2022 with the Director of the Kanto Local Finance Bureau
- (4) Extraordinary Report
 - (i) Filed on June 21, 2021 with the Director 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
 - (ii) Filed on December 10, 2021 with the Director of the Kanto Local Finance Bureau
An extraordinary report pursuant to Article 19, Paragraph 2, Item (ix) “A change to the representative director” of the Cabinet Office Order on Disclosure of Corporate Affairs
 - (iii) Filed on April 20, 2022 with the Director 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

Part Two Information on Guarantee Companies etc. for Reporting Company

Not applicable.

Cover

Document Filed	Confirmation Letter
Applicable Law	Article 24-4-2, Paragraph 1 of the Financial Instruments and Exchange Act
Filed to	Director, Kanto Local Finance Bureau
Filing Date	June 22, 2022
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 & 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 31st fiscal year (from April 1, 2021 to March 31, 2022) were adequate under the Financial Instruments and Exchange Act.

2 Special Notes

None.

Cover

Document Filed	Internal Control Report
Applicable Law	Article 24-4-4, Paragraph 1 of the Financial Instruments and Exchange Act
Filed to	Director, Kanto Local Finance Bureau
Filing Date	June 22, 2022
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 & 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, Director, 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, 2022, 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 processes 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, 2022.

4 Supplementary Matters

None.

5 Special Notes

None.

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

June 22, 2022

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, 2022, 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, 2021 to March 31, 2022, 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, 2022, 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
<p>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.</p> <p>As stated in the consolidated statement of income, the amount of hoard profit of prepaid card for the year was ¥4,764 million, which accounted for 30.9% of ordinary profit ¥15,381 million and had a significant impact on the consolidated financial statements.</p> <p>In the above accounting process, the card deposits system and other various systems 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 passage of years after the card is issued. Thus, it is important to ensure the reliability of the information recorded and processed by these information technology ("IT") systems for our audit of hoard profit of prepaid card.</p> <p>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.</p> <p>Based on the above, we identified the estimate of hoard profit of prepaid card as a key audit matter.</p>	<p>To address the key audit matter, we performed the following audit procedures:</p> <ol style="list-style-type: none"> (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 management documents such as confirmation records of basic data for the calculation of hoard profit of prepaid card. (3) Regarding internal controls related to the card deposits system and other various systems, 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: <ul style="list-style-type: none"> • Interface into the card deposits system of the card issuance and usage data recorded in peripheral systems, • 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 recalculating 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 made 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.

(TRANSLATION)

Valuation of Goodwill and Intangible Assets	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
<p>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 ¥16,563 million and ¥1,260 million, respectively, on the consolidated balance sheet at the end of the year. 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.</p> <p>As a result of the impairment analysis for the valuation of Goodwill, etc., the Group identified an indication of impairment due to significant deterioration of the business environment related to the fee income decrease caused by the revised fee conditions with a certain telecommunication carrier, and tested whether an impairment loss should be recognized.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>Based on the above, we identified the valuation of Goodwill, etc. as a key audit matter.</p>	<p>To address the key audit matter, we performed the following audit procedures:</p> <ol style="list-style-type: none"> (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 forecast 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 the sensitivity analysis by applying certain stress at the judgment of the auditor to the changes in the number of stores and capital investment included in the underlying business plan.

(TRANSLATION)

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.

(TRANSLATION)

- 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, 2022.

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, 2022, 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.

(TRANSLATION)

Responsibility of Management and 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.