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Convocation Notice of the 33rd Ordinary General Meeting of Shareholders (Matters not Appearing in Delivered Paper-Based Documents)

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

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

For the 33rd Fiscal Year (from April 1, 2023, to March 31, 2024)

T-Gaia Corporation

The aforementioned matters are not included in the paper-based documents delivered to shareholders, who request said paper-based documents, pursuant to the provisions of laws, regulations, and Article 15 of the Articles of Incorporation.

Consolidated Statement of Changes in Shareholders' Equity

(from April 1, 2023, to March 31, 2024)

(million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	3,154	5,141	65,892	(260)	73,927
Changes during the fiscal year					
Dividends of surplus			(4,185)		(4,185)
Profit attributable to owners of parent			7,013		7,013
Disposal of treasury shares		23		26	50
Changes in items other than shareholders' equity during the fiscal year (net)					
Total changes during the fiscal year	–	23	2,827	26	2,878
Balance at end of period	3,154	5,165	68,720	(233)	76,805

	Accumulated other comprehensive income			Noncontrolling 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	318	139	458	501	74,887
Changes during the fiscal year					
Dividends of surplus					(4,185)
Profit attributable to owners of parent					7,013
Disposal of treasury shares					50
Changes in items other than shareholders' equity during the fiscal year (net)	32	38	71	(432)	(360)
Total changes during the fiscal year	32	38	71	(432)	2,517
Balance at end of period	350	178	529	69	77,404

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

Notes to Consolidated Financial Statements

1. Notes regarding significant accounting policies for the preparation of consolidated financial statements

(1) Matters concerning the scope of consolidation

(i) Status of consolidated subsidiaries

- Number of consolidated subsidiaries: 14
- Name of primary consolidated subsidiaries: QUO CARD Co., Ltd.
  - WAMNET Japan K.K.
  - TG Power Inc.
  - TG Solutions Corporation
  - Relay2, Inc.
  - T-Gaia Asia Pacific Pte. Ltd.
  - UNiCASE Corporation
  - MOBILETRUST Co., Ltd.
  - PC TECHNOLOGY Co., LTD.
  - Infinity Communication Co. Ltd.
  - V-Growth Co., Ltd.

(ii) Status of nonconsolidated subsidiaries

- Number of nonconsolidated subsidiaries: 1
- Name of primary nonconsolidated subsidiaries: TG Farm Inc.
- Reasons for excluding them from the scope of consolidation
  - Nonconsolidated subsidiaries are excluded from the scope of consolidation on the ground of the degree of significance.

(2) Matters concerning the application of equity method

(i) Status of nonconsolidated subsidiaries accounted for by the equity method

- Number of nonconsolidated subsidiaries accounted for by the equity method: 1
- Name of primary companies accounted for by the equity method: TG Farm Inc.

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

None

(iii) Status of nonconsolidated subsidiaries or associates not accounted for by the equity method

None

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

None

(3) Matters concerning fiscal years of consolidated subsidiaries

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

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

(i) Change in the scope of consolidation

- V-Growth Co., Ltd., PC TECHNOLOGY Co., LTD., Infinity Communication Co., Ltd., and T-Gaia Asia Pacific Pte. Ltd., which were nonconsolidated subsidiaries subject to the equity method are now included in the scope of consolidation as they became material.

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

- V-Growth Co., Ltd., PC TECHNOLOGY Co., LTD., Infinity Communication Co., Ltd., and T-Gaia Asia Pacific Pte. Ltd., which were nonconsolidated subsidiaries subject to the equity method are now excluded from the scope of application of the equity method because they are included in the scope of consolidation.
- Value Design Singapore Pte. Ltd., Valuedesign (Malaysia) Sdn. Bhd., and Valuedesign (Thailand) Co., Ltd., which were equity-method affiliates, have been excluded from the scope of application of the equity method because all shares in the three companies were sold.
- Career Design Academy Co., Ltd., which was a nonconsolidated subsidiary, subject to the equity method, merged with the Company and, therefore, is excluded from the scope of application of the equity method.

(5) Matters concerning significant accounting policies

(i) Assets valuation basis and valuation method

a. Securities

Other securities

- Securities other than equity shares, etc., without market quotations
  - Securities other than equity shares, etc., without market quotations are carried at fair value on the consolidated balance sheet date. Differences in valuation are included directly in net assets. The cost of securities sold is determined by the moving-average method.
- Equity shares, etc., without market quotations
  - Equity shares, etc., without market quotations are stated at cost, with cost being determined by the moving-average method.

b. Inventories

- Merchandise
  - Merchandise is stated at cost, with cost being determined by the first-in, first-out method (consolidated balance sheet value being calculated by reducing book value, based on the decline in profitability). At several consolidated subsidiaries, merchandise is stated at cost based on the moving-average method (consolidated balance sheet value being calculated by reducing book value based on the decline in profitability).
- Supplies
  - Supplies are stated at cost, with cost being determined by the first-in, first-out method.

(ii) Depreciation and amortization method of principal depreciable assets

a. Property, plant, and equipment (excluding leased assets)

Property, plant, and equipment are depreciated according to the straight-line method and the declining-balance method.

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

Buildings and structures:	3–34 years
Machinery, equipment, and vehicles:	3–17 years
Furniture and fixtures:	1 year–15 years

b. Intangible assets (excluding leased assets)

Calculated by the straight-line method.

Depreciable life of principal assets is as follows:

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

Software for sale:

Software for sale is amortized at the greater amount of either the amortization amount based on the expected sales volume or the equally allocated amount over the remaining effective period (three years).

c. Leased assets

Leased assets related to finance lease transactions that transfer ownership of leased property to the lessee are amortized by the same method as that applied to owned noncurrent assets. Leased assets related to finance lease transactions that do not transfer ownership of leased property to the lessee are amortized by the straight-line method assuming the lease period as the useful life and no residual value.

(iii) Recognition of significant allowances

a. Allowance for doubtful accounts

To prepare for credit losses on accounts receivable and loans receivable, allowances equal to the estimated amount of uncollectible receivables are provided for general receivables based on the historical write-off ratio and bad receivables based on case-by-case determination of collectibility.

b. Provision for bonuses

To provide for employees' bonus obligations, the Company designates in the reserve account an amount estimated to have accrued for the fiscal year under review.

c. Refund liability

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

d. Years of service gratuity reserve provisions

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

e. Provision for loss on business liquidation

To provide for possible future losses that may be incurred in connection with the liquidation of business, the estimated cost of such losses is recorded.

(iv) Other significant accounting policies for the preparation of consolidated financial statements

a. Accounting policy for liabilities relating to retirement benefits

With respect to the retirement lump-sum payment plan, the Company and some of its consolidated subsidiaries apply a simplified method to the calculations of retirement benefit liability and retirement benefit expenses, whereby an amount required for voluntary resignations at the end of the term relating to retirement benefits is treated as liabilities relating to retirement benefits. In addition, some consolidated subsidiaries have adopted defined contribution pension plans as defined contribution plans and defined benefit corporation plans as defined benefit plans. Under the simplified method for the defined benefit corporation plan, whereby the most recent year's actuarial pension obligations based on the pension financial calculation are treated as liabilities relating to retirement benefits when the amount of pension assets corresponding to the Company's own contributions in accordance with the plan description can be reasonably calculated while the accounting treatment, which is the same for the defined contribution plan, is applied when such amount cannot reasonably be calculated.

b. Standards for the yen conversion of material foreign denominated assets and liabilities

Assets and liabilities of foreign consolidated subsidiaries are converted into yen at the foreign exchange spot rates prevailing on the consolidated balance sheet date of those subsidiaries, and income and expenditure are converted into yen at the average exchange rates during the period. Conversion differences are stated in foreign currency translation adjustment and noncontrolling interests under net assets.

c. Recognition of significant revenue and expenses

The typical timing of the recognition of revenue related to revenue from contracts with customers in the main businesses of the Company and its consolidated subsidiaries is as follows:

(Consumer Mobile Business Segment)

The Company primarily sells smart devices to customers and receives fees from telecommunications carriers as consideration for agency services related to usage contracts for telecommunications services provided by telecommunications carriers.

When selling these products or providing services, revenue is recognized when the products are delivered to customers or when the provision of service based on agency contracts has been completed. However, for sales of products to agencies of the Company and its consolidated subsidiaries, revenue is recognized when the products are shipped.

(Enterprise Solutions Business Segment)

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

When selling these products or providing services, revenue is recognized when the products are shipped to customers or when the provision of service based on agency contracts, etc., has been completed.

(Smart Life & QUO Card Business Segment)

The Company primarily sells prepaid cards and various other products, and receives fees from the issuers of prepaid cards, etc., based on consignment arrangements, etc., with these issuers. In addition, consolidated subsidiaries also sell devices as third-party card issuers, and receive fees from performing issuance and settlement services.

When selling these products or providing services, revenue from fees is recognized when the products are delivered to customers or when sellers, etc., deliver products to end customers based on consignment arrangements.

Furthermore, for product sales where it is judged that the Company and its consolidated subsidiaries fall under the classification of agent, the net amount is recorded as revenue after deducting any payments to other parties involved from the amount received in exchange for products provided by those other parties involved.

d. Amortization method and period of goodwill

Goodwill is equally amortized by the straight-line method over the period (5–20 years) during which the effects could make a difference. However, goodwill with immaterial balance is expensed. However, goodwill with slight value and insignificant importance is subject to one-time amortization at its occurrence.

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

(Accounting treatment of third-party card issuance)

The accounting treatment of third-party card issuance is to record the face value of the issued card in card deposit with the used amount corresponding to use reduced from card deposits. The amounts are recorded and aggregated for each card type and issuance year, with amounts for which the forecast future use is considered to be extremely low estimated based on past usage and transferred from card deposits to nonoperating income.

2. Changes in the Method of Presentation

(Consolidated Statement of Income)

“Interest income” (1 million yen in the fiscal year under review) and “dividend income” (11 million yen in the fiscal year under review) under nonoperating income, which were separately presented until the previous fiscal year, are included in “other” under nonoperating income from the fiscal year under review because they became immaterial in terms of amount.

“Gain on sale of noncurrent assets” (0 million yen in the fiscal year under review) under extraordinary income, which had been separately presented until the previous fiscal year, is included in “other” under extraordinary income from the fiscal year under review because it became immaterial in terms of amount.

3. Notes regarding accounting estimates

(1) Estimates of hoard profit of prepaid card

(i) Amount recorded in the consolidated financial statements of the fiscal year under review

	The fiscal year under review (million yen)
Hoard profit of prepaid card	4,186

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

a. Method of calculating the amount recorded in the consolidated financial statements for the fiscal year under review

When calculating hoard profit of prepaid card, the amounts of change in card deposits (recorded on the consolidated balance sheet in financial liabilities) due to issuance or use of prepaid cards are recorded and aggregated for each card type and issuance year, with the amounts for which the forecast future use is considered to be extremely low estimated based on past usage and transferred from card deposits to nonoperating income.

b. Impact on the following fiscal year's consolidated financial statements

As noted above in "a.," hoard profit of prepaid card assumes the best estimate, but if the actual use varies from the estimate, it could have an impact on the following fiscal year's consolidated financial statements.

Note that as of the end of the fiscal year under review, the Company is aware that there has been no change in the treatment of financial liabilities under laws, ordinances, and regulations. Therefore, there is no impact on the following fiscal year's consolidated financial statements.

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

(i) Amount recorded in the consolidated financial statements of the fiscal year under review

	The fiscal year under review (million yen)
Goodwill	14,161
Contract-related intangible assets	1,125
Impairment losses	–

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

For goodwill arising as a result of the acquisition of TF Mobile Solutions Corporation (it was absorbed by the Company through an absorption-type merger on February 1, 2021) and identified contract-related intangible assets (hereinafter, "goodwill, etc."), the Company considers whether it must recognize impairment losses on the asset group that includes the goodwill, etc., after assessing whether there are any indications of impairment on the goodwill, etc.

When considering whether it must recognize impairment losses, the Company estimates future cash flows based on business plans, etc., for the asset group that includes the goodwill, etc. Business plans, etc., include estimates based on assumptions that are created based on historical sales data and available information.

In accordance with the policy described above, the Company has judged that it is not necessary to recognize impairment losses for the fiscal year under review.

Furthermore, if, in the following fiscal year, events, etc., occur that were not expected when formulating business plans, the assumptions used for estimating future cash flows may change and the period when the benefits of goodwill, etc., were initially expected to materialize may be impacted. In such cases, there may be a material impact on the valuation of goodwill, etc., in consolidated financial statements for the following fiscal year.

4. Notes regarding the consolidated balance sheet

(1) Presentation of setoff of accounts receivable - trade and accounts payable - trade

Out of financial assets and liabilities, those accounts payable and accounts receivable that are fully compliant with the requirements that they must concern the same counterparty, that the setoff is legally effective and that the Company has the ability to setoff, and that the Company is willing to settle by setoff are presented on the consolidated balance sheet as balances after setoff.

Amounts prior to setoff were as follows:

Item	Amount (million yen)
Notes and accounts receivable - trade	62,877
Accounts receivable - other	29,308
Accounts payable - trade	44,250
Accounts payable - other	36,294

(2) Assets pledged as collateral and the corresponding liabilities

There are no applicable items for assets pledged as collateral and the corresponding liabilities.

The Company deposits guarantee deposits and operational investment securities as the security deposit for issuance in accordance with Article 14, Paragraph 1 of the Payment Services Act as stated below.

Item	Amount (million yen)
Guarantee deposits	79,170
Operational investment securities	15,500

(3) Accumulated depreciation of property, plant, and equipment

13,933 million yen

The figure of accumulated depreciation includes accumulated impairment losses.

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

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

Common shares: 56,074,000 shares

(2) Matters concerning dividends of surplus

(i) Dividend payment

Resolution	Type of shares	Total amount of dividends (million yen)	Dividend per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 22, 2023	Common shares	2,092	37.50	March 31, 2023	June 23, 2023
Board of Directors' meeting on November 1, 2023	Common shares	2,093	37.50	September 30, 2023	December 5, 2023

(ii) Dividends with a record date in the consolidated fiscal year under review, but an effective date in the following consolidated fiscal year

To be submitted as follows at the 33rd Ordinary General Meeting of Shareholders to be held on June 21, 2024:

Planned resolution	Type of shares	Source of dividends	Total amount of dividends (million yen)	Dividend per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 21, 2024	Common shares	Retained earnings	2,093	37.50	March 31, 2024	June 24, 2024

6. Notes regarding financial instruments

(1) Matters concerning the status of financial instruments

(i) Policies for financial instruments

The Company and its consolidated subsidiaries limit its fund management to short-term deposits, etc., and operational investment securities, and procures funds through loans from financial institutions, such as banks.

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

(ii) Overview of financial instruments and associated risks

Operating receivables, including "Notes and accounts receivable - trade," "Accounts receivable - other," and "Leasehold deposits" are exposed to the credit risks of trading partners.

"Operational investment securities" are bonds held by consolidated subsidiaries engaged in the issuance and settlement of prepaid cards, and "investment securities" mainly consist of equity shares of the entities with which the Company has business relationships, and these securities are exposed to risks from market price fluctuation.

Operating payables, including "Accounts payable - trade" and "Accounts payable - other," both of which, in most cases, entail a due date for payments within two months, are exposed to liquidity risk.

Long-term borrowings (including the current portion of long-term borrowings) are mainly used by the Company and its consolidated subsidiaries to secure working capital for operating transactions and to procure funds for M&A, etc., and are exposed to liquidity risk.

"Card deposits" are associated with a consolidated subsidiary engaged in the issuance and settlement services of prepaid cards and consist of financial obligations without interest. "Card deposits" are exposed to liquidity risk.

(iii) System for managing risks associated with financial instruments

a. Credit risk management (risks associated with nonperformance of contract by counterparties)

The Company manages risks associated with operating receivables in line with the credit management regulations, under which the Company's department in charge of risk management periodically monitors the business status of the major trading partners to manage the settlement due dates and outstanding balance for each entity, and ensures the early identification of any concerns on collectibility caused by the deterioration in financial positions of trading partners and other reasons at the early stage and the mitigation of risks of doubtful receivables. Consolidated subsidiaries also control risks in a manner similar to that of the Company pursuant to the credit management regulations and other rules of each of the respective subsidiaries.

b. Market risk management (market price fluctuation risks and interest rate fluctuation risks)

With respect to operational investment securities and investment securities, the Company periodically monitors their fair values and financial positions of the issuing bodies (trading partners) in order to continuously revise the holding status taking into account market conditions and business relations with the trading partners.

Borrowings are managed by groups and are repaid as need arises when the risk of rising interest grows, caused by external factors, in order to minimize the amount of interest payable impacted by interest fluctuation.

c. Management of liquidity risks associated with fund procurement (risks associated with nonrepayment on due date)

The Company and its consolidated subsidiaries strive to secure liquidity on hand by preparing and updating capital plans in a timely manner based on reports and other information from the respective divisions.

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

Carrying values stated in the consolidated balance sheet as of March 31, 2024, their fair values, and the valuation differentials are as follows:

(million yen)

	Consolidated balance sheet carrying value*	Fair value*	Differential
Operational investment securities			
Other securities (Note)	15,500	15,500	–
Investment securities			
Other securities (Note)	393	393	–
Leasehold deposits	4,309	3,999	-310

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

(Note) Equity shares, etc., without market quotations (consolidated balance sheet carrying value of 1,914 million yen) are not included in “investment securities” or “operational investment securities” above.

* Matters concerning methods for calculating the fair value of financial instruments

- Cash and deposits, notes and accounts receivable - trade, and accounts receivable - other
  Due to the short-term maturities of these items, the carrying values approximate fair value. They are therefore omitted.
- Guarantee deposits
  Guarantee deposits are deposited as a security deposit for issuance in accordance with the Payment Services Act. The amount to be received if settlement was made on the account settlement date is deemed as the fair value. The carrying value approximates fair value. They are therefore omitted.
- Accounts payable – trade, accounts payable – other, current portion of long-term borrowings, and income taxes payable
  Due to the short-term maturities of these items, the carrying values approximate fair value. They are therefore omitted.
- Card deposits
  The usage fee should be mandatorily paid in proportion to the card usage track record stated in the notice sent from member stores. The amount for which payment is expected to be demanded in the future as of the account settlement date is deemed as the fair value. The carrying value approximates fair value. They are therefore omitted.

(3) Matters concerning the breakdown of each level of fair value of financial instruments, etc.

The fair values of financial instruments are categorized into the following three levels in accordance with the observability and significance of inputs in the calculation of fair value:

Level 1 fair values:

Fair values calculated using market prices for the assets or liabilities that are the subject of the fair value calculation created on active markets, from among observable fair value calculation inputs

Level 2 fair values:

Fair values calculated using inputs related to the calculation of fair value other than Level 1 inputs, from among observable fair value calculation inputs

Level 3 fair values:

Fair values calculated using inputs related to the calculation of fair value that cannot be observed

When multiple inputs are used that significantly impact the calculation of fair value, the fair value is categorized into the level that is lowest in the hierarchy of the calculation of fair value from among the levels to which each of those inputs belongs.

(i) Financial instruments recorded in the consolidated balance sheet at fair value

(million yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Operational investment securities				
Other securities				
Government bonds	15,500	–	–	15,500
Investment securities				
Other securities				
Equity securities	363	–	–	363
Others	–	–	30	30

(ii) Financial instruments other than financial instruments recorded in the consolidated balance sheet at fair value

(million yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Leasehold deposits	–	3,999	–	3,999

Note: Explanation of valuation techniques used in the calculation of fair value and inputs for the calculation of fair value

(Operational investment securities)

The Company holds government bonds, which are valued using market prices. As government bonds are traded on active markets, their fair values are categorized as Level 1 fair values.

(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. Furthermore, the Company also holds conversion price-adjusted subscription rights to shares, whose values are classified as Level 3 fair values because of the close proximity between the time of investment and the end of the fiscal year, and because fair value is assumed to approximate book value, which is an unobservable input.

(Leasehold deposits)

The fair values of leasehold deposits are calculated using the discounted present value method based on future cash flows and interest rates based on appropriate benchmarks, such as the interest rate of Japanese Government Bonds (if the interest rate of Japanese Government Bonds is negative, the discount rate is set at zero), and are categorized as Level 2 fair values.

7. Notes regarding revenue recognition

(1) Information from an analysis of revenue from contracts with customers

Revenue information from analysis by main goods and services is as follows:

(million yen)

	Consumer Mobile Business Segment	Enterprise Solutions Business Segment	Smart Life & QUO Card Business Segment	Others	Total
Smart device	238,906	11,555	–	–	250,462
Fees related to smart device	133,149	10,672	–	–	143,821
Prepaid cards, etc.	–	–	9,091	–	9,091
Fees related to prepaid cards, etc.	–	–	12,689	–	12,689
Own solution services	–	10,616	–	–	10,616
TG Hikari & NW related	–	8,161	–	–	8,161
Others	5,836	397	7,389	18	13,642
Revenue from contracts with customers	377,892	41,403	29,170	18	448,485
Other revenue	–	–	468	–	468
Sales to external customers	377,892	41,403	29,639	18	448,954

(2) Basic information for understanding revenue from contracts with customers

This information is as described in "1. Notes regarding significant accounting policies for the preparation of consolidated financial statements, (5) Matters concerning significant accounting policies, (iv) Other significant accounting policies for the preparation of consolidated financial statements, and C. Recognition of significant revenue and expenses."

The Company generally receives payment of the promised consideration within two months of when performance obligations are satisfied, and the amounts of consideration do not include any significant financing component.

(3) Information for understanding amounts of revenue in the fiscal year under review and the following fiscal year onward

(i) Balance of contract assets and contract liabilities

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

(million yen)

	The fiscal year under review
Contract assets	
Balance at the beginning of the period	–
Balance at the end of the period	–
Contract liabilities	
Balance at the beginning of the period	73
Balance at the end of the period	66

Contract liabilities are recorded in "Other" under current liabilities on the consolidated balance sheet. Contract liabilities are mainly the balance of services provided by consolidated subsidiaries for which performance obligations have not been satisfied as of the end of the fiscal year under review.

Of revenue recognized in the fiscal year under review, the amount included in the balance of contract liabilities at the beginning of the previous period is 73 million yen.

(ii) Transaction prices allocated to remaining performance obligations

The total amount of transaction prices allocated to remaining performance obligations at the end of the fiscal year under review is 66 million yen, and the Group expects to recognize these remaining performance obligations as revenue over the next one year to two years as the performance obligations are satisfied.

8. Notes regarding per share information

(1) Net assets per share 1,385.42 yen

(2) Earnings per share 125.66 yen

9. Notes regarding significant subsequent events

(Change of Reporting Segments)

A resolution was made by the Company's Board of Directors on May 9, 2024, to change the reporting segments from the fiscal year ending March 31, 2025.

(1) Reasons for Change of Reporting Segments

We have defined our new "vision" as "Creating a better future for our customers and contributing to society through 'the desire to connect'" and have identified five material issues to be solved through our business activities in order to realize this vision. Based on the premise that it is important to connect deeply with customers and understand their thoughts, we believe that a shift from a product-out perspective to a market-in perspective is necessary. Accordingly, we have set forth "transforming into a customer-driven business," "collaborating with strategic partner companies," and "resolving social issues through community-based initiatives" as three growth strategies in the Medium-Term Management Plan (fiscal year ending March 31, 2025, to fiscal year ending March 31, 2027) and reorganized into three organizations classified for consumers, enterprises, and regions and society.

(2) Overview of the Change of Segments

In order to execute the aforementioned growth strategies from the customer's perspective, the reporting segments have been changed from the Consumer Mobile Business Segment; the Enterprise

Solutions Business Segment; and the Smart Life & QUO Card Business Segment to "Consumer Business Segment;" "Enterprise Business Segment;" and "Social Innovation & QUO Card Business Segment." The lines of business after the change are as follows:

Reporting Segments	Principal Business
Consumer Business Segment	- Intermediary services for telecommunications service contracts, such as mobile phone handsets and mobile phone distributors - Provision of shop operation support and consumer services in new shop formats - Wholesale of smartphone accessories to convenience stores, etc. Other retail business - Sales of smartphone accessories at directly managed stores, including e-commerce and utilizing OMO
Enterprise Business Segment	- Intermediary services for telecommunications service contracts, provision of network administrative services, etc. - Support for introduction, operation and maintenance, and collection of various devices and services - Intermediary services and sales for optical line service contracts - DX support with a focus on small- and medium-sized businesses - Providing renewable energy through utilizing solar power generation systems
Social Innovation & QUO Card Business Segment	- Sale of digital payment products and gift cards using PIN sales systems - Issuance and settlement services for QUO CARD and QUO CARD Pay, sales and maintenance service of card-related equipment - Operation of femtech store, including e-commerce - Solving and supporting social and health issues

(Sale of Shares of Subsidiary Resulting in Change in Scope of Consolidation)

The Company decided to transfer all of its holdings of outstanding shares of its consolidated subsidiary, Relay2, Inc. ("Relay2"), to Relay2 Investment LLC, and transferred the shares, effective May 1, 2024. Relay2 will cease to be a consolidated subsidiary of the Company as a result of this transfer of shares.

(1) Reasons for the Share Transfer

In November 2019, the Company entered into a capital and business alliance with Relay2 and made Relay2 a consolidated subsidiary in April 2022 for the purpose of expanding its business domains utilizing edge computing and other technologies in the Enterprise Solutions Business Segment. However, in the fiscal year ended March 31, 2024, Relay2's edge computing business, one of its core areas, has fallen short of the initially anticipated business plan, and as a result of examining the possibility of future recovery and other factors, the Company recorded an impairment loss on goodwill and other assets for the fiscal year ended March 31, 2024.

After discussions with Relay2 and its major shareholders, etc., the Company has decided to sell its shares to Relay2 Investment LLC, a major shareholder of Relay2, and withdraw from the Relay2 business. The Company's policy is to continue to expand its products and services in business for enterprise clients.

(2) Name of the Counterparty to the Sale of Shares

Relay2 Investment LLC

(3) Timing of Sale

Decision date:	May 1, 2024
Contract date:	May 1, 2024
Share transfer execution date:	May 2, 2024

(4) Overview of the Company Being Transferred

Company name:	Relay2, Inc.
Business content:	Development and sales of cloud Wi-Fi solutions with edge computing functions
Share capital:	USD 64,169,000

(5) Number of Shares Transferred, Transfer Price, Gain/Loss on Transfer, and Equity Ratio after Transfer

Number of shares transferred:	Portion transferred: 3,176,473 (number of voting rights: 3,176,473)
Transfer price:	Not disclosed due to an agreement between the parties
Gain/loss on transfer:	Currently being calculated
Number of shares held after the transfer:	0 (Ratio of voting rights: 0.0%)

(Call for Voluntary Retirement)

The Board of Directors resolved on May 9, 2024, to put out a call for voluntary retirement.

(1) Reasons for Call for Voluntary Retirement

In order to address changes in the business environment, the Company plans to develop a new growth strategy under its Medium-Term Management Plan (fiscal year ending March 31, 2025, to fiscal year ending March 31, 2027), reorganize its organization, and restructure its business. To further improve profitability and strengthen business foundations, it is necessary to optimize the composition of the workforce and build an efficient structure, resulting in the call for voluntary retirement.

(2) Overview of the Call for Voluntary Retirement

(i)	Eligible persons	Employees who are at least 45 years old as of September 30, 2024, and have five or more years of consecutive employment (excluding sales employees).
(ii)	Number of people	Around 200
(iii)	Application period	From July 1, 2024, to August 9, 2024 (planned)
(iv)	Retirement date	September 30, 2024
(v)	Benefits	Specially calculated extra retirement payments will be paid. There are also plans to provide outplacement support to those who wish to receive it.

(3) Estimated loss on voluntary retirement

In connection with this call for voluntary retirement, extra retirement payments and outplacement program expenses are expected to result in extraordinary losses, which are currently projected to be approximately 1.7 billion yen for the fiscal year ending March 31, 2025.

10. Other notes

None.

Nonconsolidated Statement of Changes in Shareholders' Equity

(from April 1, 2023, to March 31, 2024)

(million yen)

	Shareholders' equity						
		Capital surplus			Retained earnings		
	Share capital	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings Retained earnings brought forward	Total retained earnings
Balance at beginning of period	3,154	5,640	52	5,693	17	58,332	58,349
Changes during period							
Dividends of surplus						(4,185)	(4,185)
Profit						5,815	5,815
Disposal of treasury shares			23	23			
Net changes in items other than shareholders' equity							
Total changes during period	–	–	23	23	–	1,630	1,630
Balance at end of period	3,154	5,640	76	5,717	17	59,962	59,980

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of period	(260)	66,937	318	318	67,255
Changes during period					
Dividends of surplus		(4,185)			(4,185)
Profit		5,815			5,815
Disposal of treasury shares	26	50			50
Net changes in items other than shareholders' equity			22	22	22
Total changes during period	26	1,680	22	22	1,702
Balance at end of period	(233)	68,617	340	340	68,958

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

Notes to Nonconsolidated Financial Statements

1. Notes regarding matters related to significant accounting policies

(1) Assets valuation basis and valuation method

(i) Securities

a. Shares of subsidiaries and associates

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

b. Other securities

- Securities other than equity shares, etc., without market quotations

• Securities other than equity shares, etc., without market quotations are carried at fair value on the nonconsolidated balance sheet date. Differences in valuation are included directly in net assets. The cost of securities sold is determined by the moving-average method.

- Equity shares, etc., without market quotations

• Equity shares, etc., without market quotations are stated at cost, with cost being determined by the moving-average method.

(ii) Inventories

- Merchandise

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

- Supplies

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

(2) Depreciation and amortization method of noncurrent assets

(i) Property, plant, and equipment

Property, plant, and equipment are depreciated according to the straight-line method and the declining-balance method.

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

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

(ii) Intangible assets

Calculated by the straight-line method.

Depreciable life of principal assets is as follows:

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

(3) Recognition of allowances

(i) Allowance for doubtful accounts

To prepare for credit losses on accounts receivable and loans receivable, allowances equal to the estimated amount of uncollectible receivables are provided for general receivables based on the historical write-off ratio and bad receivables based on case-by-case determination of collectibility.

(ii) Provision for bonuses

To provide for employees' bonus obligations, the Company designates in the reserve account an amount estimated to have accrued for the fiscal year under review.

(iii) Refund liability

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

(iv) Provision for retirement benefits

To provide for employees' retirement benefits, the Company applies a simplified method to the calculations of provision for retirement benefits and retirement benefit expenses, whereby an amount required for voluntary resignations at the end of the term relating to retirement benefits is treated as liabilities relating to retirement benefits.

(v) Years of service gratuity reserve provisions

To provide for the payment of bonus for employees' services, the Company records years of service gratuity reserve provisions in an estimated amount of payment based on the internal rules.

(vi) Provision for loss on business liquidation

To provide for possible future losses that may be incurred in connection with the liquidation of the businesses of affiliates, the estimated cost of such losses is recorded.

(4) Recognition of revenue and expenses

The typical timing of the recognition of revenue related to revenue from contracts with customers in the main businesses of the Company is as follows:

(Consumer Mobile Business Segment)

The Company primarily sells smart devices to customers and receives fees from telecommunications carriers as consideration for agency services related to usage contracts for telecommunications services provided by telecommunications carriers.

When selling these products or providing services, revenue is recognized when the products are delivered to customers or when the provision of service based on agency contracts has been completed. However, for sales of products to agencies of the Company, revenue is recognized when the products are shipped.

(Enterprise Solutions Business Segment)

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

When selling these products or providing services, revenue is recognized when the products are shipped to customers or when the provision of service based on agency contracts, etc., has been completed.

(Smart Life & QUO Card Business Segment)

The Company primarily sells prepaid cards and various other products and receives fees from the issuers of prepaid cards, etc., based on consignment arrangements, etc., with these issuers.

When selling these products or providing services, revenue from fees is received when the products are delivered to customers or when sellers, etc., deliver products to end customers based on consignment arrangements.
Furthermore, for product sales where it is judged that the Company falls under the classification of agent, the net amount is recorded as revenue after deducting any payments to other parties involved from the amount received in exchange for products provided by those other parties involved.

2. Notes regarding Changes in the Method of Presentation

(Nonconsolidated Statement of Income)
"Gain on sale of noncurrent assets" (0 million yen in the current fiscal year) under extraordinary income, which had been separately presented until the previous fiscal year, is included in "other" under extraordinary income from the fiscal year under review because it became immaterial in terms of amount.

3. Notes regarding accounting estimates

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

(i) Amount recorded in the nonconsolidated financial statements of the fiscal year under review

	The fiscal year under review (million yen)
Goodwill	14,161
Contract-related intangible assets	1,125
Impairment losses	–

(ii) Information concerning significant accounting estimates relating to identified items
The method of calculating the amount (i) is the same as described in "3. Notes regarding accounting estimates (2) Goodwill and contract-related intangible assets related to TF Mobile Solutions Corporation" in the notes to consolidated financial statements.

4. Notes regarding the nonconsolidated balance sheet

(1) Presentation of setoff of accounts receivable - trade and accounts payable - trade

Out of financial assets and liabilities, those accounts payable and accounts receivable that are fully compliant with the requirements that they must concern the same counterparty, that the setoff is legally effective and that the Company has the ability to setoff, and that the Company is willing to settle by setoff are presented in the nonconsolidated balance sheet as balances after setoff.
Amounts prior to setoff were as follows:

Item	Amount (million yen)
Notes and accounts receivable – trade	61,162
Accounts receivable - other	25,169
Accounts payable – trade	43,679
Accounts payable – other	30,388

(2) Accumulated depreciation of property, plant, and equipment 12,360 million yen

The above figure of accumulated depreciation includes accumulated impairment losses.

(3) Debt guarantee

The Company provides lease guarantee to the following subsidiary:

TG Power Inc. 301 million yen

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

Short-term accounts receivable: 3,959 million yen

Short-term accounts payable: 63,356 million yen

5. Notes regarding the nonconsolidated statement of income

Transaction balance with subsidiaries and associates

Transaction balance from operating transactions:	
Net sales:	1,964 million yen
Operating expenses:	3,677 million yen
Transaction balance from nonoperating transactions:	1,868 million yen

6. Notes regarding the nonconsolidated statement of changes in shareholders' equity

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

Common shares: 253,709 shares

7. Notes regarding tax effect accounting

Main reasons for deferred tax assets and deferred tax liabilities

Deferred tax assets	
Provision for bonuses	707 million yen
Allowance for doubtful accounts	187 million yen
Inventory valuation loss:	19 million yen
Accrued business tax and business office tax:	126 million yen
Excessive depreciation:	653 million yen
Asset retirement obligations:	525 million yen
Provision for retirement benefits	113 million yen
Loss on valuation of investment securities:	159 million yen
Loss on valuation of subsidiary and affiliate shares	565 million yen
Asset adjustment:	2,511 million yen
Others:	925 million yen
Deferred tax assets subtotal:	6,495 million yen
Valuation allowance:	-246 million yen
Total deferred tax assets:	6,249 million yen
Deferred tax liabilities	
Asset retirement obligations:	-138 million yen
Valuation difference on available-for-sale securities	-169 million yen
Contract-related intangible assets:	-344 million yen
Others:	-2 million yen
Total deferred tax liabilities:	-654 million yen
Net deferred tax assets:	5,594 million yen

(Changes in the Method of Presentation)

"Loss on valuation of subsidiary and affiliate shares," which had been included in "other" under deferred tax assets until the previous fiscal year, has been separately presented from the fiscal year under review due to its increased importance in terms of amount. The "loss on valuation of subsidiary and affiliate shares" in the previous fiscal year was 60 million yen.

8. Notes regarding transactions with related parties

Subsidiaries, etc.

Attribute	Company name, etc.	Ratio of voting rights (%)	Relationship with the related party		Description of transactions	Transaction amount (million yen)	Item	Balance at the end of the period (million yen)
			Concurrent holding of positions by company officers	Business relationship				
Subsidiary	QUO CARD Co., Ltd.	Directly holding (100%)	2 persons at posts concurrently held	Deposited money Concurrent holding of positions by company officers	Repayment (Note 1) Deposited money (Note 1)	25,700 25,200	Deposits received	62,600
					Payment of interest (Note 2)	84	Other current liabilities	1
Subsidiary	Relay2, Inc.	Directly holding (51.3%)	1 person at posts concurrently held	Lending of funds	Lending of funds	529	Other current assets (Note 3)	529
					Interest received (Note 2)	5	Other current assets (Note 3)	6
Subsidiary	TG Power Inc.	Directly holding (100%)	–	Lending of funds	Lending of funds (Note 1) Repayment (Note 1)	1,229 70	Other current assets	2,637
					Interest received (Note 2)	13	Other current assets	1

(Transaction conditions and decision guidelines thereon)

(Note 1) Monthly net increase or decrease of amounts pertaining to the borrowing or lending of funds is stated as the total amount.

(Note 2) The interest rate on “Deposited money” or “Loans” is determined based on the general terms and conditions of business by taking into account the market interest rate.

(Note 3) Allowance for doubtful accounts of 536 million yen was recorded for the fiscal year under review against loans receivable and interest from Relay2, Inc. In addition, a provision of allowance for doubtful accounts of 536 million yen was recorded in the fiscal year under review.

9. Notes regarding revenue recognition

Information that is the basis for understanding revenue from contracts with customers is omitted because it is the same as the information in “7. Notes regarding revenue recognition” in notes to consolidated financial statements.

10. Notes regarding per share information

(1) Net assets per share: 1,235.36 yen

(2) Earnings per share: 104.20 yen

11. Notes regarding significant subsequent events

(Business combinations)

Transactions under common control

In a meeting of the Board of Directors held on November 30, 2023, the Company resolved to conduct an absorption-type merger effective April 1, 2024, with the Company as the surviving company and its consolidated subsidiary MOBILETRUST Co., Ltd. as the defunct company, and entered into an absorption-type merger agreement on December 1, 2023.

(1) Overview of transaction

(i) Overview of the company absorbed (fiscal year ended March 31, 2024)

- Company name	MOBILETRUST Co., Ltd.
- Business description	Sales services for mobile phones, etc.
- Total assets	550 million yen
- Liabilities	426 million yen
- Net assets	124 million yen

(ii) Date of the business combination (effective date)

April 1, 2024

(iii) Legal form of the business combination

The business combination was an absorption-type merger with the Company as the surviving company, and MOBILETRUST Co., Ltd. was dissolved.

(iv) Name of the company after the business combination

T-Gaia Corporation

(v) Purpose of transaction

MOBILETRUST Co., Ltd. was a wholly owned subsidiary of the Company and had been engaged in the mobile phone sales business in the Tama area of Tokyo. However, the Company decided to merge MOBILETRUST Co., Ltd. through an absorption-type merger to strengthen sales of mobile phones and other products in the Company's Consumer Mobile Business Segment and to improve the efficiency of the management system by centralizing the organization.

(2) Overview of accounting treatment

The transaction will be treated as a transaction under common control in accordance with the "Accounting Standard for Business Combinations" and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures." The difference between the difference in assets and liabilities to be received from the absorbed company on the effective date of the merger and the carrying value of the shares of the subsidiary owned by the Company will be recorded as extraordinary income (gain on extinguishment of tie-in shares).

(Call for Voluntary Retirement)

The same content is stated in "9. Notes regarding significant subsequent events" in the Notes to Consolidated Financial Statements. It is therefore omitted.

12. Notes regarding the Company subject to consolidated dividend regulations

The Company is a company subject to consolidated dividend regulations.

13. Other notes

(Business combinations)

Transactions under common control

On October 1, 2023, the Company absorbed its wholly owned subsidiary, Career Design Academy, Inc. ("CDA").

The merger was conducted as a simplified merger in accordance with Article 796, Paragraph 2 of the Companies Act for the Company and as a short-form merger in accordance with Article 784, Paragraph 1 of the Companies Act for CDA.

(1) Overview of transaction

(i) Overview of the company absorbed (as of September 30, 2023)

- Company name	Career Design Academy Co., Ltd.
- Business description	Training and education business
- Total assets	122 million yen
- Total liabilities	74 million yen
- Net assets	48 million yen

(ii) Date of the business combination

October 1, 2023

(iii) Legal form of the business combination

CDA was dissolved through an absorption-type merger with the Company as the surviving company.

(iv) Name of the company after the business combination

T-Gaia Corporation

(v) Purpose of transaction

CDA was established in April 2015 for the purpose of developing training services for enterprise clients centered on education and training of mobile phone sales staff at carrier shops, etc. However, the Company decided to absorb CDA for the purpose of optimizing management resources in the Consumer Mobile Business Segment and Smart Life & QUO Card Business Segment.

(2) Overview of accounting treatment

The transaction will be treated as a transaction under common control in accordance with the "Accounting Standard for Business Combinations" and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures." Note that the loss on extinguishment of tie-in shares from such transaction was recorded as extraordinary losses in the nonconsolidated statement of income.