

(Note)

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May 31, 2017

To Our Shareholders

Nobutaka Kanaji
President & Chief Executive Officer
T-Gaia Corporation
(Securities code: 3738)
4-1-18, Ebisu, Shibuya-ku, Tokyo, Japan

Convocation Notice of the 26th Ordinary General Meeting of Shareholders

First of all, we would like to express our gratitude to your continued support and patronage.

You are cordially invited to the 26th Ordinary General Meeting of Shareholders of T-Gaia Corporation (the “Company”). The meeting will be held in accordance with the details described below.

If you are unable to attend the meeting, you may exercise your voting rights in writing or via the Internet. You are requested to refer to the attached Reference Documents for the Ordinary General Meeting of Shareholders and exercise your voting rights using any one of the methods described below.

Exercise voting rights in writing (mailing):

Indicate your approval or disapproval for each of the proposals on the enclosed Voting Rights Exercise Form and send the form back to the Company so that it reaches by 5:45 p.m. on Tuesday, June 20, 2017.

Exercise voting rights via the Internet:

Read How to Exercise Voting Rights via the Internet described later, and exercise your voting rights by 5:45 p.m. on Tuesday, June 20, 2017.

1. Date and Time	Wednesday, June 21, 2017 at 10:00 a.m. (the venue opens at 9 a.m.)
2. Venue	Galaxy Ballroom on the second basement level, The Westin Tokyo 1-4-1 Mita, Meguro-ku, Tokyo (See the map of the venue on the last page.)
3. Meeting Agenda	Matters to be reported: 1. The Business Report and Consolidated Financial Statements for the Company’s 26th Fiscal Year (from April 1, 2016 to March 31, 2017) and the Results of Audits of the Consolidated Financial Statements by the Accounting Auditor and the Audit and Supervisory Board

2. Non-consolidated Financial Statements for the Company's 26th Fiscal Year (from April 1, 2016 to March 31, 2017)

Matters to be resolved

Proposal 1: Appropriation of Retained Earnings

Proposal 2: Revisions to Selected Provisions of the Articles of Incorporation

Proposal 3: Appointment of Nine Directors

Proposal 4: Appointment of Two Audit and Supervisory Board Members

Proposal 5: Appointment of One Alternate Auditor

- Should it become necessary to correct the contents of the Reference Documents for the Ordinary General Meeting of Shareholders, Business Report, Non-consolidated Financial Statements and Consolidated Financial Statements, the Company will post the corrected matters on its website (<http://www.t-gaia.co.jp>).

How to Exercise Voting Rights

You may exercise your voting rights using either one of the following three methods.

Attend the shareholders' meeting



Bring the enclosed Voting Rights Exercise Form to the Ordinary General Meeting of Shareholders and submit it at the venue. (There is no need to affix the seal.)

Date and Time: Wednesday, June 21, 2017 at 10:00 a.m.

**Venue: Galaxy Ballroom on the second basement level,
The Westin Tokyo
1-4-1 Mita, Meguro-ku, Tokyo**

Exercise voting rights by post



Indicate your approval or disapproval for each of the proposals on the enclosed Voting Rights Exercise Form and post it without affixing stamps.

**Deadline: The form has to reach the Company by
5:45 p.m. on Tuesday, June 20, 2017.**

Exercise voting rights via the Internet



Access the voting rights exercise website (<http://www.web54.net>) on your personal computer, smartphone or mobile phone, enter the Voting Rights Exercise Code and password described in the enclosed Voting Rights Exercise Form and enter your approval or disapproval for each of the proposals following the instructions displayed on the screen.

**Deadline: The form has to reach the Company by
5:45 p.m. on Tuesday, June 20, 2017.**

<Institutional investors>

If you have applied in advance to use the electronic voting platform operated by ICJ, Inc., you may exercise your voting rights on the said platform.

Handling of duplicate exercise of voting rights

- (1) If a shareholder exercises voting rights in duplicate such as in writing and also via the Internet or other means, the Company shall treat the voting rights exercised via the Internet as the valid exercise of voting rights.
- (2) If a shareholder exercises voting rights multiple times via the Internet, the Company shall handle the final vote as the valid exercise of voting rights.

How to Exercise Voting Rights via the Internet

Those who exercise their voting rights via the Internet are requested to take note of the following matters in advance.

1. The voting rights exercise website

- (1) You may exercise your voting rights via the Internet only from the following voting rights exercise website designated by the Company.
The voting rights exercise website URL: <http://www.web54.net>
- (2) You may not be able to exercise your voting rights from a personal computer or smartphone depending on your Internet environment such as the use of a firewall for connecting to the Internet, antivirus software or a proxy server.
- (3) The deadline for exercising voting rights is 5:45 p.m. on Tuesday, June 20, 2017.
You are advised to exercise them early.

2. Points to note upon exercising voting rights via the Internet

- (1) Use the Voting Rights Exercise Code and password described in the enclosed Voting Rights Exercise Form and follow the instruction on the screen to enter your approval or disapproval.
- (2) The password is an important information to establish your identity as a voter. You are requested to handle it with care similar to the way you handle your seal and PIN.
- (3) The password will be disabled if you make more than a certain number of mistakes when entering. You may obtain a new password following the instructions on the website.
- (4) You are expected to bear the fees for the Internet provider and telephone carrier (connection fees).

Inquiries regarding personal computer operation, etc.

- (1) Contact the following for inquiries regarding how to operate a personal computer, etc. upon exercising voting rights via the Internet.
Transfer Agent Internet Support, Sumitomo Mitsui Trust Bank, Limited
Direct telephone number: 0120-652-031 (toll free; available from 9:00 to 21:00)
- (2) Contact the following for other inquiries.
 - i. Shareholders with an account with securities companies:
If you have an account with a securities company, you are requested to contact your securities company.
 - ii. Shareholders without an account with securities companies (shareholders with special accounts):
Transfer Agent Office Service Center, Sumitomo Mitsui Trust Bank, Limited
Telephone number: 0120-782-031 (toll free; available from 9:00 to 17:00 on weekdays)

Electronic voting platform

Nominal shareholders, such as trust and custody banks (including standing proxies), may use the electronic voting platform for institutional investors operated by ICJ, Inc., established by the Tokyo Stock Exchange, Inc. etc., as a mean to electronically exercise the voting rights at the Company's shareholders' meeting in addition to exercising the rights via the Internet upon prior application to use the said platform.

Reference Documentation for the General Meeting of Shareholders

Proposals and Reference Materials

Proposal 1 Appropriation of Retained Earnings

We propose to appropriate retained earnings as follows.

Matters concerning the year-end dividend

We view the appropriate return of profits to our shareholders as an important business matter. We have set a target payout ratio of at least 30 percent and strive to pay a dividend that reflects such factors as business performance for the year under review as well as the future expansion of our business.

In keeping with that policy, we plan to pay the following year-end dividend for the year under review.

(1) Type of dividend property:

Cash

(2) Allocation of dividend property and the total amount:

26 yen per common share of stock in T-Gaia Corporation

Total cash dividend of 1,448,933,304 yen

Given that we paid an interim dividend of 26 yen per share of common stock, the annual dividend per share will total 52 yen, for an increase of 9 yen per share from the previous year.

(3) Record date for dividend from the surplus:

June 22, 2017

Proposal 2 Revisions to Selected Provisions of the Articles of Incorporation

1. Basis for Revisions

- (1) To prepare the Company for an expansion in its scope of business and entry into new business segments in the years ahead, add to and modify the provisions governing our business objectives.
- (2) To provide more flexibility to the management of the Board of Directors, revise Article 23 provisions governing the Chairman of the Board and the Director with power to call meetings of the Board.

2. Revision Details

The revisions are detailed in the following table.

(Revised sections are underlined.)

Current Articles of Incorporation	Proposed Revisions
<p>Article 2 Objectives</p> <p>The Company shall have the following business objectives.</p> <p>(1) to (3) [omitted]</p> <p>(4) Export, import, manufacture, sales, sales distribution, leasing, and rental of the following merchandise</p> <p>a. [omitted]</p> <p>b. Educational tools, sporting goods, toys, recreational equipment, general merchandise</p> <p>c. to f. [omitted]</p> <p>(5) to (7) [omitted]</p> <p>(8) Planning and management of merchandise exhibitions, seminars, and other special events</p> <p>(9) to (19) [omitted]</p> <p>(20) Real estate leasing and subleasing</p> <p>(21) to (22) [omitted] [New Provisions]</p> <p>(23) Consulting services in the business segments listed in the preceding clauses</p> <p>(24) All business incidental to the business segments listed in the preceding clauses</p>	<p>Article 2 Objectives</p> <p>The Company shall have the following business objectives.</p> <p>(1) to (3) [unchanged]</p> <p>(4) Export, import, manufacture, sales, sales distribution, leasing, and rental of the following merchandise</p> <p>a. [unchanged]</p> <p>b. <u>Furniture, fixtures, equipment, educational</u> tools, sporting goods, toys, recreational equipment, general merchandise</p> <p>c. to f. [unchanged]</p> <p>(5) to (7) [unchanged]</p> <p>(8) Planning and management of <u>training programs,</u> merchandise exhibitions, seminars, and other special events</p> <p>(9) to (19) [unchanged]</p> <p>(20) Real estate leasing, subleasing, <u>and brokerage services</u></p> <p>(21) to (22) [unchanged]</p> <p><u>(23) Construction business</u></p> <p><u>(24) Consulting services in the business segments listed in the preceding clauses</u></p> <p><u>(25) All business incidental to the business segments listed in the preceding clauses</u></p>
<p>Articles 3 to 22 [omitted]</p>	<p>Articles 3 to 22 [omitted]</p>
<p>Article 23 Person authorized to call and preside over meetings of the Board of Directors</p> <p>1. Unless otherwise mandated by law, the <u>Company President</u> shall call and preside over meetings of the Board of Directors.</p> <p>2. If unforeseen circumstances prevent the <u>Company President</u> from fulling these roles, another Company Director, to be appointed in a predetermined order established by the Board of Directors, shall call and preside over meetings of the Board.</p>	<p>Article 23 Person authorized to call and preside over meetings of the Board of Directors</p> <p>1. Unless otherwise mandated by law, the <u>Company Director selected in advance by the Board of Directors</u> shall call and preside over meetings of the Board of Directors.</p> <p>2. If unforeseen circumstances prevent the <u>person authorized in the preceding paragraph to call and preside over meetings of the Board of Directors</u> from fulling these roles, another Company Director, to be appointed in a predetermined order established by the Board of Directors, shall call and preside over meetings of the Board.</p>

Proposal 3 **Appointment of Nine Directors**

The terms of all 10 directors shall expire at the conclusion of this General Meeting of Shareholders.

Accordingly, to improve the efficiency of our management framework, we propose to reduce the number of director positions by one and appoint nine directors.

Candidate Number	Name (Date of Birth)	Career Summary, Positions and Responsibilities in the Company (Major Concurrent Posts)																		
1	Toshifumi Shibuya (Mar 18, 1955) Number of Company shares held: 6,500	<table border="0"> <tr> <td style="padding-right: 10px;">Apr 1979</td> <td>Joined Sumitomo Corporation</td> </tr> <tr> <td>Sep 1992</td> <td>Sumitomo Corporation of Americas (New York)</td> </tr> <tr> <td>Jun 2009</td> <td>North America Sumitomo Corporation Group CAO and concurrently Sumitomo Corporation of Americas (New York)</td> </tr> <tr> <td>Apr 2010</td> <td>General Manager of Media and Lifestyle, Sumitomo Corporation</td> </tr> <tr> <td>Apr 2011</td> <td>Executive Officer, General Manager of Media and Lifestyle, Sumitomo Corporation</td> </tr> <tr> <td>Apr 2013</td> <td>Executive Officer, General Manager of Media Business, Sumitomo Corporation</td> </tr> <tr> <td>Apr 2015</td> <td>Assistant to the CEO, T-Gaia Corporation</td> </tr> <tr> <td>Jun 2015</td> <td>President and Chief Executive Officer, T-Gaia Corporation</td> </tr> <tr> <td>Apr 2017</td> <td>Chairman, T-Gaia Corporation (current)</td> </tr> </table> <p>[Reasons for Selection]</p> <p>Toshifumi Shibuya began serving as Company President and CEO in 2015 and has further demonstrated his leadership as Chairman since April this year. As a licensed attorney in the US states of New York and Washington, he possesses advanced expertise and a wealth of experience in the provision of legal services both in Japan and abroad, and has aided efforts to strengthen corporate governance at T-Gaia. We have nominated Mr. Shibuya as a candidate for reappointment as a Director because we feel his career to date and the managerial experience and knowledge he has amassed at T-Gaia will be absolutely essential to boosting the corporate value of our Company.</p>	Apr 1979	Joined Sumitomo Corporation	Sep 1992	Sumitomo Corporation of Americas (New York)	Jun 2009	North America Sumitomo Corporation Group CAO and concurrently Sumitomo Corporation of Americas (New York)	Apr 2010	General Manager of Media and Lifestyle, Sumitomo Corporation	Apr 2011	Executive Officer, General Manager of Media and Lifestyle, Sumitomo Corporation	Apr 2013	Executive Officer, General Manager of Media Business, Sumitomo Corporation	Apr 2015	Assistant to the CEO, T-Gaia Corporation	Jun 2015	President and Chief Executive Officer, T-Gaia Corporation	Apr 2017	Chairman, T-Gaia Corporation (current)
Apr 1979	Joined Sumitomo Corporation																			
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Apr 2011	Executive Officer, General Manager of Media and Lifestyle, Sumitomo Corporation																			
Apr 2013	Executive Officer, General Manager of Media Business, Sumitomo Corporation																			
Apr 2015	Assistant to the CEO, T-Gaia Corporation																			
Jun 2015	President and Chief Executive Officer, T-Gaia Corporation																			
Apr 2017	Chairman, T-Gaia Corporation (current)																			

Candidate Number	Name (Date of Birth)	Career Summary, Positions and Responsibilities in the Company (Major Concurrent Posts)
2	Nobutaka Kanaji (Mar 18, 1960) Number of Company shares held: 1,800	Apr 1983 Joined Sumitomo Corporation Jun 1988 Assigned to Representative Office in Saudi Arabia Aug 2001 Sumitomo Corporation of Americas (New York) Apr 2005 President, Presidio STX, LLC (US) Oct 2007 Manager of Net Business, Sumitomo Corporation Oct 2008 Manager of Mobile & Internet Business, Sumitomo Corporation Jun 2013 Outside Director, T-Gaia Corporation Apr 2014 Director, Executive Vice President; Senior Director of Administrative Unit No. 1, T-Gaia Corporation Apr 2015 Director, Executive Vice President; Senior Director of Corporate Strategy, T-Gaia Corporation Apr 2016 Director, Executive Vice President; Senior Director of Smart Life Business and concurrently Senior Director of Solutions Business; Responsibility for Network Business Division, T-Gaia Corporation Apr 2017 President and Chief Executive Officer, T-Gaia Corporation (current)
<p data-bbox="391 1037 619 1066">[Reasons for Selection]</p> <p data-bbox="391 1077 1353 1328">Nobutaka Kanaji is well-versed in the telecommunications field. Furthermore, as a Company Director since 2013, he has become intimately familiar with the operations of many Company divisions, from sales to corporate strategy, and commands a wealth of experience and broad-based insight as a management professional. Since April this year, he has exercised his leadership as the Company's President and CEO. In our judgment, Mr. Kanaji's career to date and the managerial experience and insight he has amassed at T-Gaia will be absolutely essential to the formulation and promotion of our long-range corporate strategy. Accordingly, we have nominated him for reappointment as a Company Director.</p>		

Candidate Number	Name (Date of Birth)	Career Summary, Positions and Responsibilities in the Company (Major Concurrent Posts)
3	Soichiro Tada (Feb 3, 1957) Number of Company shares held: 300	Apr 1979 Joined Sumitomo Corporation Jul 1992 Sumitomo Corporation (Hong Kong) Limited Jun 2008 Accounting Manager for Transport and Construction Machinery and Infrastructure, Sumitomo Corporation Nov 2009 Accounting Manager for Infrastructure, Finance, and Distribution, Sumitomo Corporation Apr 2011 Accounting Manager for New Industries and Infrastructure, Sumitomo Corporation Apr 2013 Accounting Manager for Environment and Infrastructure, Sumitomo Corporation Jun 2014 Managing Executive Officer; Senior Director, Administrative Unit No. 2, T-Gaia Corporation Apr 2015 Senior Executive Officer; Senior Director of Corporate Finance and concurrently Director of Risk Management, T-Gaia Corporation Jun 2015 Director, Senior Executive Officer; Senior Director of Corporate Finance and concurrently Director of Risk Management, T-Gaia Corporation Apr 2016 Director, Executive Vice President; Senior Director of Corporate Finance, T-Gaia Corporation (current)
<p>[Reasons for Selection]</p> <p>As a management professional, Soichiro Tada possesses extensive experience and knowledge in diverse areas of corporate business with a focus in accounting, finance, and risk management. Since 2015, he has been deeply involved in important executive decision-making activities as a Company Director and has demonstrated his skills in the process. We have nominated Mr. Tada as a candidate for reappointment as a Company Director because we feel his amassed experience and insights are essential to T-Gaia operations in the areas of advanced finance and accounting.</p>		

Candidate Number	Name (Date of Birth)	Career Summary, Positions and Responsibilities in the Company (Major Concurrent Posts)
4	Tsuyoshi Konda (Mar 13, 1963) Number of Company shares held: 300	Apr 1985 Joined Sumitomo Corporation Jul 1992 Manager of Mechanical and Electrical Division, Sumitomo Corporation (Shanghai) Limited (China) Oct 2003 President, Sumitomo Corporation Equity Asia Limited (Hong Kong) Apr 2010 Manager of New Business Investment, Sumitomo Corporation Apr 2013 Manager of Investment Development, Sumitomo Corporation Aug 2014 Manager of Investment Development and concurrently Manager of Information Business, Sumitomo Corporation Apr 2015 Manager of General Mobile Business, Sumitomo Corporation Jun 2015 Outside Director, T-Gaia Corporation Apr 2016 Director, Senior Executive Officer; Senior Director of Corporate Strategy and concurrently Director of China Business Promotion, T-Gaia Corporation Apr 2017 Director, Senior Executive Officer; Senior Director of Corporate Strategy and concurrently Director of Operational Reform Promotion, T-Gaia Corporation (current)
<p data-bbox="392 1155 619 1182">[Reasons for Selection]</p> <p data-bbox="392 1196 1347 1413">Tsuyoshi Konda possesses a wealth of experience and knowledge in business development in the information and communications fields as well as new business investment and development. Since 2015, he has demonstrated his abilities as a Company Director deeply involved in important business and executive decision-making tasks. We believe Mr. Konda brings experience and insights that will be absolutely essential to the formulation and implementation of our corporate strategy and have accordingly nominated him as a candidate for reappointment to a Director position.</p>		

Candidate Number	Name (Date of Birth)	Career Summary, Positions and Responsibilities in the Company (Major Concurrent Posts)
5	Hiroyuki Koike (Sep 4, 1964) Number of Company shares held: ---	Apr 1987 Joined Sumitomo Corporation Nov 2008 Vice President, Presidio STX, LLC (US) Jun 2009 Manager of Corporate Planning, Sumitomo Corporation of Americas (New York) Apr 2014 Manager of Mobile & Internet Business, Sumitomo Corporation Jun 2014 Outside Director, T-Gaia Corporation Apr 2015 Manager of IT Solutions Business and concurrently Manager of Investment Development, Sumitomo Corporation Apr 2016 General Manager of Network Business, Sumitomo Corporation Jun 2016 Director, T-Gaia Corporation (current) Jun 2016 Director, SCSK Corporation (current) Oct 2016 General Manager of ICT Business, Sumitomo Corporation (current)
<p data-bbox="392 965 619 992">[Reasons for Selection]</p> <p data-bbox="392 1005 1353 1218">As a management professional, Hiroyuki Koike has developed extensive knowledge and insight through his roles as a head of IT service operations and corporate planning. For one year beginning in 2014 and again since 2016, he has demonstrated his abilities as a Company Director deeply involved in executive decision-making processes. In our view, he will make every effort to apply his wealth of experience and insight, and endeavor to strengthen the supervisory functions of Company management in general. Accordingly, we have nominated him as a candidate for reappointment to a Director position.</p>		

Candidate Number	Name (Date of Birth)	Career Summary, Positions and Responsibilities in the Company (Major Concurrent Posts)
6	<p style="text-align: center;">Tetsu Fukuoka (July 25, 1968)</p> <p style="text-align: center;">Number of Company shares held: ---</p>	<p>Apr 1993 Joined Sumitomo Corporation</p> <p>Sep 2001 Visiting Fellow, Stanford University Asia-Pacific Research Center (US)</p> <p>Dec 2002 Director, Presidio Venture Partners, LLC (US)</p> <p>Apr 2016 Manager of General Mobile Business, Sumitomo Corporation</p> <p>Jun 2016 Director, T-Gaia Corporation (current)</p> <p>Oct 2016 Manager of Mobile Solutions Business Unit No. 1, Sumitomo Corporation (current)</p>
	<p>[Reasons for Selection]</p> <p>Tetsu Fukuoka possesses a wealth of experience and knowledge in the fields of venture investments and ICT. Since 2016, he has demonstrated his competence as a Company Director intimately involved in the formulation of important executive decisions. We feel that Mr. Fukuoka will fully apply his amassed experience and insights to the task of reinforcing the supervisory functions of Company management and boosting our corporate value. For these reasons, we have decided to nominate him as a candidate for reappointment to a Director position.</p>	

Candidate Number	Name (Date of Birth)	Career Summary, Positions and Responsibilities in the Company (Major Concurrent Posts)
7	Masami Atarashi (Sep 13, 1936) Number of Company shares held: ---	Apr 1959 Joined Shell Sekiyu K.K. (now Showa Shell Sekiyu K.K.) Apr 1969 Coca-Cola Brand Manager Coca-Cola (Japan) Company, Limited Apr 1971 Kansai Sales Manager, Coca-Cola (Japan) Company, Limited, Apr 1978 Managing Director, Johnson & Johnson K.K. Apr 1979 Senior Managing Director, Johnson & Johnson K.K. Apr 1982 Representative Director, Johnson & Johnson K.K. May 1990 President and CEO, International Business Brain K.K. (current) Jun 1992 President and CEO, Sara Lee Japan Ltd. Jul 1994 Vice President, Sara Lee Corporation (U.S. General Headquarters) Apr 1995 President and CEO, Philips Electronics Japan, Ltd., Apr 1999 President and CEO, Nihon Hallmark K.K. Jun 2011 Outside Director, Kenkou Corporation (now RIZAP Group, Inc.) (current) Jun 2014 Outside Director, T-Gaia Corporation (current) Jan 2016 Outside Director, Kobayashi Metals Limited (current)
<p>[Reasons for Selection]</p> <p>Masami Atarashi has served as a Representative Director at a diverse array of industrial companies and possesses a wealth of experience and outstanding insight as a corporate manager. Since 2014, he has served T-Gaia Corporation as an Outside Director and demonstrated his abilities through his involvement in the supervision of our operating officers. We feel that the Mr. Atarashi is capable of drawing from his amassed experience and knowledge to contribute to the supervision of Company business operations and decision-making processes, and accordingly have selected him again as a candidate for Outside Director. Additionally, judging from his career history, Mr. Atarashi is not expected to have any conflicts of interest with our shareholders, and thus will be nominated for reappointment as an Independent Director.</p>		

Candidate Number	Name (Date of Birth)	Career Summary, Positions and Responsibilities in the Company (Major Concurrent Posts)
8	Toshiya Asaba (June 12, 1962) Number of Company shares held: ---	Apr 1989 Joined Recruit Co., Ltd. Apr 1995 Manager of Network Technology, Internet Initiative Japan Inc. Mar 1996 Director, IJ America Inc. Sep 1997 Director of Technology, Internet Multifeed Co. Oct 1998 Manager of Technology Planning, Crosswave Communications, Inc. Jun 1999 Director, Crosswave Communications, Inc. Jun 1999 Director, Co-CTO, Internet Initiative Japan Inc. Jun 2004 Director and Vice President, Internet Initiative Japan Inc., Jun 2004 Director, NTT Resonant Incorporated Jun 2008 Representative Director, IJ Innovation Institute Inc. Apr 2012 Representative Director, Stratosphere Inc. Jun 2015 Director, IJ Innovation Institute Inc. (current) Jun 2015 Representative Employee, Gaia Lab LLC (current) Jun 2016 Outside Director, T-Gaia Corporation (current)
<p>[Reasons for Selection]</p> <p>Toshiya Asaba is especially well-versed in the ICT field and has developed a wealth of experience and outstanding expertise as a manager and CTO at other companies. Since 2016, he has demonstrated his abilities as an Outside Director involved in the supervision of operating officers at T-Gaia Corporation. We feel that the Mr. Asaba is capable of applying his amassed experience and knowledge to the supervision of Company business operations and our decision-making processes, and accordingly have chosen him again as a candidate for Outside Director. Furthermore, judging from his career history, Mr. Asaba is not expected to have any conflicts of interest with our shareholders, and thus will be nominated for reappointment as an Independent Director.</p>		

Candidate Number	Name (Date of Birth)	Career Summary, Positions and Responsibilities in the Company (Major Concurrent Posts)
9	Kyoko Deguchi (Dec 12, 1965) Number of Company shares held: ---	Apr 1989 Joined Bain & Company Japan, Incorporated Feb 1998 Senior Director of Planning, Disney Store Japan Inc. Feb 1999 Senior Finance Director, Disney Store Japan Inc. Mar 2001 Director and CFO, GE Plastics Japan Ltd. Apr 2004 Product Director, Janssen Pharmaceutica (now Ortho Neurologics) (US) Sep 2005 Senior Director of Digestive Region, Pain, and OTC Business Division, Janssen-Cilag Pty Ltd. (Australia) Jan 2007 Assistant Senior Director of Marketing Division, Janssen Pharmaceutical K.K., Aug 2009 Director, Vice President of Global Marketing, Stryker Japan K.K. Jan 2012 President and CEO, Stryker Japan K.K. Mar 2013 Senior Corporate Executive Officer and Manager of President's Office with concurrent responsibility for Financial and Accounting Division, Bellsystem24 Inc. Mar 2014 CEO, AbbVie GK Jul 2014 Outside Director, Nippon Ski Resort Development Co., Ltd. (current) Feb 2015 COO, Medical Corporation Shikiku-kai (current) Mar 2016 Outside Director, Cookpad Inc. (current) Jun 2016 Outside Director, T-Gaia Corporation (current)
<p>[Reasons for Selection]</p> <p>Kyoko Deguchi has served as a CEO for a wide variety of industrial companies and amassed a wealth of experience and outstanding expertise as a manager and CFO. Since 2016, she has demonstrated her abilities as an Outside Director involved in the supervision of operating officers at T-Gaia Corporation. We feel that Ms. Deguchi can apply her amassed experience and knowledge to the supervision of Company operating officers and its decision-making processes, and accordingly have chosen her again as a candidate for Outside Director. Furthermore, judging from her career history, Ms. Deguchi is not expected to have any conflicts of interest with our shareholders, and thus will be nominated for reappointment as an Independent Director.</p>		

Notes:

1. Masami Atarashi, Toshiya Asaba, and Kyoko Deguchi are candidates for Outside Director positions.
2. None of the candidates has any special interests in the Company.
3. Masami Atarashi, Toshiya Asaba, and Kyoko Deguchi are currently Outside Directors for the Company. At the conclusion of this General Meeting of Shareholders, they will have served three years, one year, and one year respectively as Outside Directors.

4. The Company has entered into agreements with Hiroyuki Koike, Tetsu Fukuoka, Masami Atarashi, Toshiya Asaba, and Kyoko Deguchi pursuant to Article 427, Paragraph 1 of the Companies Act that limit their liability for damages as provided for in Article 423, Paragraph 1 of the same Act. Under these agreements, the limit of liability for damages is an amount stipulated in Article 425, Paragraph 1 of the Companies Act. We plan to renew the limited-liability agreements with these five candidates if their reappointments are approved.
5. Masami Atarashi, Toshiya Asaba, and Kyoko Deguchi meet the criteria for independent directors as defined by the Tokyo Stock Exchange. The Company has reported the status of these three individuals as independent directors to the Tokyo Stock Exchange. If these three candidates are reappointed, the Company plans to continue treating them as independent directors.
6. Soichiro Tada and Tsuyoshi Konda are on assignment from Sumitomo Corporation, the parent company of T-Gaia Corporation.

Proposal 4**Appointment of Two Audit and Supervisory Board Members**

The terms of Corporate Auditors Yukihide Matsuoka and Toshiro Kaba will expire upon the conclusion of this General Meeting of Shareholders. Accordingly, we ask that two Corporate Auditors be appointed.

The Audit and Supervisory Board approved this proposal in advance.

The two candidates for Corporate Auditor are as follows.

Candidate Number	Name (Date of Birth)	Career Summary, Positions and Responsibilities in the Company (Major Concurrent Posts)
1	Toshiro Kaba (Sep 10, 1960) Number of Company shares held: 5,000	Apr 1993 Licensed as an attorney Jun 2003 Representative attorney for Shiroyama Tower Law Office (current) Apr 2005 Professor, Graduate School of Laws, Toin University of Yokohama (current) Mar 2006 Outside Auditor, GungHo Online Entertainment, Inc. (current) Aug 2007 Outside Auditor, Cave Interactive Co., Ltd. (current) Apr 2010 Dean, Toin Law School (current) Jun 2013 Outside Auditor, T-Gaia Corporation (current) Jun 2014 Director, Toin Gakuen (current) Mar 2015 Outside Auditor, Piala, Inc. (current) Jun 2015 Director, Tokyo-toei Kotsu Kyoryokukai (current) Mar 2017 Outside Auditor, J. Score Co., Ltd. (current)
		[Reasons for Selection] As an attorney, Toshiro Kaba is highly versed in the affairs of corporate law and possesses a wealth of experience and insight as well as deep knowledge of the IT and internet fields. Since 2013, he has conducted fair and appropriate audits for T-Gaia Corporation as an Outside Auditor. We have nominated Mr. Kaba for reappointment as an Outside Auditor because we feel that he will effectively apply his extensive experience and knowledge to the supervision of Company management in general and appropriate audit operations. Furthermore, judging from his career history, Mr. Kaba is not expected to have any conflicts of interest with our shareholders, and thus will be nominated for reappointment as an Independent Director.

Candidate Number	Name (Date of Birth)	Career Summary, Positions and Responsibilities in the Company (Major Concurrent Posts)
2	* Tetsuo Kitagawa (Aug 17, 1961) Number of Company shares held: ---	<p>Sep 1985 Joined Aoyama Audit Corporation</p> <p>Mar 1989 Received CPA license</p> <p>Jul 2002 Representative employee, Chuo-Aoyama Audit Corporation</p> <p>Sep 2006 Representative employee; Leader, Chemicals, Medicine, Industrial Materials Audit Division, Aarata Audit Corporation (now PricewaterhouseCoopers Aarata LLC)</p> <p>Jul 2013 Leader, Independence Management Group, Risk Management and Compliance Office, Aarata Audit Corporation</p> <p>Aug 2014 Vice Chair, Ethics Committee, Japanese Institute of Certified Public Accountants (current)</p> <p>Jul 2016 Founding Representative, Kitagawa Tetsuo Certified Public Accountants Office (current)</p>
		<p>[Reasons for Selection]</p> <p>As a CPA, Tetsuo Kitagawa is well-versed in the fields of finance and accounting and possesses extensive experience and knowledge. We have chosen him as a candidate for Outside Auditor in the expectation that he will effectively apply his strengths for the supervision of Company management in general and appropriate audit operations. Although Mr. Kitagawa does not have any direct experience with corporate management, for the reasons cited above, we believe he is qualified to properly perform the duties of Outside Auditor. Additionally, judging from his career history, he is not expected to have any conflicts of interest with our shareholders, and thus will be nominated for appointment as an Independent Director.</p>

Notes:

1. Toshiro Kaba and Tetsuo Kitagawa are candidates for Outside Auditor positions.
2. The candidates do not have any special interests in the Company.
3. Toshiro Kaba is currently engaged as an Outside Auditor for the Company and his term as an Outside Auditor will complete its fourth year at the conclusion of this General Meeting of Shareholders.
4. The Company has entered into an agreement with Toshiro Kaba pursuant to Article 427, Paragraph 1 of the Companies Act that limits his liability for damages as provided for in Article 423, Paragraph 1 of the same Act. Under this agreement, the limit of liability for damages is an amount stipulated in Article 425, Paragraph 1 of the Companies Act. We plan to renew this limited-liability agreement with Toshiro Kaba if his reappointment is approved. Additionally, we plan to enter into a limited-liability agreement with Tetsuo Kitagawa as well if he is approved as an Outside Auditor.
5. Toshiro Kaba meets the criteria for independent directors as defined by the Tokyo Stock Exchange. The Company has reported his status as an Independent Director to the Tokyo Stock Exchange. If Mr. Kaba is reappointed, the Company plans to continue treating him as an independent director. Tetsuo Kitagawa also meets the criteria for independent directors as defined by the Tokyo Stock Exchange and the Company plans to report his status as an Independent Director to the Tokyo Stock Exchange.
6. Newly nominated candidates for Corporate Auditor are marked with an asterisk (*).

Proposal 5 Appointment of One Alternate Auditor

To prepare for situations in which the Company lacks the number of Corporate Auditors mandated by law, we hereby request that an Alternate Auditor be appointed in advance.

The Audit and Supervisory Board approved this proposal in advance.

The candidate for Alternate Auditor is as follows.

Name (Date of Birth)	Career Summary, Positions and Responsibilities in the Company (Major Concurrent Posts)	
Makoto Ikadai (Mar 30, 1954) Number of Company shares held: ---	Apr 1977	Joined Sumitomo Corporation
	Sep 1989	Acting Director of Jakarta Head Office, PT. Sumitomo Indonesia
	Dec 2002	Director of Finance, Mammy Mart Co. Ltd.
	Oct 2004	Manager of Consumption Distribution Business, Sumitomo Corporation
	Jun 2012	Full-time Outside Auditor, T-Gaia Corporation

[Reasons for Selection]

Makoto Ikadai possesses a wealth of experience and expertise in the internal audit and finance fields. Based on that background, for four years beginning in June 2012, he served as a full-time Auditor (Outside Auditor) for the Company. In that role, he shared his views from an independent standpoint and built on his track record for the adequate fulfillment of his duties. We accordingly feel that Mr. Ikadai is capable of properly implementing audit processes and have decided to nominate him as a candidate for Alternate Outside Auditor.

Notes:

1. Makoto Ikadai is a candidate for Alternate Outside Auditor.
2. No special interest relationship exists between the candidate and the Company.
3. The Company plans to enter into a limited-liability agreement with Mr. Ikadai if he is appointed to serve as an Auditor. Under that agreement, the limit of liability for damages will be an amount stipulated in Article 425, Paragraph 1 of the Companies Act.

(Attachment)

Business Report for the Year from April 1, 2016 to March 31, 2017

1. Current Status of the Corporate Group

(1) Business Conditions during the Year under Review

(i) Highlights and results:

Partly aided by the effects of government measures in economic stimulus and accommodative monetary policies by the Bank of Japan, the Japanese economy was marked by modest firming trends in employment and income during the period under review. However, the outlook for the business cycle remains uncertain due to an array of factors including economic slowdowns in China and other Asian emerging economies, the Brexit issue, and policy actions of the new US administration.

In the market for sales of new mobile phone handsets that constitute a business mainstay of our corporate group (the Company and its consolidated subsidiaries), factors including policy guidance by the Ministry of Internal Affairs and Communications on mobile service terms and conditions and handsets had the effect of curbing excessive sales competition and the number of handsets sold. Additionally, with the implementation of legislation that revised selected provisions of the Telecommunications Business Law, new consumer protection rules were introduced and friendlier, more informative customer service policies were necessitated.

Within this environment, T-Gaia Group sales of mobile handsets totaled 4.47 million units, down from the previous year, but smartphones and tablets accounted for a higher share of that total, at over 80 percent.

Consolidated performance for the year under review resulted in net sales of 551,592 million yen (down 11.0 percent year-on-year), operating income of 14,271 million yen (down 8.9 percent year-on-year), and ordinary income of 14,284 million yen (down 8.6 percent year-on-year). Additionally, net income attributable to shareholders of the parent company totaled 9,694 million yen (up 2.1 percent year-on-year), an all-time high aided in part by revisions to the corporate income tax rate.

Consolidated results for each business segment are detailed below.

[Mobile Telecommunications Business]

Overheating levels of competition subsided and unit sales fell amid changes in the market environment. However, promotional efforts aimed at enticing customers with specific product applications had the effect of boosting tablet unit sales as well as its share of total sales.

The Company endeavored to improve customer satisfaction through store relocation and expansion projects and sales staff education and training programs. In addition to opening new large stores, it also set up new phone accessory shops and mobile virtual network operator (MVNO) shops. Furthermore, it offered more tablets, optical lines, accessories and other

smartphone-related goods and services tailored to customer needs and lifestyles and sought more power to make value-added propositions as well as secure gains in profitability and operating income.

Together, these efforts resulted in net sales of 465,014 million yen (down 10.8 percent year-on-year) and operating income of 11,080 million yen (down 5.4 percent year-on-year).

[Solutions Business]

In the mobile solutions segment that caters to corporate clientele, large-volume demand for mobile devices softened year-on-year and unit sales declined. However, revenue held firm thanks to efforts to strengthen our support service offerings, including assistance with corporate smart device adoptions and applications and the provision of help-desk and kitting services. Additionally, the Company continued its drive to expand the diversity of solutions and services, including those it offers to industrial clientele.

Revenue from sales of fixed-line-related merchandise tumbled from its level the year before as a consequence of a shift in the FLET'S service to a wholesale model and a transitional phase in the relevant business model. The Company steadily expanded its sales channels through the marketing of its proprietary "TG-Hikari" optical access service and the reselling of it to partnering companies and pursued strategic investments aimed at expanding and improving its service content and support frameworks.

Accordingly, net sales revenue in this segment totaled 22,222 million yen (down 13.3 percent year-on-year) while operating income totaled 1,850 million yen (down 21.5 percent year-on-year).

[Settlement Services and Other Business Lines]

The domestic settlement service business experienced a decline in net sales revenue attributable to a continued shift in merchandise composition away from digital money products (with net sales equivalent to face value) to gift cards (with received commissions as the sole revenue stream). However, gift card sales were firm. Income declined as an outcome of transient income recorded for the year before.

In the overseas segment of this business, the Company transferred all of its holdings in its consolidated subsidiary, T-Gaia (Shanghai) Corporation in December 2016. Its settlement service operations in Singapore were strong.

These factors resulted in net sales revenue of 64,355 million yen (down 12.1 percent year-on-year) and operating income of 1,340 million yen (down 15.8 percent year-on-year).

(ii) Capital expenditures:

[Mobile Telecommunications Business-related]

As one of several measures to boost sales of mobile phone handsets, we invested a total of 1,268 million yen mainly to cover the cost of renovating and refurbishing shops in our nationwide mobile phone retailing network.

[Systems-related]

We invested 579 million yen in measures to strengthen our sales system and develop system infrastructure.

[Other Capex]

We spent an additional 28 million yen to renovate offices and replace office furniture and equipment.

(iii) Financing:

We met our financing needs with funds on hand and loans from financial institutions.

(iv) Business transfers and absorption- or incorporation-type demergers:

None.

(v) Business transfers from other companies:

None.

(vi) Succession of rights and obligations related to the business of other companies as a result of absorption-type mergers or demergers:

None.

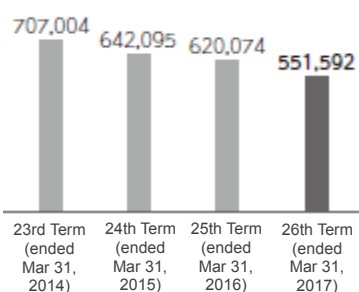
Note: Effective April 1, 2017, the Company entered into an absorption-type merger with the consolidated subsidiary TG Miyazaki Co., Ltd. and assumed all rights and obligations associated with said subsidiary's business involving the sale of mobile handsets.

(vii) Acquisition or disposal of shares of stock, other equity interest, or subscription rights to shares in other companies:

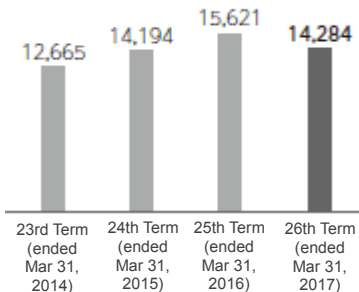
Effective December 31, 2016, the Company transferred all of its holdings in its consolidated subsidiary, T-Gaia (Shanghai) Corporation.

(2) Trends in Company Assets and Profit & Loss for the Last Three Business Years

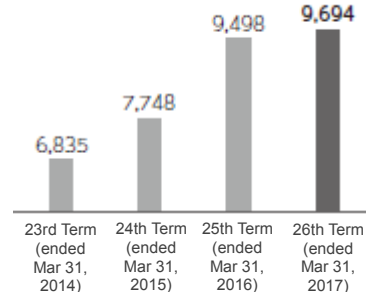
Net Sales
(In Millions of Yen)



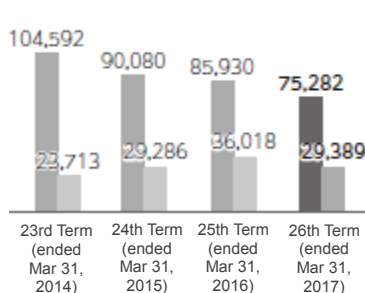
Ordinary Income
(In Millions of Yen)



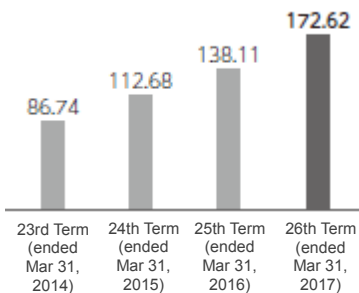
Net Profit Attributable to Shareholders of Parent Company
(In Millions of Yen)



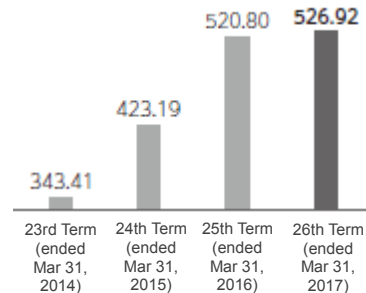
Total and Net Assets
(In Millions of Yen)



Net Earnings per Share
(In Yen)



Book Value per Share
(In Yen)



Category		23rd Fiscal Year (To Mar 31, 2014)	24th Fiscal Year (To Mar 31, 2015)	25th Fiscal Year (To Mar 31, 2016)	26th Fiscal Year (Consolidated Fiscal Year Under Review) (To Mar 31, 2017)
Net sales	(million yen)	707,004	642,095	620,074	551,592
Ordinary income	(million yen)	12,665	14,194	15,621	14,284
Net income attributable to shareholders of parent company	(million yen)	6,835	7,748	9,498	9,694
Earnings per share	(yen)	86.74	112.68	138.11	172.62
Total assets	(million yen)	104,592	90,080	85,930	75,282
Net assets	(million yen)	23,713	29,286	36,018	29,389
Book value per share	(yen)	343.41	423.19	520.80	526.92
Equity ratio	(%)	22.6	32.3	41.7	39.0
Return on equity	(%)	26.4	29.4	29.3	29.7

(23rd Fiscal Year)

In its mobile telecommunications business, the Company posted an increase in operating income as a result of various measures it pursued as smartphones and tablets gained wider popularity and demand for related merchandise and services rose. Specifically, it took steps to improve comprehensive proposals for gains in customer satisfaction and convenience and implemented measures in structural reform that sought to boost revenue from its sales channels and improve operational efficiency. In the solutions business, expanded sales of terminal equipment to corporate clientele and firm business growth in assorted support services brought increases in both net sales revenue and operating income. In the settlement services and other business lines, flagging sales of digital money-related merchandise and a series of new store openings in China led to a decline in net sales revenue and operating income. As a result, for the year, the Company posted total net sales revenue of 707,004 million yen, ordinary income of 12,665 million yen, and net income of 6,835 million yen attributable to parent-company shareholders.

(24th Fiscal Year)

In the mobile telecommunications business, the introduction of new rate plans by telecom carriers and solid sales of new mobile device models put the sales market on a recovery footing. These developments, coupled with the progress of Company efforts to achieve more-efficient store operations and implement structural reforms, spurred an increase in operating income. In the solutions business, steps by the Company to strengthen the appeal of its comprehensive proposals, including the provision of mobile device management (MDM) and kitting services, helped fuel a brisk uptrend in corporate sales. In settlement services and other business lines, the Company aggressively allocated funds for the expansion of operations in China and Singapore. This had the effect of lowering net sales revenue and operating income. As a result, this fiscal year recorded net sales of 642,095 million yen, ordinary income of 14,194 million yen, and net income of 7,748 million yen attributable to parent-company shareholders.

(25th Fiscal Year)

In the mobile telecommunications business, slowing unit sales attributable to waning competition for customers led to a decline in sales revenue. However, efforts to lift unit prices through the sales expansion of smartphone accessories along with steps to achieve productivity gains with measures to boost store operational efficiency and train sales staff resulted in increased operating income. In the solutions business, a slowdown in sales of conventional FTTH and other optical line services due to changes to the business model as well as the implementation of system renovations and other strategic investments weighed down both sales revenue and operating income. In the segment for settlement services and other business, sales revenue slipped in response to changes in merchandise composition but improved business performance in our overseas operations delivered a net gain in operating income. As a result, the Company posted net sales of 620,074 million yen, ordinary income of 15,621 million yen, and net income of 9,498 million yen attributable to parent-company shareholders.

(26th Fiscal Year)

Details are as stated in “(i) Highlights and results” above.

(3) Status of Parent Company and Major Subsidiaries

(i) Status of parent company

Company Name	Capital Stock	Percentage of T-Gaia Corporation Shares with Voting Rights Held	Relationship with T-Gaia Corporation
Sumitomo Corporation	219,279 million yen	41.89%	Trading partner in sales of mobile phone handsets and management services

Note: The Company acquired 13,045,400 shares of treasury stock on April 13, 2016. This effectively gave Sumitomo Corporation, its largest shareholder, control of over 40 percent of the Company's outstanding shares with voting rights. Additionally, given that a majority of the members on the Company's Board of Directors are employees on assignment from Sumitomo Corporation, based on substantial control criteria, Sumitomo Corporation is now the Company's parent.

(ii) Status of major subsidiaries

Company Name	Capital Stock	Percentage of Shares with Voting Rights Held by T-Gaia Corporation	Principal business
TG Miyazaki Co., Ltd.	50 million yen	100.00%	Sales of mobile phones, etc.
WAM!NET Japan K.K.	200 million yen	97.52%	Digital content network management service provider; development and sales of fax server software

Notes:

1. On December 31, 2016, the Company transferred its entire equity interest in the specified subsidiary, T-Gaia (Shanghai) Corporation, ending that company's status as a subsidiary.
2. On February 28, 2017, the Company increased its equity interest in the consolidated subsidiary, WAM!NET Japan K.K.
3. On April 1, 2017, the Company entered into an absorption-type merger with the consolidated subsidiary, TG Miyazaki Co., Ltd.

(4) Issues for Attention

(i) Strengthening our base in existing businesses and expanding into new markets:

Sales of mobile phones and other mobile devices are the principal business of the T-Gaia Group. The expansion in the market for smartphones and tablets has fueled the development of advanced device functions and features as well as an increasingly diversified and complex array of services. Developing an environment that allows customers to safely and securely utilize these devices and services has become an urgent challenge. The formulation of new guidelines and recent revisions to laws affecting sales of smartphones and other devices have brought rapid changes to the sales environment and spurred a dramatic transformation of our industry.

In that business setting, our retail outlets have a mission to cultivate the environments and systems that allow customers to safely use our products and services. Backed by that awareness, we will

continue working to lift levels of customer satisfaction by cooperating with an industry organization, the National Association of Mobile-phone Distributors, and providing user instructions that are friendlier and easier to understand from the customer's vantage point. Additionally, we are determined to improve sales quality in view of recent strategies of sales competition that have shifted from price-based appeals to value propositions.

The known challenges in each of our business segments are detailed below.

In the mobile business, we believe it imperative to develop stores that will be the choice of the consuming public. To that end, we plan to relocate and renovate carrier shops, set up more service counters, expand our product lineup, reduce customer waiting times, and help our customers experience smarter lifestyles. Additionally, to equip sales staff with better communication skills and the ability to propose solutions that add value, we will implement measures led by Career Design Academy Co., Ltd., which progressed from TG Academy, our dedicated employee training and education arm. Further, to better meet the diversifying needs and expectations of our customers, we will expand the sales channels for our smartphone accessory shops and open a series of new mobile virtual network operator (MVNO) shops.

Nevertheless, we are also aware that we face the additional challenges of adapting our operations to changes in the market environment and achieving productivity gains through enhancements in operational efficiency.

In the solutions business, we will work to accurately fulfill the product and service expectations of our corporate customers, provide support services for the adoption of new smartphones and tablets, and deliver high value-added solutions and services that utilize an increasingly diversified mix of devices and applications. Furthermore, we will actively develop and market our services to industries in education, health-care, and other sectors that can be expected to harness ICT.

Perceiving the diversification in the provisioning of optical line services to be a business opportunity, we plan to strengthen sales of our own TG-Hikari optical access service as well as the reselling of it to partnering companies. Additionally, we will develop new revenue streams with the launch of new ventures for the provision of goods and services in the deregulated electric power and gas markets.

To that end, we will take steps to expand our services as well as strengthen our human resources and our power to propose attractive solutions.

In our settlement services business, we are determined to capture market growth and improve the conveniences for our customers by promoting sales of digital money utilizing PIN sales systems and expanding sales channels and product lines for our gift card business.

In our business overseas, we will act to expand our settlement services in Singapore and horizontally extend those services to other markets in Southeast Asia.

The T-Gaia Group will strive to achieve sustained growth through investments in marketable business ventures and the development of its human resources while maintaining the stable business platform it already has in place.

(ii) Diversity:

Human resource diversity is an essential for sustained growth and the creation of new value. For that reason, the T-Gaia Group now follows a diversity management strategy. Our diversity management team is leading a drive to promote work-life balance, cultivate a diverse and inclusive workplace, and proactively recruit women, which now account for about 70 percent of our sales force. Specifically, we have implemented programs and policies to help our employees balance their work with the demands of childcare and nursing care, expanded our framework for shortened work hours, instituted a return-to-work program, and actively appointed women to management positions. We will also step up our efforts to foster an improved awareness within the company and encourage innovations in working styles through the expansion of our modified worktime system (internally dubbed the “merihari shift”). These measures will help us build an even stronger foundation for the promotion of diversity.

(iii) Compliance:

The T-Gaia Group views legal compliance and the promotion of ethical conduct as issues of top priority for its business operations. Our Compliance Committee studies compliance-related problems and formulates measures for remedial action. Also, as a permanent organization for the promotion of compliance, we have set up a Compliance Promotion Department that reports directly to the President. Furthermore, we have launched company-wide efforts to foster improvements in mobile phone handset sales quality and capacity and are running internal education programs and developing a compliance framework that will integrate measures to protect personal information and prevent the illegal or unauthorized use of mobile phones.

The T-Gaia Group has Compliance Rules that establish compliance guidelines for all Company employees. Additionally, as a means of quickly identifying compliance violations and risk data, employees have been provided with multiple internal and external channels for compliance-related reporting and consultations.

(iv) Risk management:

Our Risk Management Committee has been established to serve as a vehicle for the comprehensive identification of risks spanning across the Company, the formulation of immediate countermeasures, and the performance of risk assessments. In addition to enhancing our risk management capacity, it has aggressively moved to protect and heighten the corporate value of the T-Gaia Group through active measures in risk control.

In the interest of disclosing information properly in compliance with provisions of the Financial Instruments and Exchange Act and rules for timely disclosure, the Information Disclosure Committee examines the content of information for disclosure and verifies its accuracy.

(v) Corporate governance:

Appropriate practices in corporate governance are another matter of top priority to the T-Gaia Group. We view corporate governance as a framework for the control of corporate business activities and consider it critically important that the rights and interests of our shareholders be protected and

equally guaranteed. We also believe it imperative that we respect the rights and interests of—and build positive relationships with—other stakeholders including our customers, business partners, employees, and local communities. 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: namely assuring managerial transparency and preserving and boosting corporate value.

An overview of our decisions about frameworks for the assurance of proper business operations is included in “3. Frameworks for the Assurance of Proper Business Operations and the Operational Status of Said Frameworks.”

(5) Major Lines of Business (as of March 31, 2017)

Business Category	Business Content
Mobile telecommunications business	Intermediary services for consumer-oriented mobile phone service contracts, etc.; sales of mobile phone handsets, other terminal devices, and related merchandise
Solutions business	Intermediary services for mobile phone handset and solution service contracts aimed at corporate clientele; intermediary services for fixed-line service contracts, etc.
Settlement services and other businesses	Distribution business in digital settlements using PIN sales systems; gift-card business; overseas businesses, etc.

(6) Main Sales Offices (as of March 31, 2017)

(i) T-Gaia Corporation:

Head Office

1-18 Ebisu 4-chome, Shibuya-ku, Tokyo

West Japan Regional Headquarters

6-20 Dojima 1-chome, Kita-ku, Osaka City, Osaka Prefecture

Tokai Regional Headquarters

11-11 Nishiki 1-chome, Naka-ku, Nagoya City, Aichi Prefecture

Kyushu Regional Headquarters

7-20 Gionmachi, Hakata-ku, Fukuoka City, Fukuoka Prefecture

Hokkaido Branch

2 Odori-nishi 8-chome, Chuo-ku, Sapporo City, Hokkaido

Tohoku Branch

15-1 Honcho 2-chome, Aoba-ku, Sendai City, Miyagi Prefecture

Niigata Branch

1-24 Kamitokoro 1-chome, Chuo-ku, Niigata City, Niigata Prefecture

Nagano Branch

991-1 Kurita, Nagano City, Nagano Prefecture

Hokuriku Branch

1-1 Hirooka 3-chome, Kanazawa City, Ishikawa Prefecture

Chugoku Branch

8-12 Nakamachi, Naka-ku, Hiroshima City, Hiroshima Prefecture

Shikoku Branch

1-5 Bancho 1-chome, Takamatsu City, Kagawa Prefecture

(ii) Subsidiaries

TG Miyazaki Co., Ltd. Headquarters

2359 Osadako, Yoshimura-cho, Miyazaki City, Miyazaki Prefecture

WAM!NET Japan K.K. Headquarters

5-17 Shinkawa 1-chome, Chuo-ku, Tokyo

(7) Employees (as of March 31, 2017)**(i) Group employees**

No. of Employees	Change from Previous Fiscal Year
1,961	Increase of 162

Note: The number of employees refers to full-time employees (including those transferred from outside to the Group but not those on transfer outside the Group) and does not include the annual average of 3,892 temporary employees.

(ii) T-Gaia Corporation employees

No. of Employees	Change from Previous Fiscal Year	Average Age	Average Years of Consecutive Employment
1,849	Increase of 166	38.5 years old	11.5 years

Note: The number of employees refers to full-time employees (including those transferred to the Company from outside the Company but not those on transfer outside the Company) and does not include the annual average of 3,867 temporary employees.

(8) Major Creditors (as of March 31, 2017)

Creditor	Amount Borrowed (million yen)
Sumitomo Mitsui Banking Corporation	5,307
Sumitomo Mitsui Trust Bank, Ltd.	5,251
Mizuho Bank, Ltd.	4,350
Mitsubishi UFJ Trust & Banking Corporation	3,760
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2,400
The Higo Bank, Ltd.	847
Resona Bank, Ltd.	400
The Hachijuni Bank, Ltd.	276
The Hyakugo Bank, Ltd.	250
The Aichi Bank, Ltd.	238

(9) Other Important Matters concerning the Status of the Corporate Group

On August 3, 2012, InComm Japan, K.K. (main office in Shinjuku-ku, Tokyo; Takuma Arai, CEO; “InComm Japan” below), a supplier of merchandise for our gift-card business, filed litigation against the Company, demanding that it suspend sales of specific items of merchandise, recall items already sold, and pay damages of 680 million yen. On September 28, 2016, the Tokyo District Court issued a decision ordering the Company to pay InComm Japan damages totaling 174 million yen but dismissing the plaintiff’s other demands.

Both the Company and InComm Japan filed appeals in the Tokyo High Court seeking relief from the lower court decision. Furthermore, on December 21, 2016, InComm Japan filed a petition with the Tokyo High Court seeking to revise its damage claim to 968 million yen.

On April 26, 2017, the Tokyo High Court issued a decision ordering the Company to pay InComm Japan 67 million yen in damages and dismissing all other claims by InComm Japan.

On April 28, 2017, the Company paid InComm Japan damage compensation of 67 million yen plus an additional 11 million yen in compensation for delinquent payment of said damages.

2. Current Status of the Company

(1) Shares (as of March 31, 2017)

- (i) Authorized shares: 400,000,000
- (ii) Issued shares: 79,074,000
- (iii) Shareholders: 12,798
- (iv) Major shareholders (top 10):

Shareholder	Shares Held	Shareholding Ratio
Sumitomo Corporation	23,345,400	41.89%
Hikari Tsushin, Inc.	11,933,400	21.41%
The Master Trust Bank of Japan, Ltd. (Trust account)	1,520,700	2.72%
Japan Trustee Services Bank, Ltd. (Trust account)	1,189,000	2.13%
Info Service, Inc.	1,143,000	2.05%
T-Gaia Employee Shareholding Association	743,800	1.33%
NOMURA PB NOMINEES LIMITED OMNIBUS-MARGIN (CASHPB)	611,000	1.09%
Nomura Securities Co., Ltd.	528,700	0.94%
JP MCB NA ITS LONDON CLIENTS AC MORGAN STANLEY AND CO INTERNATIONAL LIMITED	515,500	0.92%
THE BANK OF NEW YORK MELLON 140044	450,700	0.80%

Notes:

1. The Company holds 23,345,796 shares of treasury stock but is not included in the above list of major shareholders.
2. Shareholding ratios were calculated after deducting all shares of treasury stock from the total.

(v) Other share-related matters of importance:

None.

(2) Subscription Rights

- (i) As of the last day of the year under review, subscription rights to shares granted to and held by company officers as consideration for their work performance:

None.

- (ii) During the year under review, subscription rights to shares granted to employees as consideration for their work performance:

None.

(3) Company Officers

(i) Directors and Corporate Auditors (as of March 31, 2017):

Position	Name	Responsibilities & Important Concurrent Posts
President & Representative Director	Toshifumi Shibuya	Chief Executive Officer
Director	Bunpei Katayama	Executive Vice President; Director of Mobile Business Division No. 2
Director	Nobutaka Kanaji	Executive Vice President; Senior Director of Smart Life Business with concurrent responsibility for Solutions Business and Network Business
Director	Soichiro Tada	Executive Vice President; Senior Director of Corporate Finance
Director	Tsuyoshi Konda	Senior Executive Officer; Senior Director of Corporate Strategy and Director of China Business Promotion
Director	Hiroyuki Koike	General Manager of ICT Business, Sumitomo Corporation; Outside Director, SCSK Corporation
Director	Tetsu Fukuoka	Manager of Mobile Solutions Business Unit No. 1, Sumitomo Corporation
Director	Masami Atarashi	President and Representative Director, International Business Brain K.K. Outside Director, RIZAP Group, Inc. Outside Director, Kobayashi Metals Limited
Director	Toshiya Asaba	Director, IJ Innovation Institute Inc. Representative Employee, Gaia Lab LLC
Director	Kyoko Deguchi	COO, Medical Corporation Shikiku-kai Outside Director, Nippon Ski Resort Development Co., Ltd. Outside Director, Cookpad Inc.
Statutory Auditor	Naoya Okutani	
Statutory Auditor	Ryo Hashimoto	
Corporate Auditor	Yukihide Matsuoka	Representative, Matsuoka Certified Public Accountant Office Outside Auditor, Spancrete Corporation Outside Auditor, Heiwa Paper Co., Ltd.
Corporate Auditor	Toshiro Kaba	Representative Attorney, Shiroyama Tower Law Office Outside Auditor, GungHo Online Entertainment, Inc. Outside Auditor, Cave Interactive Co., Ltd. Dean, Toin Law School Outside Auditor, J-Score Co., Ltd.

Notes:

1. The following changes in director positions and responsibilities took effect on April 1, 2017.

Name	Before Change	After Change
Toshifumi Shibuya	President and Representative Director, Chief Executive Officer	Chairman and Representative Director
Bunpei Katayama	Executive Vice President, Director of Mobile Business Division No. 2	Director
Nobutaka Kanaji	Executive Vice President; Senior Director of Smart Life Business with concurrent responsibility for Solutions Business and Network Business	President and Representative Director, Chief Executive Officer
Tsuyoshi Konda	Senior Executive Officer; Senior Director of Corporate Strategy and Director of China Business Promotion	Senior Executive Officer; Senior Director of Corporate Strategy and Director of Operational Reform Promotion

2. Directors Masami Atarashi, Toshiya Asaba, and Kyoko Deguchi are Outside Directors.
3. Corporate Auditors Yukihide Matsuoka and Toshiro Kaba are Outside Auditors.
4. As detailed below, Full-time Auditors Naoya Okutani and Ryo Hashimoto and Corporate Auditor Yukihide Matsuoka possess considerable expertise in the fields of finance and accounting.
- Full-time Auditor Naoya Okutani is licensed as a small and medium enterprise management consultant.
 - Full-time Auditor Ryo Hashimoto has many years of experience with financial and accounting operations at our parent company.
 - Corporate Auditor Yukihide Matsuoka is licensed as a certified public accountant.
5. The Company has designated Director Masami Atarashi, Director Toshiya Asaba, Director Kyoko Deguchi, Auditor Yukihide Matsuoka, and Auditor Toshiro Kaba as independent officers pursuant to Tokyo Stock Exchange rules, and has notified the stock exchange to that effect.

(ii) Overview of limited-liability agreements:

The Company has entered into agreements with Directors Hiroyuki Koike, Tetsu Fukuoka, Masami Atarashi, Toshiya Asaba, and Kyoko Deguchi; Full-time Auditors Naoya Okutani and Ryo Hashimoto; and Corporate Auditors Yukihide Matsuoka and Toshiro Kaba pursuant to Article 427, Paragraph 1 of the Companies Act that limit their liability for damages as defined in Article 423, Paragraph 1 of the same Act.

Under these agreements, the limit of liability for damages is an amount stipulated in Article 425, Paragraph 1 of the Companies Act.

(iii) Directors and Auditors that retired from their posts during the year under review:

Name	Retirement Date	Reason for Retirement	Position, Responsibilities, and Important Concurrent Posts at Time of Retirement
Tetsuro Takeoka	June 22, 2016	Term of office expired	Chairman Representative Director, National Association of Mobile-phone Distributors
Tatsujiro Naito	June 22, 2016	Term of office expired	Outside Director Senior Executive Officer, Director of Distribution Systems Business Division, Senior Director of Global Systems Business Division, SCSK Corporation
Makoto Ikadai	June 22, 2016	Term of office expired	Full-time Auditor

(iv) Remuneration, etc. for Directors and Auditors:

Classification	No. of Recipients	Amount (million yen)
Directors	9	195
(Outside Directors)	(3)	(18)
Auditors	5	51
(Outside Auditors)	(3)	(15)
Total	14	247

Notes:

- Listed remuneration amounts for Directors do not include employee salaries paid to Directors in concurrent employee posts.
- Annual remuneration for Directors was limited to no more than 300 million yen by resolution of the 17th Annual General Meeting of Shareholders that met on June 26, 2008. (Of that total, no more than 30 million yen was to be paid to Outside Directors; these limits do not include employee salaries.)
- Annual remuneration for Corporate Auditors was limited to no more than 70 million yen by resolution of the 17th Annual General Meeting of Shareholders that met on June 26, 2008.

(v) Matters concerning Outside Officers:

- Concurrent positions as executive directors at other companies and the relationships T-Gaia Corporation has with those companies
 - Director Masami Atarashi is the President and Representative Director of International Business Brain Co., Ltd., a company with which T-Gaia Corporation has no special relationship.
 - Director Toshiya Asaba is the Representative Employee for Gaia Lab LLC. T-Gaia Corporation has no special relationship with either of them.
 - Director Kyoko Deguchi is COO of Medical Corporation Shikiku-kai, a corporation with which T-Gaia Corporation has no special relationship.
 - Corporate Auditor Yukihide Matsuoka is the Representative for Matsuoka Certified Public Accountant Office, with which T-Gaia Corporation has no special relationship.

- Corporate Auditor Toshiro Kaba is Representative Attorney for Shiroyama Tower Law Office and Dean at Toin Law School. T-Gaia Corporation has no special relationship with that Law Office or Law School.
- b. Concurrent positions as outside officers at other companies and the relationships T-Gaia Corporation has with those companies
- Director Masami Atarashi serves as an outside officer for RIZAP Group, Inc. and Kobayashi Metals Limited. T-Gaia Corporation does not have any special relationship with these companies.
 - Director Toshiya Asaba is a director for IJJ Innovation Institute Inc., a company with which T-Gaia Corporation has no special relationship.
 - Director Kyoko Deguchi is an outside director for Nippon Ski Resort Development Co., Ltd. and Cookpad Inc. T-Gaia Corporation does not have any special relationship with these companies.
 - Corporate Auditor Yukihide Matsuoka is an outside auditor for Spancrete Corporation and Heiwa Paper Co., Ltd. T-Gaia Corporation does not have any special relationship with these companies.
 - Corporate Auditor Toshiro Kaba is an outside auditor for GungHo Online Entertainment, Inc., Cave Interactive Co., Ltd., and J-Score Co., Ltd. T-Gaia Corporation does not have any special relationship with these companies.
- c. Activities of Outside Officers during fiscal year under review
- (a) Attendance at meetings of the Board of Directors and Board of Auditors

	Meetings of Board of Directors		Meetings of Board of Auditors	
	Meetings attended / Meetings held	Attendance rate (%)	Meetings attended / Meetings held	Attendance rate (%)
Director Masami Atarashi	14/14	100.0	-	-
Director Toshiya Asaba	11/11	100.0	-	-
Director Kyoko Deguchi	11/11	100.0	-	-
Auditor Yukihide Matsuoka	14/14	100.0	12/13	92.3
Auditor Toshiro Kaba	14/14	100.0	13/13	100.0

Note: Entries for the number of meetings attended by, and the attendance rates of, Outside Directors and Outside Auditors refer to the number of Board of Directors' or Board of Auditors' meetings they attended and their respective attendance rates during their terms of office.

(b) Communication

- Directors Masami Atarashi and Kyoko Deguchi have expressed their views from independent and objective standpoints reflecting the many years of management experience and expertise they both have amassed at a variety of different companies.

- Director Toshiya Asaba has expressed his views from an independent and objective standpoint reflecting his knowledge of the information and telecommunications industries.
- Drawing from his professional knowledge as a CPA, Corporate Auditor Yukihide Matsuoka has made recommendations and proposals aimed at ensuring the rationality and suitability of decisions by the Board of Directors. Additionally, at meetings of the Board of Auditors, he has voiced views and opinions reflecting his professional background as a CPA.
- Drawing from his professional knowledge as an attorney, Corporate Auditor Toshiro Kaba has made recommendations and proposals aimed at ensuring the rationality and suitability of decisions by the Board of Directors. Additionally, at meetings of the Board of Auditors, he has voiced views and opinions reflecting his professional background as an attorney.

(4) Accounting Auditor

(i) Name: Deloitte Touche Tohmatsu, LLC

(ii) Remuneration:

	Remuneration, etc. (million yen)
Remuneration, etc. paid to the accounting auditor for the fiscal year under review	52
Total in monetary remuneration and other economic benefits to be paid to the accounting auditor by the Company and its subsidiaries	52

Notes:

1. The audit contract between the Company and the Accounting Auditor does not clearly specify and cannot materially classify the amounts of remuneration that are paid for audits performed under provisions of the Companies Act or provisions of the Financial Instruments and Exchange Act. Accordingly, the table entries for remuneration, etc. paid to the Accounting Auditor for the fiscal year under review are totals of these respective amounts.
2. The Board of Auditors decided to approve the amount of remuneration, etc. for the Accounting Auditor after verifying the content of the Accounting Auditor's audit plan, the status of audit accounting services performed, and the basis for the remuneration calculations.

(iii) Policy regarding decisions to dismiss or refuse to reappoint Accounting Auditors:

The Company's Board of Auditors shall dismiss an Accounting Auditor in the event conditions for said dismissal pursuant to provisions in Article 340 of the Companies Act are deemed to have been met.

3. Frameworks for the Assurance of Proper Business Operations and the Operational Status of Said Frameworks

(1) Overview of Decisions concerning Frameworks for the Assurance of Proper Business Operations

The following is an overview of Company decisions that relate to frameworks aimed at ensuring the compliance of duties performed by Directors with laws and regulations and provisions of the Company's Articles of Incorporation, and ensuring the propriety of other Company operations.

- (i) Framework to ensure that duties performed by Directors and Employees are in compliance with applicable laws and the Company's Articles of Incorporation:
 - a. 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.
 - b. 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.
 - c. 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.
 - d. 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.
 - e. Violators of Company compliance policy are dealt with sternly and are subject to disciplinary actions under the Company's employment regulations.
 - f. 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 Company business are assessed.
- (ii) Framework for retention and management of information relevant to the executive duties of Directors:
 - a. 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.
 - b. Directors and Auditors may promptly view these documents and other information upon request.

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

- a. To manage the various risks of loss facing the T-Gaia Group's business operations and prevent those risks from materializing, the Company collects and analyzes risk-related information and detects early predictors of risk. It has also enacted a set of Risk Management Regulations and established supervisory departments for specific types of risk to quickly implement appropriate countermeasures when a risk has become manifest. Additionally, it convenes meetings of the Risk Management Committee on a regular basis and endeavors to develop, maintain, and improve its frameworks for risk management.
- b. The heads of individual units within the T-Gaia 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.
- c. 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, and branches 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.

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

- a. 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.
- b. 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.
- c. 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.
- d. 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.

- e. 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.
- (v) Framework to ensure the propriety of the business operations of the Corporate Group comprising the Company, its parent, and subsidiaries:
- a. 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.
 - b. 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.
 - c. 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.

- (vi) Employees that are assigned on request from Auditors to assist in the performance of 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.

- (vii) 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 Full-time Auditor.

(viii) Framework for reporting to Corporate Auditors by Directors, Employees, and Others:

- a. Corporate Auditors may attend meetings of the Board of Directors, Management Conference, Executive Officers' Committee, and other important meetings.
- b. Corporate Auditors may review important documentation and request submission of that documentation.
- c. Corporate Auditors may receive reports from T-Gaia Group officers and employees whenever necessary.
- d. Corporate Auditors audit the management of subsidiaries through on-site audits and day-to-day coordination with auditors for the subsidiaries.
- e. Directors, T-Gaia Group 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:
 - Significant damages to the Company or grave compliance violations that have either occurred or are likely to occur
 - Events about which a Special Auditor has requested reports, or that otherwise are deemed to warrant an audit (e.g., subsequent events)

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.

(ix) Other frameworks to ensure that Auditors are performing audits effectively:

- a. Directors are familiar with the audit standards that clarify Auditor duties and responsibilities and fully recognize the importance of audits performed by Auditors. Additionally, Directors help cultivate an appropriate environment for audits.
- b. 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.
- c. 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.

- (x) Policy on the processing of expenses incurred from the fulfillment of 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.

(2) Overview of the Operational Status of Frameworks for the Assurance of Proper Business Operations

The following is an overview of the operational status of frameworks designed to ensure the propriety of Company business operations.

- (i) Duties of Company Directors:

The Board of Directors comprises 10 Directors including three independent Outside Directors, and its meetings are also attended by four Corporate Auditors including two independent Outside Auditors. Board meetings convene on a monthly basis and through active discussions and the exchange of views, promptly reach decisions on Company management policy, business strategy, and other matters of importance as defined by applicable laws, statutes, and the Company Articles of Incorporation.

- (ii) Duties of Auditors:

Auditors attend meetings of the Board of Directors, Management Conference, and other important meetings, review important business documentation, conduct on-site audits of the Company's various divisions, regional headquarters, branches, and directly managed carrier shops, hold hearings with key executives, conduct on-site audits of Company subsidiaries in Japan and abroad, and exchange views with the Representative Directors of subsidiaries.

Auditors also strive to maintain close working ties with the Company's Internal Audit Department and the Accounting Auditor through the exchange of information and views, hold periodic meetings to exchange views with the President and independent Outside Directors, promote mutual understanding, and perform effective audits.

- (iii) Compliance:

The Compliance Committee meets once every two months, discusses issues in compliance, and endeavors to ensure full compliance. The following programs of compliance training are implemented as educational activities reflecting the outcome of Committee discussions.

- Compliance seminars held at all Company units primarily for managers, sales representatives, and mobile phone store managers, to share lessons from past compliance issues
- Training to familiarize all Company officers and employees with content in the compliance manual
- E-learning course-driven compliance training for all Company officers and employees
- E-learning course-driven compliance training for employees at Company-affiliated agencies

Additionally, the Company has endeavored to quickly identify and counter compliance risk by encouraging active use of the internal whistleblower framework and conducting compliance awareness surveys of all Company employees as well as questionnaire surveys of the Company's trading partners.

(iv) Risk management:

To actively control risk and maintain and expand its corporate value, the Company has established a set of Risk Management Regulations and convenes meetings of the Risk Management Committee twice per annum, as a rule.

The T-Gaia Group endeavors to identify and protect against risk and has built a framework to quickly and accurately implement countermeasure in the event a risk has materialized.

(v) Management of subsidiaries:

Based on its principle of respecting the independent management of its subsidiaries, the Company, as a holder of equity interest, appropriately expresses its views and intentions with regard to important matters in keeping with its Regulations for the Management of Affiliates.

In addition, the Company receives periodic reports on subsidiary business results and financial information from the supervisory departments with jurisdiction.

4. Basic Policy concerning Control of the Company

The Company is aware that this is an important matter and has devoted study to that matter on a continuing basis. However, in view of the current distribution of its stock, the Company has not yet implemented any defensive measures.

5. Policies concerning Decisions on Dividends of Surplus

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

For the business year under review, we plan to pay a year-end dividend of 26 yen per share of common stock, in line with the dividend amount we projected at the beginning of the year. Given that we paid an interim dividend of 26 yen per share in December 2016, the annual dividend per share will total 52 yen (an increase of 9 yen from the previous year). Also, during the year under review, we acquired 13,045,400 shares of treasury stock (at an acquisition price of 12,771 million yen).

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

Consolidated Balance Sheet

(as of March 31, 2017)

(million yen)

Items	Amount	Items	Amount
(Assets)		(Liabilities)	
Current assets	61,641	Current liabilities	34,446
Cash and deposits	1,901	Accounts payable - trade	7,915
Accounts receivable – trade	12,867	Short-term borrowings	8,332
Products	34,218	Long-term borrowings within one year	5,503
Inventories	80	Accounts payable – other	8,446
Deferred tax assets	1,263	Income taxes payable	1,845
Other accounts receivable	10,399	Reserve for bonuses	1,747
Other current assets	913	Allowance for early subscription cancellations	164
Allowance for doubtful accounts	(4)	Others	491
Fixed assets	13,641	Non-current liabilities	11,446
Tangible fixed assets	3,321	Long-term borrowings	9,244
Buildings and structures	1,961	Retirement benefit liabilities	374
Vehicles	1	Asset removal obligations	1,388
Furniture and fixtures	981	Others	439
Land	353	Total liabilities	45,892
Construction in progress	23	(Net Assets)	
Intangible fixed assets	3,081	Shareholders' equity	29,037
Goodwill	1,847	Capital stock	3,154
Software	1,149	Capital surplus	5,177
Leasehold right	9	Retained earnings	42,232
Telephone subscription right	16	Treasury stock	(21,526)
Software in progress	57	Accumulated other comprehensive income	327
Others	0	Valuation difference on available-for-sale securities	321
Investment and other assets	7,238	Foreign currency translation adjustment	6
Investment securities	919	Non-controlling interests	24
Deferred tax assets	1,352	Total net assets	29,389
Leasehold deposits	4,342	Total Liabilities and Net Assets	75,282
Others	640		
Allowance for doubtful accounts	(17)		
Total Assets	75,282		

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

Consolidated Statement of Income

(from April 1, 2016 to March 31, 2017)

(million yen)

Item	Amount	
Net sales		
Net sales of goods	365,629	
Commission fee	185,962	551,592
Cost of sales		
Cost of goods sold	371,457	
Commission fee	118,396	489,854
Gross profit		61,738
Selling, general and administrative expenses		47,467
Operating income		14,271
Non-operating income		
Interest income	1	
Dividend income	5	
Equity in earnings of affiliates	26	
Insurance income	20	
Gain on donation of noncurrent assets	10	
Others	40	105
Non-operating expenses		
Interest expenses	66	
Store cancellation penalty	14	
Others	10	92
Ordinary income		14,284
Extraordinary gains		
Gain on sales of fixed assets	3	
Gain on sales of investment securities	118	
Gain on sales of shares in subsidiaries	41	163
Extraordinary losses		
Loss on sales of fixed assets	0	
Loss on removal of fixed assets	68	
Impairment loss	76	145
Net income before income taxes		14,302
Income taxes – current	4,348	
Income taxes – deferred	191	4,539
Net income		9,762
Net income attributable to non-controlling interests		68
Net income attributable to shareholders of the parent company		9,694

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

Consolidated Statement of Changes in Shareholders' Equity

(from April 1, 2016 to March 31, 2017)

(million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the end of the previous fiscal year	3,154	5,640	35,534	(8,755)	35,573
Changes during the fiscal year					
Dividends from surplus			(2,996)		(2,996)
Net income attributable to shareholders of the parent company			9,694		9,694
Purchase of treasury stock				(12,771)	(12,771)
Change in shareholder interest due to transaction with non-controlling interests		(462)			(462)
Changes in items other than shareholders' equity during the fiscal year (net)					
Total changes during the fiscal year	-	(462)	6,697	(12,771)	(6,536)
Balance at the end of the fiscal year	3,154	5,177	42,232	(21,526)	29,037

	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 the end of the previous fiscal year	110	133	243	201	36,018
Changes during the fiscal year					
Dividends from surplus					(2,996)
Net income attributable to shareholders of the parent company					9,694
Purchase of treasury stock					(12,771)
Change in shareholder interest due to transaction with non-controlling interests				(177)	(640)
Changes in items other than shareholders' equity during the fiscal year (net)	210	(127)	83	1	84
Total changes during the fiscal year	210	(127)	83	(176)	(6,629)
Balance at the end of the fiscal year	321	6	327	24	29,389

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: 4
- Name of primary consolidated subsidiaries: TG Miyazaki Co., Ltd.
WAM!NET Japan K.K.

(ii) Status of non-consolidated subsidiaries:

There are no non-consolidated subsidiaries to report.

(2) Matters concerning the application of equity method

Status of related companies accounted for under the equity method:

- Number of companies accounted for under the equity method: 1
- Name of companies: SRJ Co., Ltd.

(3) Matters concerning change in the scope of consolidation

Change in the scope of consolidation:

All of the shares in T-Gaia (Shanghai) Corporation were sold, so it ceased to be within the scope of the company's consolidation.

(4) Matters concerning the accounting period of consolidated subsidiaries

Consolidated subsidiaries include foreign entities with account settlement date on December 31. In the preparation of the consolidated financial statements, the financial statements as of that account settlement date are used. However, important transactions that arise in the interim until the consolidated account settlement date are subject to adjustments necessary for the purposes of the consolidation. The account settlement date of other consolidated subsidiaries is matched with the Consolidated Accounting Period.

(5) Matters concerning significant accounting policies

(i) Assets valuation basis and valuation method:

a. Securities:

Other securities

- Securities with market quotations:

Securities with market quotations are carried at fair value on the balance sheet date. Differences in valuation are included directly in net assets. The cost of securities sold is determined by the moving-average method.

- Securities without market quotations:

Securities without market quotations are stated at cost, cost being determined by the moving-average method.

- b. Inventories:
 - Merchandise:
Merchandise is stated at cost, cost being determined by the first-in first-out method (balance sheet value being calculated by reducing book value, based on the decline in profitability).
 - Supplies:
Supplies are stated at cost, 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 lease assets):
Property, plant, and equipment are depreciated according to the straight-line method and the declining-balance method. Equipment, furniture and fixtures of directly-managed shops are depreciated using the straight-line method over a useful life of 3 years. Useful life of principle assets is as follows:

Buildings and structures:	2–34 years
Furniture and fixtures:	2–20 years
 - b. Intangible fixed assets (excluding lease assets):
Calculated by the straight-line method.

Goodwill:	10 years
Software:	5 years
- (iii) Recognition of significant allowances:
 - a. Allowance for doubtful accounts:
To prepare for credit losses on accounts receivable and loans receivable etc., allowances equal to the estimated amount of uncollectible receivables are provided for general receivables based on the historical write-off ratio, and bad receivables based on case-by-case determination of collectability.
 - b. Reserve for employees' bonuses:
To provide for employees' bonus obligations, the Company designates in the reserve account an amount estimated to have accrued for the current fiscal year.
 - c. Allowance for early subscription cancellations:
The Company books an allowance for early subscription cancellations based on historical figures, as the Company must return commissions back to telecom carriers (with which the Company has concluded sales agency agreements) when mobile phone users that have subscribed through the Group or network of sales agencies cancel their subscriptions within a short period of time.
- (iv) Standards for the yen conversion of material foreign denominated assets and liabilities:
Assets and liabilities and income and expenditure of foreign subsidiaries are converted into yen at the foreign exchange spot rates prevailing on the balance sheet date. Conversion differences are stated in net assets on the foreign currency translation adjustment account.
- (v) Other significant accounting policies for the preparation of consolidated financial statements:
 - a. Accounting policy for liabilities relating to retirement benefits:
For calculations of liabilities relating to retirement benefits and retirement benefit expenditures, the Company applies a 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.

b. Accounting for consumption taxes:

The tax exclusion method is applied to consumption taxes and local consumption taxes. Non-deductible national and local consumption taxes are treated as an expense in the period under review.

2. Notes regarding Changes in the Method of Presentation

(Consolidated Statement of Income)

“Gain on donation of noncurrent assets,” which was up until the previous fiscal year included in “Others” of “Non-operating income,” is listed under a separate account title beginning with the period under review due to its increased financial importance. The “Gain on donation of noncurrent assets” included in “Others” in the consolidated statement of income for the previous fiscal year is 8 million yen.

“Store cancellation penalty,” which was up until the previous fiscal year included in “Others” of “Non-operating expenses,” is listed under a separate account title beginning with the period under review due to its increased financial importance. The “Store cancellation penalty” included in “Others” in the consolidated statement of income for the previous fiscal year is 4 million yen.

3. Notes regarding the Consolidated Balance Sheet

(1) Presentation of set-off 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 set-off is legally effective and that 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 as balances after set-off.

Amounts prior to set-off were as follows: “Accounts receivable - trade” 64,139 million yen, “Other accounts receivable” 30,960 million yen, “Accounts payable - trade” 58,557 million yen, and “Accounts payable - other” 29,636 million yen.

(2) Accumulated depreciation of property, plant and equipment

8,916 million yen.

The figure of accumulated depreciation includes accumulated impairment losses.

(3) Contingent liabilities

On August 3, 2012, InComm Japan, K.K. (main office in Shinjuku-ku, Tokyo; Takuma Arai, CEO; “InComm Japan” below), a supplier of merchandise for our gift-card business, filed litigation against the Company, demanding that it suspend sales of specific items of merchandise, recall items already sold, and pay damages of 680 million yen. On September 28, 2016, the Tokyo District Court issued a decision ordering the Company to pay InComm Japan damages totaling 174 million yen but dismissing the plaintiff’s other demands.

Both the Company and InComm Japan filed appeals in the Tokyo High Court seeking relief from the lower court decision. Furthermore, on December 21, 2016, InComm Japan filed a petition with the Tokyo High Court seeking to revise its damage claim to 968 million yen.

On April 26, 2017, the Tokyo High Court issued a decision ordering the Company to pay InComm Japan 67 million yen in damages and dismissing all other claims by InComm Japan.

On April 28, 2017, the Company paid InComm Japan damage compensation of 67 million yen plus an additional 11 million yen in compensation for delinquent payment of said damages.

4. Notes regarding the Consolidated Statement of Changes in Shareholders' Equity

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

Common shares: 79,074,000

(2) Matters concerning dividend of surplus

(i) Dividend payment:

(Resolution)	Type of share	Total amount of dividend (million yen)	Dividend per share (yen)	Record date	Effective date
Annual general meeting of shareholders on June 22, 2016	Common shares	1,547	22.50	March 31, 2016	June 23, 2016
Board of Directors meeting on November 8, 2016	Common shares	1,448	26.00	September 30, 2016	December 9, 2016

(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 26th Ordinary General Meeting of Shareholders to be held on June 21, 2017

(Resolution)	Type of share	Source of funds	Total amount of dividend (million yen)	Dividend per share (yen)	Record date	Effective date
Annual general meeting of shareholders on June 21, 2017	Common shares	Retained earnings	1,448	26.00	March 31, 2017	June 22, 2017

5. Notes regarding Financial Instruments

(1) Matters concerning the status of financial instruments

The Group limits its fund management to short-term deposits, and procures funds through loans from financial institutions such as banks.

There are plans to mitigate customer credit risk pertaining to trade notes and trade accounts in line with the Credit Management Regulations. In addition, investment securities are mainly equity shares, and the market value of listed shares is recognized every quarter.

Loans are used to fund working capital (mainly short-term) and for investment in plant and equipment (long-term).

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

Carrying values stated on the consolidated balance sheet as of March 31, 2017, their fair values, and the valuation differentials are as follows:

(million yen)

	Consolidated balance sheet carrying value*	Fair value*	Differential*
1. Cash and deposits	1,901	1,901	-
2. Accounts receivable – trade	12,867	12,867	-
3. Other accounts receivable	10,399	10,399	-
4. Investment securities			
Available-for-sale securities (Note 1)	544	544	-
5. Leasehold deposits	4,342	4,313	-28
6. Accounts payable – trade	(7,915)	(7,915)	-
7. Short-term borrowings	(8,332)	(8,332)	-
8. Accounts payable – other	(8,446)	(8,446)	-
9. Income taxes payable	(1,845)	(1,845)	-
10. Long-term borrowings (Note 2)	(14,747)	(14,705)	(-41)

*Items recorded as liabilities are indicated in ().

Note 1: This does not include non-listed shares (375 million yen recorded on the consolidated balance sheet) because there is no market value and the future cash flows cannot be forecast, making it difficult to determine the fair value.

Note 2: Includes long-term borrowings due within one year.

* Method of calculation of the fair value of financial instruments and matters concerning securities

- (i) Cash and deposits, (ii) Accounts receivable – trade, (iii) Other accounts receivable:
Due to the short-term maturities of these items, fair value and carrying value are almost at parity.
Fair value is therefore stated at carrying value.
- (iv) Investment securities:
Fair value of investment securities is stated at the market prices noted on a public exchange.
- (v) Leasehold deposits:
Fair value is stated at the present value of the future cash flows from leasehold deposits discounted at the yield of Japanese Government Bonds.
- (vi) Accounts payable – trade, (vii) Short-term borrowings, (viii) Accounts payable – other,
- (ix) Income taxes payable:
Due to the short-term maturities of these items, fair value and carrying value are almost at parity.
Fair value is therefore stated at carrying value.
- (x) Long-term borrowings:
Fair value of long-term borrowings is stated at the present value of total of principal and interest discounted at the interest rate assumed applicable to a newly raised identical loan total.

6. Notes regarding Per Share Information

- (i) Net assets per share: 526.92 yen
- (ii) Net income per share: 172.62 yen

7. Notes regarding Significant Subsequent Events

(Absorption-type merger of Consolidated Subsidiary)

At a meeting of the Board of Directors held on December 27, 2016, the Company resolved to execute an absorption-type merger of the Company's wholly-owned consolidated subsidiary TG Miyazaki Co., Ltd. effective April 1, 2017.

This merger is a simplified merger with respect to the Company, in accordance with Article 796, paragraph 2 of the Companies Act, and a short-form merger with respect to TG Miyazaki Co., Ltd., in accordance with Article 784, paragraph 1 of the Companies Act. Neither of the mentioned types of merger requires approval by a General Meeting of Shareholders.

(1) Transaction details

(i) Outline of the company to be absorbed (Fiscal year ending March 2017):

- Name: TG Miyazaki Co., Ltd.
- Business activities: Sales of mobile telephones and agency business
- Total assets: 515 million yen
- Liabilities: 222 million yen
- Net assets: 293 million yen

(ii) Date of the merger (effective date):

April 1, 2017

(iii) Legal form of the absorption-type merger:

An absorption-type merger with the Company being the surviving company, and TG Miyazaki Co., Ltd. the dissolving company.

(iv) Name of the post-merger company:

T-Gaia Corporation

(v) Objective:

TG Miyazaki is a wholly-owned subsidiary of the Company, and sells mobile handsets and conducts agency business in Miyazaki Prefecture. The objective of merging the company is to improve the efficiency of the management structure by unifying the organization and strengthening sales of mobile telephones in the Company's mobile telecommunications business.

(2) Overview of the accounting treatment

Treated as a transaction under common control in accordance with the "Accounting Standard for Business Combinations" (Accounting Standards Board of Japan (ASBJ) Statement No. 21; September 13, 2013) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestiture" (ASBJ Guidance No. 10; September 13, 2013).

8. Other Notes

(Notes on Supplementary Information)

(Application of the Application Guideline concerning the Recoverability of Deferred Tax Assets)

Beginning with the period under review, the Company applies the “Application Guideline concerning the Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26; March 28, 2016).

(Business Combinations)

Transaction under common control

Acquisition of additional shares of a subsidiary

(1) Summary of the transaction

(i) Name and business line of the party subject to business combination:

- Name of the party subject to business combination

WAM!NET Japan K.K.

- Business lines Provision of digital-contents network management services;
development and marketing of facsimile server software

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

February 28, 2017

(iii) Legal form of the business combination:

Acquisition of shares from non-controlling shareholders for a cash consideration.

(iv) Name of the party after the business combination:

Unchanged.

(v) Other matters concerning the transaction summary:

The additionally acquired shares represent 34.0% of voting rights. The acquisition of shares raises the percentage of voting rights held in WAM!NET Japan from 63.5% to 97.5%.

This acquisition of additional shares occurred in order to increase synergy effects by enabling deeper management integration.

(2) Summary of the accounting treatment implemented

The acquisition is treated as a transaction with non-controlling shareholders with regard to transactions under common control pursuant to the "Accounting Standard for Business Combinations" (ASBJ Standard No. 21; September 13, 2013) and the “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10; September 13, 2013).

(3) Matters concerning the acquisition of additional shares of a subsidiary

Breakdown of the acquisition cost and the consideration paid per class of shares:

<u>Consideration paid for the acquisition</u>	Cash	<u>640 million yen</u>
Acquisition cost		640 million yen

(4) Matters concerning changes in the equity of the Company in connection with the transaction with non-controlling shareholders

- (i) Main reason for change in capital surplus:
Acquisition of additional shares of a subsidiary
- (ii) Amount of reduction in capital surplus due to the transaction with non-controlling shareholders:
462 million yen

Non-consolidated Balance Sheet

(as of March 31, 2017)

(million yen)

Item	Amount	Item	Amount
(Assets)		(Liabilities)	
Current assets	60,699	Current liabilities	34,058
Cash and deposits	1,338	Accounts payable - trade	7,768
Accounts receivable – trade	12,590	Short-term borrowings	8,300
Products	34,218	Long-term borrowings within one year	5,503
Inventories	79	Accounts payable – other	8,402
Prepaid expenses	612	Accrued expenses	264
Deferred tax assets	1,200	Income taxes payable	1,787
Other accounts receivable	10,399	Deposits received	113
Other current assets	263	Unearned revenue	28
Allowance for doubtful accounts	(4)	Reserve for bonuses	1,714
Fixed assets	15,572	Allowance for early subscription cancellations	164
Tangible fixed assets	3,213	Others	13
Buildings	1,779	Non-current liabilities	11,436
Structures	139	Long-term borrowings	9,244
Vehicles	1	Provision for retirement benefits	374
Furniture and fixtures	915	Asset removal obligations	1,378
Land	353	Others	439
Construction in progress	23	Total liabilities	45,495
Intangible fixed assets	1,473	(Net Assets)	
Goodwill	496	Shareholders' equity	30,455
Software	896	Capital stock	3,154
Leasehold right	9	Capital surplus	5,640
Telephone subscription right	16	Legal capital surplus	5,640
Software in preparation	52	Retained earnings	43,187
Others	0	Legal retained earnings	17
Investment and other assets	10,886	Other retained earnings	
Investment securities	563	Retained earnings brought forward	43,170
Stocks of subsidiaries and affiliates	4,280	Treasury stock	(21,526)
Claims provable in bankruptcy, rehabilitation, etc.	12	Valuation and translation adjustments	321
Long-term prepaid expenses	59	Valuation difference on available-for-sale securities	321
Deferred tax assets	1,119	Total net assets	30,777
Leasehold deposits	4,323	Total Liabilities and Net Assets	76,272
Construction assistance fund	368		
Others	176		
Allowance for doubtful accounts	(17)		
Total Assets	76,272		

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

Non-consolidated Statement of Income

(from April 1, 2016 to March 31, 2017)

(million yen)

Item	Amount	
Net sales		
Net sales of goods	364,397	
Commission fee	185,770	550,167
Cost of sales		
Cost of goods sold	370,983	
Commission fee	118,921	489,905
Gross profit		60,262
Selling, general and administrative expenses		46,132
Operating income		14,130
Non-operating income		
Interest income	0	
Dividend income	286	
Insurance income	20	
Others	48	355
Non-operating expenses		
Interest expenses	65	
Store cancellation penalty	14	
Others	16	97
Ordinary income		14,388
Extraordinary gains		
Gain on sales of fixed assets	2	
Gain on sales of investment securities	118	121
Extraordinary losses		
Loss on sales of fixed assets	0	
Loss on removal of fixed assets	56	
Impairment loss	76	
Loss on sales of shares in subsidiaries	213	346
Net income before income taxes		14,164
Income taxes – current	4,249	
Income taxes – deferred	360	4,609
Net income		9,554

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

Non-consolidated Statement of Changes in Shareholders' Equity

(from April 1, 2016 to March 31, 2017)

(million yen)

	Shareholders' equity							
	Capital stock	Capital surplus		Retained earnings			Treasury stock	Total shareholders' equity
		Legal capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings Retained earnings brought forward	Total retained earnings		
Balance at the end of previous period	3,154	5,640	5,640	17	36,611	36,629	(8,755)	36,669
Changes of items during the period								
Dividends from surplus					(2,996)	(2,996)		(2,996)
Net income					9,554	9,554		9,554
Purchase of treasury stock							(12,771)	(12,771)
Changes in items other than shareholders' equity during the period (net)								
Total changes during the period	-	-	-	-	6,558	6,558	(12,771)	(6,213)
Balance at the end of the period	3,154	5,640	5,640	17	43,170	43,187	(21,526)	30,455

	Valuation and translation adjustments		Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at the end of previous period	110	110	36,779
Changes of items during the period			
Dividends from surplus			(2,996)
Net income			9,554
Purchase of treasury stock			(12,771)
Changes in items other than shareholders' equity during the period (net)	210	210	210
Total changes during the period	210	210	(6,002)
Balance at the end of the period	321	321	30,777

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

Notes to Non-consolidated Financial Statements

1. Notes regarding Matters Related to Significant Accounting Policies

(1) Assets valuation basis and valuation method

(i) Securities:

a. Equity stakes in subsidiaries and related companies:

Equities are stated at cost, cost being determined by the moving-average method

b. Other securities:

- Securities with market quotations:

Securities with market quotations are carried at fair value on the balance sheet date. Differences in valuation are included directly in net assets. The cost of securities sold is determined by the moving-average method.

- Securities without market quotations:

Securities without market quotations are stated at cost, cost being determined by the moving-average method

(ii) Inventories:

- Merchandise:

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

- Supplies:

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

(2) Depreciation and amortization method of fixed assets

(i) Property, plant and equipment (excluding lease assets):

Property, plant, and equipment are depreciated according to the straight-line method and the declining-balance method. Equipment, furniture and fixtures of directly-managed shops are depreciated using the straight-line method over a useful life of 3 years. Useful life of principle assets is as follows:

Buildings and structures: 2–34 years

Furniture and fixtures: 2–20 years

(ii) Intangible fixed assets (excluding lease assets):

Calculated by the straight-line method.

Goodwill: 10 years

Software: 5 years

(3) Recognition of allowances

(i) Allowance for doubtful accounts:

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

- (ii) Reserve for employees' bonuses:
To provide for employees' bonus obligations, the Company designates in the reserve account an amount estimated to have accrued for the current fiscal year.
- (iii) Allowance for early subscription cancellations:
The Company books an allowance for early subscription cancellations based on historical figures, as the Company must return commissions back to telecom carriers (with which the Company has concluded sales agency agreements) when mobile phone users that have subscribed through the Company or network of sales agencies cancel their subscriptions within a short period of time.
- (iv) Provision for retirement benefits:
To provide for employees' retirement benefits, the Company applies a simplified method to the calculations of liabilities relating to retirement benefits and retirement benefit expenditures whereby an amount required for voluntary resignations at the end of the term relating to retirement benefits is treated as retirement benefit liabilities.

(4) Other accounting policies for the preparation of financial statements

Accounting for consumption taxes:

The tax exclusion method is applied to consumption taxes and local consumption taxes. Non-deductible national and local consumption taxes are treated as an expense in the period under review.

2. Notes regarding Changes in the Method of Presentation

(Statement of Income)

"Rent income," which was up until the previous fiscal year listed as a separate account title (4 million yen in the current fiscal year), is included in "Others" of "Non-operating income" beginning with the period under review due to its decrease in financial importance.

"Store cancellation penalty," which was up until the previous fiscal year included in "Others" of "Non-operating expenses," is listed under a separate account title beginning with the period under review due to its increased financial importance. The "Store cancellation penalty" included in "Others" in the statement of income for the previous fiscal year is 4 million yen.

3. Notes regarding the Balance Sheet

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

Amounts prior to set-off were as follows: “Accounts receivable - trade” 64,009 million yen, “Other accounts receivable” 30,975 million yen, “Accounts payable - trade” 58,437 million yen, and “Accounts payable - other” 29,729 million yen.

(2) Accumulated depreciation of property, plant and equipment

8,498 million yen.

The figure of accumulated depreciation includes accumulated impairment losses.

(3) Debt guarantee

The Company provides debt guarantee to the following subsidiary.

T-GAIA ASIA PACIFIC PTE. Ltd.	32 million yen
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(4) Accounts payable and receivable in relation to related companies

Short-term accounts receivable:	29 million yen
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Short-term accounts payable:	111 million yen
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(5) Contingent liabilities

On August 3, 2012, InComm Japan, K.K. (main office in Shinjuku-ku, Tokyo; Takuma Arai, CEO; “InComm Japan” below), a supplier of merchandise for our gift-card business, filed litigation against the Company, demanding that it suspend sales of specific items of merchandise, recall items already sold, and pay damages of 680 million yen. On September 28, 2016, the Tokyo District Court issued a decision ordering the Company to pay InComm Japan damages totaling 174 million yen but dismissing the plaintiff’s other demands.

Both the Company and InComm Japan filed appeals in the Tokyo High Court seeking relief from the lower court decision. Furthermore, on December 21, 2016, InComm Japan filed a petition with the Tokyo High Court seeking to revise its damage claim to 968 million yen.

On April 26, 2017, the Tokyo High Court issued a decision ordering the Company to pay InComm Japan 67 million yen in damages and dismissing all other claims by InComm Japan.

On April 28, 2017, the Company paid InComm Japan damage compensation of 67 million yen plus an additional 11 million yen in compensation for delinquent payment of said damages.

4. Notes regarding the Statement of Income

Transaction balance with related companies

Transaction balance from operating transactions:

Sales	1,314 million yen
Purchases	882 million yen

Transaction balance from non-operating transactions: 287 million yen

5. Notes regarding the Statement of Changes in Shareholders' Equity

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

Common shares:	23,345,796
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6. Notes regarding Tax Effect Accounting

Main reasons for deferred tax assets and deferred tax liabilities

Deferred tax assets

Reserve for bonuses:	610 million yen
Allowance for doubtful accounts:	6 million yen
Inventory valuation loss:	42 million yen
Accrued business tax and business office tax:	113 million yen
Excessive depreciation:	613 million yen
Asset retirement obligations:	421 million yen
Provision for retirement benefits:	114 million yen
Allowance for early subscription cancellations:	50 million yen
Asset adjustment:	81 million yen
Other:	583 million yen
Total deferred tax assets:	<u>2,639 million yen</u>

Deferred tax liabilities

Asset retirement obligations:	<u>-174 million yen</u>
Net unrealized holding gain on securities:	<u>-143 million yen</u>
Total deferred tax liabilities:	<u>-318 million yen</u>

Net deferred tax assets: 2,320 million yen

7. Notes regarding Per Share Information

(1) Net assets per share:	552.27 yen
(2) Net income per share:	170.13 yen

8. Notes regarding Significant Subsequent Events

(Absorption-type merger of Consolidated Subsidiary)

At a meeting of the Board of Directors held on December 27, 2016, the Company resolved to execute an absorption-type merger of the Company's wholly-owned consolidated subsidiary TG Miyazaki Co., Ltd. effective April 1, 2017.

This merger is a simplified merger with respect to the Company, in accordance with Article 796, paragraph 2 of the Companies Act, and a short-form merger with respect to TG Miyazaki Co., Ltd., in accordance with Article 784, paragraph 1 of the Companies Act. Neither of the mentioned types of merger requires approval by a General Meeting of Shareholders.

(1) Transaction details

Details are as recorded in "7. Notes regarding Significant Subsequent Events" in the Notes to Consolidated Financial Statements.

(2) Overview of the accounting treatment

Treated as a transaction under common control in accordance with the "Accounting Standard for Business Combinations" (Accounting Standards Board of Japan (ASBJ) Statement No. 21; September 13, 2013) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestiture" (ASBJ Guidance No. 10; September 13, 2013).

The Company expects to record the difference between the net assets acquired from the dissolving company on the effective date of the merger and the book value of the equity held by the Company in the subsidiary as an extraordinary loss (loss on extinguishment of tie-in shares).

9. Other Notes

(Notes on Supplementary Information)

(Application of the Application Guideline concerning the Recoverability of Deferred Tax Assets)

Beginning with the period under review, the Company applies the "Application Guideline concerning the Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26; March 28, 2016).

Independent Auditor's Report on Consolidated Financial Statements

Independent Auditor's Report

May 9, 2017

To the Board of Directors,
T-Gaia Corporation

Deloitte Touche Tohmatsu LLC
Shigeo Kawashima (seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant
Naokazu Fukushi (seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

We have audited the consolidated financial statements comprising the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in shareholders' equity and the related notes of T-Gaia Corporation for the fiscal year from April 1, 2016 to March 31, 2017 in accordance with Article 444 paragraph 4 of the Companies Act of Japan.

Management's Responsibility for the Consolidated Financial Statements:

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with generally accepted accounting principles in Japan. This includes the development and implementation of internal control deemed necessary by management for the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility:

Our responsibility is to express an opinion on the consolidated financial statements based on our audits as independent auditors. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected and applied depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit is not to express an opinion on the effectiveness of the Company's internal control. However, in performing this risk assessment, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used, the method of their application, and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Audit Opinion:

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and the results of operations of T-Gaia Corporation and its consolidated subsidiaries for the period for which the consolidated financial statements were prepared in accordance with generally accepted accounting principles in Japan.

Interests in the Company:

Neither our firm nor any of the engagement partners has any interest in the Company as required to be disclosed herein under the provisions of the Certified Public Accountants Act.

Independent Auditor's Report on Non-consolidated Financial Statements

Independent Auditor's Report

May 9, 2017

To the Board of Directors,
T-Gaia Corporation

Deloitte Touche Tohmatsu LLC
Shigeo Kawashima (seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant
Naokazu Fukushi (seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

We have audited the accompanying non-consolidated financial statements comprising the balance sheet, statement of income, statement of changes in shareholders' equity and the related notes as well as the supporting schedules of T-Gaia Corporation for the 26th fiscal year from April 1, 2016 to March 31, 2017 in accordance with Article 436 paragraph 2 item 1 of the Companies Act of Japan.

Management's Responsibility for the Non-consolidated Financial Statements:

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements and the supporting schedules in accordance with generally accepted accounting principles in Japan. This includes the development and implementation of internal control deemed necessary by management for the preparation and fair presentation of non-consolidated financial statements and supporting schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility:

Our responsibility is to express an opinion on the non-consolidated financial statements and supporting schedules based on our audits as independent auditors. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and supporting schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements and supporting schedules. The procedures selected and applied depend on our judgment, including the assessment of the risks of material misstatement of the financial statements and supporting schedules, whether due to fraud or error. The purpose of an audit is not to express an opinion on the effectiveness of the Company's internal control. However, in performing this risk assessment, we consider internal control relevant to the Company's preparation and fair presentation of the non-consolidated financial statements and supporting schedules in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used, the method of their application, and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the non-consolidated financial statements and supporting schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Audit Opinion:

In our opinion, the non-consolidated financial statements and supporting schedules referred to above, present fairly, in all material respects, the financial position and the results of operations of the Company for the period for which the financial statements and supporting schedules were prepared in accordance with generally accepted accounting principles in Japan.

Interests in the Company:

Neither our firm nor any of the engagement partners has any interest in the Company as required to be disclosed herein under the provisions of the Certified Public Accountants Act.

Audit Report by Audit and Supervisory Board

Audit Report

The Audit and Supervisory Board, upon deliberation, prepared this audit report regarding the performance of duties of the Directors of T-Gaia Corporation during the 26th fiscal year from April 1, 2016 to March 31, 2017, based on the audit reports prepared by each Audit and Supervisory Board Member, and hereby reports as follows:

1. Auditing Method Employed by Audit and Supervisory Board Members and the Audit and Supervisory Board and Details Thereof

- (1) The Audit and Supervisory Board established an auditing policy and the assignment of the duties, etc., received from each Audit and Supervisory Board Member reports on the execution of audits and the results thereof and, in addition, received reports on the performance of their duties from the Directors and the Accounting Auditor and, when necessary, requested explanations regarding such reports.
- (2) In accordance with the auditing standards for Audit and Supervisory Board Members established by the Audit and Supervisory Board, and based on the auditing policy and the assignment of duties etc., each Audit and Supervisory Board Member has taken steps to facilitate communication with the Directors, the internal audit department as well as other employees, and has endeavored to gather information and establish an environment for auditing. Each Audit and Supervisory Board Member has audited in the following manner:
 - (i) Each Audit and Supervisory Board Member attended meetings of the Board of Directors and other important meetings, received from the Directors, employees and other related persons reports on the performance of their duties and, when necessary, requested explanations regarding such reports. In addition, each Audit and Supervisory Board Member inspected important decision documents, etc. and examined the business and financial position of the Company at the head office and other major business offices of the Company. With respect to the subsidiaries of the Company, each Audit and Supervisory Board Member has taken steps to facilitate communication with the Directors, Audit and Supervisory Board Members and other related persons of major subsidiaries and to share information with them and, when necessary, received reports from the subsidiaries regarding their businesses.
 - (ii) In terms of the content of resolutions made by the Board of Directors concerning the establishment of the systems provided for in Article 100 paragraphs 1 and 3 of the Ordinance for Enforcement of the Companies Act to ensure that the performance of duties by the Directors, which are described in the business report, is compliant with the laws and regulations of Japan and with the Company's Articles of Incorporation and other systems to ensure that operation of a joint stock company and the corporate group comprising of its subsidiaries will be conducted appropriately, as well as the status of such systems established by such resolutions (internal control system), each Audit and Supervisory Board Member periodically received reports on the status of development and operating situation of such systems from Directors and employees and, when necessary, requested explanations regarding such reports and expressed their opinion.
 - (iii) The Audit and Supervisory Board Members monitored and examined whether the accounting auditors maintained their independence and performed audits in an appropriate manner. The Audit and Supervisory Board Members received reports from the Accounting Auditor on the performance of their duties and, when necessary, requested explanations regarding those reports. The Audit and Supervisory Board Members also received notification from the Accounting Auditor that they have taken steps to improve the "System for Ensuring Appropriate Execution of the Duties" (as enumerated in each item of Article 131 of the Rules of Corporate Accounting) in compliance with the "Standards for Quality Control of Audit" (adopted by the Business Accounting Deliberation Council on October 28, 2005), etc. When necessary, the Audit and Supervisory Board Members requested explanations on such notifications.

Based on the aforementioned method the Audit and Supervisory Board Members reviewed the business report and supporting schedules thereto for the concerned fiscal year, the non-consolidated financial statements (non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in shareholders' equity and the related notes) and supplementary schedules thereto and the consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in shareholders' equity and the related notes).

2. Results of Audit

(1) Audit Results on the Business Report, etc.

- (i) In our opinion, the business report and the supporting schedules fairly represent the Company's condition in conformity with the applicable laws and regulations of Japan as well as the Articles of Incorporation of the Company.
- (ii) With respect to the execution of duties by the Directors, we have found no evidence of misconduct or material facts in violation of the applicable laws and regulations of Japan or the Articles of Incorporation of the Company.
- (iii) In our opinion, the content of the resolutions made by the Board of Directors regarding the internal control system is appropriate. Furthermore, we have not found anything to be pointed out on the content described in the business report and the performance of duties of the Directors concerning the internal control system.

(2) Results of Audit of the Non-consolidated Financial Statements and Supplementary Schedules:

In our opinion, the method and results of the audit employed and rendered by Deloitte Touche Tohmatsu LLC, the Accounting Auditor of the Company, are fair and reasonable.

(3) Results of Audit of the Consolidated Financial Statements:

In our opinion, the method and results of the audit employed and rendered by Deloitte Touche Tohmatsu LLC, the Accounting Auditor of the Company, are fair and reasonable.

May 10, 2017

Audit and Supervisory Board, T-Gaia Corporation

Full-time Audit and Supervisory Board Member	Naoya Okutani (Seal)
Full-time Audit and Supervisory Board Member	Ryo Hashimoto (Seal)
Outside Audit and Supervisory Board Member	Yukihide Matsuoka (Seal)
Outside Audit and Supervisory Board Member	Toshiro Kaba (Seal)