May 30, 2018
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 27th 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 27th 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 arrives by 5:45 p.m. on Tuesday, June 19, 2018.

Exercise voting rights via the Internet:
Read How to Exercise Voting Rights via the Internet, etc. attached hereto, and exercise your voting rights by 5:45 p.m. on Tuesday, June 19, 2018.

1. Date and Time	**Wednesday, June 20, 2018 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 27th Fiscal Year (from April 1, 2017 to March 31, 2018) 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 27th Fiscal Year (from April 1, 2017 to March 31, 2018) **Matters to be resolved** Proposal 1: Appropriation of Retained Earnings Proposal 2: Appointment of Nine (9) Directors Proposal 3: Appointment of One (1) 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/english/ir/).
- Please note that we have stopped distributing souvenirs for attending shareholders from this year. We appreciate your understanding.

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 postage seal.)

Date and Time: **Wednesday, June 20, 2018 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 19, 2018.

Exercise voting rights via the Internet, etc.

Access the voting rights exercise website (https://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 19, 2018.

<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 redundantly by writing and via the Internet, etc., the voting rights exercised via the Internet, etc. will be deemed as valid.

(2) If a shareholder exercises voting rights more than once via the Internet, etc., the final vote will be deemed as valid.

How to Exercise Voting Rights via the Internet, etc.

Those who exercise their voting rights via the Internet, etc. 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: **https://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 Internet connection, antivirus software or a proxy server.

(3) The deadline for exercising voting rights is 5:45 p.m. on Tuesday, June 19, 2018.
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 meeting of shareholders in addition to exercising the rights via the Internet upon prior application to use the said platform.

Reference Documents for the Ordinary 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 % 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:
27.5 yen per common share of stock in T-Gaia Corporation
Total cash dividend of 1,532,525,610 yen
Given that we paid an interim dividend of 27.5 yen per share of common stock, the annual dividend per share will total 55 yen, for an increase of 3 yen per share from the previous year.

(3) Record date for dividend from the surplus:
June 21, 2018

Proposal 2 **Appointment of Nine (9) Directors**

The terms of all nine (9) Directors will expire at the conclusion of this General Meeting of Shareholders. Accordingly, we propose the appointment of nine (9) Directors.

The candidates for Director are as follows.

Candidate No.		Name			Positions and Responsibilities in the Company
1	Reappointment	**Toshifumi Shibuya**			Chairman and Representative Director
2	Reappointment	**Nobutaka Kanaji**			President and Representative Director, Chief Executive Officer
3	Reappointment	**Soichiro Tada**			Director, Executive Vice President, CFO, in charge of corporate accounting, finance and settlement, IT, risk management and logistics
4	Reappointment	**Tsuyoshi Konda**			Director, Senior Executive Officer
5	New appointment	**Masahiro Miyashita**			–
6	Reappointment	**Tetsu Fukuoka**			Director
7	Reappointment	**Toshiya Asaba**	Candidate for Outside Director	Candidate for Independent Director	Outside Director
8	Reappointment	**Kyoko Deguchi**	Candidate for Outside Director	Candidate for Independent Director	Outside Director
9	New appointment	**Junichi Kamata**	Candidate for Outside Director	Candidate for Independent Director	–

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: 7,800	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 and Representative Director, T-Gaia Corporation (current)
		Jun 2017	Director, National Association of Mobile-phone Distributors (current)
		Jun 2017	Director, TELECOM SERVICES ASSOCIATION (current)
	[Reasons for Appointment] Mr. Toshifumi Shibuya began serving as President and Chief Executive Officer of the Company in 2015 and has been demonstrating leadership as Chairman since April 2017. As a licensed attorney in New York and Washington D.C., U.S., he possesses advanced knowledge and abundant experience regarding legal services in Japan and overseas and has contributed to strengthening the Company’s corporate governance. As the Company regards Mr. Shibuya’s career to date as well as experience and knowledge cultivated in the Company’s management essential for the further enhancement of the Company’s corporate value, we have nominated him as a candidate for Director again.		

<table>
<tr><th>Candidate Number</th><th>Name
(Date of Birth)</th><th colspan="2">Career Summary, Positions and Responsibilities in the Company
(Major Concurrent Posts)</th></tr>
<tr><td rowspan="13">2</td><td rowspan="12">Nobutaka Kanaji
(Mar 18, 1960)

Number of
Company shares held:
2,400</td><td>Apr 1983</td><td>Joined Sumitomo Corporation</td></tr>
<tr><td>Jun 1988</td><td>Assigned to Representative Office in Saudi Arabia</td></tr>
<tr><td>Aug 2001</td><td>Sumitomo Corporation of Americas (New York)</td></tr>
<tr><td>Apr 2005</td><td>President, Presidio STX, LLC (US)</td></tr>
<tr><td>Oct 2007</td><td>Manager of Net Business, Sumitomo Corporation</td></tr>
<tr><td>Oct 2008</td><td>Manager of Mobile & Internet Business,
Sumitomo Corporation</td></tr>
<tr><td>Jun 2013</td><td>Outside Director, T-Gaia Corporation</td></tr>
<tr><td>Apr 2014</td><td>Director, Executive Vice President; Senior Director of Administrative Unit No. 1, T-Gaia Corporation</td></tr>
<tr><td>Apr 2015</td><td>Director, Executive Vice President; Senior Director of Corporate Strategy, T-Gaia Corporation</td></tr>
<tr><td>Apr 2016</td><td>Director, Executive Vice President; Senior Director of Smart Life Business and concurrently Senior Director of Enterprise Solutions Business; Responsibility for Network Business Division, T-Gaia Corporation</td></tr>
<tr><td>Apr 2017</td><td>President and Chief Executive Officer,
T-Gaia Corporation (current)</td></tr>
<tr><td>Dec 2017</td><td>Director, QUO CARD Co., Ltd. (current)</td></tr>
<tr><td colspan="3">[Reasons for Appointment]
Mr. Nobutaka Kanaji is well-versed in the telecommunications field and possesses abundant experience and broad knowledge as a corporate manager gained mainly from supervising various divisions of the Company, from each sales division to corporate divisions, as Director of the Company since 2013. In addition, he has been demonstrating leadership as President and Chief Executive Officer, who has the highest responsibility in business execution. As the Company regards Mr. Kanaji’s career to date as well as experience and knowledge cultivated in the Company’s management essential for the establishment and promotion of the Company’s growth strategy, we have nominated him as a candidate for Director again.</td></tr>
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<tr><th>Candidate Number</th><th>Name (Date of Birth)</th><th colspan="2">Career Summary, Positions and Responsibilities in the Company (Major Concurrent Posts)</th></tr>
<tr><td rowspan="14">3</td><td rowspan="13">Soichiro Tada
(Feb 3, 1957)

Number of Company shares held: 700</td><td>Apr 1979</td><td>Joined Sumitomo Corporation</td></tr>
<tr><td>Jul 1992</td><td>Sumitomo Corporation (Hong Kong) Limited</td></tr>
<tr><td>Jun 2008</td><td>Accounting Manager for Transport and Construction Machinery and Infrastructure, Sumitomo Corporation</td></tr>
<tr><td>Nov 2009</td><td>Accounting Manager for Infrastructure, Finance and Distribution, Sumitomo Corporation</td></tr>
<tr><td>Apr 2011</td><td>Accounting Manager for New Industries and Infrastructure, Sumitomo Corporation</td></tr>
<tr><td>Apr 2013</td><td>Accounting Manager for Environment and Infrastructure, Sumitomo Corporation</td></tr>
<tr><td>Jun 2014</td><td>Managing Executive Officer; Senior Director, Administrative Unit No. 2, T-Gaia Corporation</td></tr>
<tr><td>Apr 2015</td><td>Senior Executive Officer; Senior Director of Corporate Finance and concurrently Director of Risk Management, T-Gaia Corporation</td></tr>
<tr><td>Jun 2015</td><td>Director, Senior Executive Officer; Senior Director of Corporate Finance and concurrently Director of Risk Management, T-Gaia Corporation</td></tr>
<tr><td>Apr 2016</td><td>Director, Executive Vice President; Senior Director of Corporate Finance, T-Gaia Corporation</td></tr>
<tr><td>Dec 2017</td><td>Director, Executive Vice President; Senior Director of Corporate Finance and concurrently Senior Director of Corporate Strategy, T-Gaia Corporation</td></tr>
<tr><td>Dec 2017</td><td>Corporate Auditor, QUO CARD Co., Ltd. (current)</td></tr>
<tr><td>Apr 2018</td><td>Director, Executive Vice President; CFO, in charge of corporate accounting, finance and settlement, IT, risk management and logistics (current)</td></tr>
<tr><td colspan="3">[Reasons for Appointment]
Mr. Soichiro Tada possesses abundant experience and knowledge as a corporate manager gained mainly from supervising corporate divisions centered on accounting, finance, risk management, etc. in extensive business fields. In addition, he has been demonstrating the skills by deeply engaging in decision-making of the Company’s important business execution as Director of the Company since 2015. As the Company regards Mr. Tada’s career and knowledge cultivated to date essential for the Company’s finance and accounting fields, we have nominated him as a candidate for Director again.</td></tr>
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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: 700	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
		Dec 2017	Director, Senior Executive Officer (current)
		Dec 2017	President & Representative Director, QUO CARD Co., Ltd. (current)
	[Reasons for Appointment] Mr. Tsuyoshi Konda possesses abundant experience and knowledge regarding business development of telecommunications field and investment development of new businesses. In addition, he has been demonstrating the skills by deeply engaging in decision-making of the Company's important business execution as Director of the Company since 2015. As the Company regards Mr. Konda's career and knowledge cultivated to date essential for establishment and promotion of the Company's business strategy, we have nominated him as a candidate for Director again.		

Candidate Number	Name (Date of Birth)	Career Summary, Positions and Responsibilities in the Company (Major Concurrent Posts)	
5	**Masahiro Miyashita** (Mar 1, 1960) Number of Company shares held: —	Apr 1983	Joined Sumitomo Corporation
		Apr 2013	Manager of Infrastructure & Plant Project, Sumitomo Corporation
		Jun 2014	Manager of Information Business, Sumitomo Corporation
		Aug 2014	Manager of Myanmar Telecommunications Business Project, Sumitomo Corporation
		Oct 2016	Manager of Mobile Solutions Business Unit No. 2, Sumitomo Corporation
		Apr 2018	General Manager of Mobile Business, Sumitomo Corporation (current)
	[Reasons for Appointment] Mr. Masahiro Miyashita possesses abundant experience and outstanding knowledge regarding telecommunications field and management gained from his career of serving as Manager of Information Business, Manager of Myanmar Telecommunications Business Project, Manager of Mobile Solutions Business Unit No. 2 in the past, and currently General Manager of Mobile Business at Sumitomo Corporation. The Company nominated him as a candidate for Director with a perspective that Mr. Miyashita will dedicate his career and knowledge cultivated to date to strengthen the supervisory function of the Company’s overall management.		

Candidate Number	Name (Date of Birth)	Career Summary, Positions and Responsibilities in the Company (Major Concurrent Posts)	
6	**Tetsu Fukuoka** (July 25, 1968) Number of Company shares held: —	Apr 1993	Joined Sumitomo Corporation
		Sep 2001	Visiting Fellow, Stanford University Asia-Pacific Research Center (US)
		Dec 2002	Director, Presidio Venture Partners, LLC (US)
		Apr 2016	Manager of General Mobile Business, Sumitomo Corporation
		Jun 2016	Director, T-Gaia Corporation (current)
		Jun 2016	Supervisor, National Association of Mobile-phone Distributors (current)
		Oct 2016	Manager of Mobile Solutions Business Unit No. 1, Sumitomo Corporation (current)
	[Reasons for Appointment] Mr. Tetsu Fukuoka possesses abundant experience and knowledge regarding venture investment and telecommunications field. In addition, he has been demonstrating the skills by deeply engaging in decision-making of the Company’s important business execution as Director of the Company since 2016. The Company nominated him as a candidate for Director again with a perspective that Mr. Fukuoka will dedicate his career and knowledge cultivated to date to strengthen the supervisory function of the overall management and enhance the Company’s corporate value.		

<table>
<tr><th>Candidate Number</th><th>Name
(Date of Birth)</th><th colspan="2">Career Summary, Positions and Responsibilities in the Company
(Major Concurrent Posts)</th></tr>
<tr><td rowspan="17">7</td><td rowspan="16">Toshiya Asaba
(June 12, 1962)

Number of
Company shares held:
100</td><td>Apr 1989</td><td>Joined Recruit Co., Ltd.</td></tr>
<tr><td>Apr 1995</td><td>Manager of Network Technology,
Internet Initiative Japan Inc.</td></tr>
<tr><td>Mar 1996</td><td>Director, IIJ America Inc.</td></tr>
<tr><td>Sep 1997</td><td>Director of Technology, Internet Multifeed Co.</td></tr>
<tr><td>Oct 1998</td><td>Manager of Technology Planning,
Crosswave Communications, Inc.</td></tr>
<tr><td>Jun 1999</td><td>Director, Crosswave Communications, Inc.</td></tr>
<tr><td>Jun 1999</td><td>Director, Co-CTO, Internet Initiative Japan Inc.</td></tr>
<tr><td>Jun 2004</td><td>Director and Vice President,
Internet Initiative Japan Inc.</td></tr>
<tr><td>Jun 2004</td><td>Director, NTT Resonant Incorporated</td></tr>
<tr><td>Jun 2008</td><td>Representative Director, IIJ Innovation Institute Inc.</td></tr>
<tr><td>Apr 2012</td><td>Representative Director, Stratosphere Inc.</td></tr>
<tr><td>Jun 2015</td><td>Director, IIJ Innovation Institute Inc. (current)</td></tr>
<tr><td>Jun 2015</td><td>Representative Employee, Gaia Lab LLC (current)</td></tr>
<tr><td>Jun 2016</td><td>Outside Director, T-Gaia Corporation (current)</td></tr>
<tr><td>Nov 2017</td><td>Representative Director and Vice Chairman, The Japanese Society for Quality Control (JSQC) (current)</td></tr>
<tr><td colspan="2"></td></tr>
<tr><td colspan="3">[Reasons for Appointment]
Mr. Toshiya Asaba possesses deep knowledge especially regarding telecommunications field, and also abundant experience and outstanding knowledge as corporate manager and CTO. In addition, he has been demonstrating the skills by engaging in supervision of business executors as Outside Director of the Company since 2016. The Company nominated him as a candidate for Outside Director again with a perspective that Mr. Asaba will dedicate his career and knowledge cultivated to date to the supervision of the Company’s business activities and decision-making.</td></tr>
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<table>
<tr><th>Candidate Number</th><th>Name (Date of Birth)</th><th colspan="2">Career Summary, Positions and Responsibilities in the Company (Major Concurrent Posts)</th></tr>
<tr><td rowspan="19">8</td><td rowspan="18">Kyoko Deguchi
(Dec 12, 1965)

Number of Company shares held: 200</td><td>Apr 1989</td><td>Joined Bain & Company Japan, Incorporated</td></tr>
<tr><td>Feb 1998</td><td>Senior Director of Planning, Disney Store Japan Inc.</td></tr>
<tr><td>Feb 1999</td><td>Senior Finance Director, Disney Store Japan Inc.</td></tr>
<tr><td>Mar 2001</td><td>Director and CFO, GE Plastics Japan Ltd.</td></tr>
<tr><td>Apr 2004</td><td>Product Director, Janssen Pharmaceutical
(now Ortho Neurologics) (US)</td></tr>
<tr><td>Sep 2005</td><td>Senior Director of Digestive Region, Pain, and OTC Business Division, Janssen-Cilag Pty Ltd. (Australia)</td></tr>
<tr><td>Jan 2007</td><td>Assistant Senior Director of Marketing Division, Janssen Pharmaceutical K.K.,</td></tr>
<tr><td>Aug 2009</td><td>Director, Vice President of Global Marketing, Stryker Japan K.K.</td></tr>
<tr><td>Jan 2012</td><td>President and CEO, Stryker Japan K.K.</td></tr>
<tr><td>Mar 2013</td><td>Senior Corporate Executive Officer and Manager of President’s Office with concurrent responsibility for Financial and Accounting Division, Bellsystem24 Inc.</td></tr>
<tr><td>Mar 2014</td><td>CEO, AbbVie GK</td></tr>
<tr><td>Jul 2014</td><td>Outside Director,
Nippon Ski Resort Development Co., Ltd. (current)</td></tr>
<tr><td>Feb 2015</td><td>COO, Medical Corporation Shikiku-kai</td></tr>
<tr><td>Apr 2015</td><td>Professor, Kenichi Ohmae Graduate School of Business, Business Breakthrough, Inc. (current)</td></tr>
<tr><td>Mar 2016</td><td>Outside Director, Cookpad Inc.</td></tr>
<tr><td>Jun 2016</td><td>Outside Director, T-Gaia Corporation (current)</td></tr>
<tr><td>Aug 2017</td><td>Vice President, Medical Corporation Shikiku-kai (current)</td></tr>
<tr><td></td><td></td></tr>
<tr><td colspan="3">[Reasons for Appointment]
Ms. Kyoko Deguchi possesses abundant experience and outstanding knowledge as CFO and corporate manager gained mainly from serving as representative director of extensive business corporates. In addition, she has been demonstrating the skills by engaging in supervision of business executors as Outside Director of the Company since 2016. The Company nominated her as a candidate for Outside Director again with a perspective that Ms. Deguchi will dedicate her career and knowledge cultivated to date to the supervision of the Company’s business activities and decision-making.</td></tr>
</table>

<table>
<tr><th>Candidate Number</th><th>Name
(Date of Birth)</th><th colspan="2">Career Summary, Positions and Responsibilities in the Company
(Major Concurrent Posts)</th></tr>
<tr><td rowspan="2">9</td><td>Junichi Kamata
(Nov 28, 1953)

Number of Company shares held:
—</td><td>Apr 1978
Jan 1992
May 1999

Nov 2000
Jan 2005

Apr 2008

Apr 2011

Apr 2014

Jun 2015</td><td>Joined Hitachi Metals, Ltd.
CFO, HMT Technology Inc. (US)
Manager, Corporate Management Department, LET Inc. (Philippines)
Vice President and CFO, Hitachi Metals America (US)
General Manager of Human Resources & General Administration Dept., Hitachi Metals, Ltd.
Managing Officer, General Manager of Corporate Management Planning Office of Hitachi Metals, Ltd.
Managing Officer, President of Piping Components Company of Hitachi Metals, Ltd.
Managing Officer of Hitachi Metals, Ltd.; President & CEO, Hitachi Metals America, Ltd. (US)
Director, Hitachi Metals, Ltd. (current) (Scheduled to retire from this position as of June 19, 2018)</td></tr>
<tr><td colspan="3">[Reasons for Appointment]
Mr. Junichi Kamata possesses abundant experience and outstanding knowledge regarding corporate management gained mainly from serving as Management Officer and Director of Hitachi Metals, Ltd. The Company nominated him as a candidate for Outside Director with a perspective that Mr. Kamata will dedicate his career and knowledge cultivated to date to the supervision of the Company’s business activities and decision-making.</td></tr>
</table>

Notes:

1. Mr. Toshiya Asaba, Ms. Kyoko Deguchi and Mr. Junichi Kamata are candidates for Outside Director.
2. No special interest relationship exists between the candidates and the Company.
3. Mr. Toshiya Asaba and Ms. Kyoko Deguchi are currently Outside Directors for the Company. Both of them will have served two years as Outside Directors at the conclusion of this General Meeting of Shareholders.
4. The Company has entered into agreements with Mr. Tetsu Fukuoka, Mr. Toshiya Asaba and Ms. 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 three candidates if their reappointments are approved. We plan to newly enter into similar limited-liability agreements with Mr. Masahiro Miyashita and Mr. Junichi Kamata if their appointments are approved.
5. Mr. Toshiya Asaba and Ms. Kyoko Deguchi meet the criteria for independent directors as defined by the Tokyo Stock Exchange. The Company has reported the status of these two individuals as independent directors to the Tokyo Stock Exchange. If these two candidates are reappointed, the Company plans to continue treating them as independent directors. Also, if the appointment of Mr. Junichi Kamata is approved, the Company plans to report him as an independent director to the Tokyo Stock Exchange.
6. Mr. Soichiro Tada and Mr. Tsuyoshi Konda are on assignment from Sumitomo Corporation, the parent company of the Company.

Proposal 3 Appointment of One Alternate Auditor

To prepare for situations in which the Company lacks the number of Corporate Auditors stipulated by laws and regulations, we hereby propose the appointment of one (1) Alternate Auditor in advance.

The Audit and Supervisory Board has 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	Retired from Sumitomo Corporation
	Jun 2012	Full-time Outside Auditor, T-Gaia Corporation (Outside Auditor)

[Reasons for Appointment]

Mr. Makoto Ikadai has an experience of fully fulfilling his duty by expressing opinions on corporate management, based on his abundant experience and knowledge regarding internal auditing and finance, from an independent standpoint as Full-time Outside Auditor (Outside Auditor) of the Company during four years from June 2012. Therefore, the Company regards Mr. Ikadai will appropriately fulfill the duty of the Company's auditing and nominated him as a candidate for Alternate Outside Auditor.

Notes:

1. Mr. 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 (from April 1, 2017, to March 31, 2018)

1. Current Status of the Corporate Group

(1) Business Conditions during the Fiscal Year under Review

(i) Progress and results:

During the year under review, the Japanese economy followed a gradual recovery trend with a pick up in consumer spending amid improvements in the employment and income environments against the backdrop of measures such as continued government economic policies and monetary easing policies by the Bank of Japan. Meanwhile, the outlook for the future economy remains uncertain due to factors such as policy actions of the U.S., the economic situations in Asian countries and rising geopolitical risks.

In the market for sales of mobile phone handsets which is the main business field of the Group (the Company, its consolidated subsidiaries and related companies accounted for by the equity method), consumers now have access to extended service options due to the provision of new rate plans by telecom carriers, as well as the promulgation of sub-brand goods and MVNOs (mobile virtual network operators). In addition, there are increasing attention on the future market due to the news report on the entry of new telecom carriers.

Under this business environment, the Company's unit sales of mobile handsets totaled 4.59 million, up from the previous fiscal year, and smart devices accounted for a higher share of that total, at over 80 %.

We utilized a flexible work-hour system to enhance our productivity, and continued to take initiatives for "work-style reforms", such as the setting of regular and year-end/new-year holidays for shops and a reduction in working hours, in order to improve employee satisfaction and the retention rate of employees. Furthermore, we received the Grand Prize in the Childcare Support Category at the 3rd White Corporations Award sponsored by Japan White Spread (JWS), recognized for "making concrete achievements with a childcare support system that covers not only the employees but also their families." This was the second consecutive year of receiving an award, following the "Grand Prize in the Working Hours Reduction Category" in the previous year. Meanwhile, we continuously worked to establish a new revenue base in each business segment.

Consolidated results of the Group for the year under review resulted in net sales of 552,771 million yen (up 0.2 % year-on-year), operating income of 14,457 million yen (up 1.3 % year-on-year), and ordinary income of 15,335 million yen (up 7.4 % year-on-year). Additionally, net income attributable to shareholders of the parent company totaled 10,161 million yen (up 4.8 % year-on-year), an all-time high aided in part by revisions to the corporate income tax rate.

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

[Mobile Telecommunications Business]

In the mobile telecommunication business, replacement demand increased partly due to the launch of attractive new models as well as proposals of new rate plans and modestly priced handsets, etc. Moreover, including sales of sub-brand goods by telecom carriers and MVNOs, unit sales increased year on year.

In addition to the sales of smart devices, in order to improve profitability, we implemented measures such as provision of various services including optical lines, security-related contents, and smartphone-related products including accessories, resulting in enhanced capability of value-added proposals. Meanwhile, the Company proactively invested in upgrading carrier shops through their relocation, renovation, etc. Furthermore, we promoted investments in forward-looking human resources throughout the year with measures such as the promotion for changes of status of temporary employees to regular employees, the recruitment of staff, and the training and education of sales staff.

As a result, we recorded net sales of 477,518 million yen (up 2.7 % year-on-year) and operating income of 11,457 million yen (up 3.4 % year-on-year).

[Enterprise Solutions Business]

In mobile solutions for corporates, an increasing number of companies are introducing smart devices as a business tool to enhance their operational efficiency, backed by the improved business sentiment of companies. Under this business environment, we proactively proposed introduction and utilization of smart devices that would enhance operational efficiency, and resulted in improved unit sales of handsets compared to the previous fiscal year. In addition, the number of orders received for high-value-added solutions increased, thereby expanding the provision of help-desk services, of which we had been working to strengthen the structure in collaboration with the Group companies. We actively promoted solution services tailored to corporate needs for specific industries such as education and nursing care, where there remains considerable potential for implementing ICT.

As for fixed-line-related merchandise, the Company worked to strengthen its marketing capability through measures such as discovering of new partnering companies for our proprietary “TG-Hikari” optical access service and training of the existing re-wholesaling companies of line services, resulting in an ongoing steady increase of aggregate total of lines for our corporate customers. Moreover, we also continued to make forward-looking investments through measures such as expansion of service contents and support frameworks.

As a result, net sales totaled 24,580 million yen (up 10.6 % year-on-year) and operating income totaled 1,903 million yen (up 2.9 % year-on-year).

[Settlement Services Businesses and Others]

The settlement services business experienced a decline in transaction volume partly due to the effects of reorganization of existing sales channels such as convenience stores, in addition to the continued shift in merchandise composition from electronic-money based merchandise that treats the face value as net sales to gift cards that records only the commission fee as net sales.

Meanwhile, the Company made QUO CARD Co., Ltd., a wholly-owned subsidiary thereof on

December 1, 2017, and strived to increase the issuance of the QUO Card by combining the customer base and business know-how of both companies. In addition, the Company aims to establish a new revenue base of the Group by creating the "Digital Version QUO Card."

In overseas settlement services business, the gift card business and the house card business remained strong in Singapore. Elsewhere in Southeast Asia, we set up operations in Malaysia and Thailand and are developing the house card business.
As a result, we recorded net sales of 50,671 million yen (down 21.3 % year-on-year) and operating income of 1,097 million yen (down 18.2 % year-on-year).

(ii) Capital expenditures:

[Mobile Telecommunications Business-related]

In relation to the mobile telecommunications business, as a part of measures to boost sales of mobile phone handsets, we invested a total of 1,675 million yen mainly to cover the cost of renovating and refurnishing our nationwide mobile phone shops.

[Systems-related]

We invested 581 million yen in measures such as to strengthen our sales system and develop system infrastructure.

[Other Capex]

We spent an additional 50 million yen to renovate offices and replace office furniture and equipment, etc.

(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.

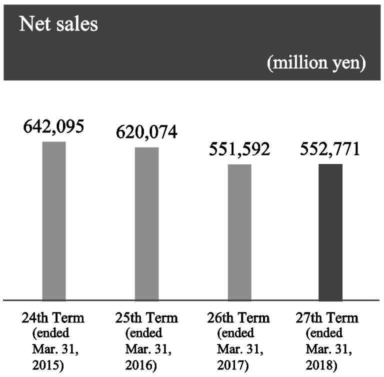
(vi) Succession of rights and obligations related to the business of other companies as a result of absorption-type mergers or demergers:

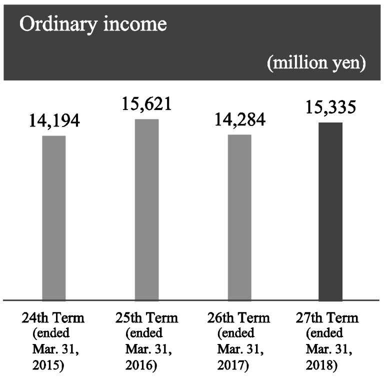
Effective April 1, 2017, the Company merged with and absorbed the consolidated subsidiary TG Miyazaki Co., Ltd. and assumed all rights and obligations associated with said subsidiary's business involving the sale of mobile handsets.

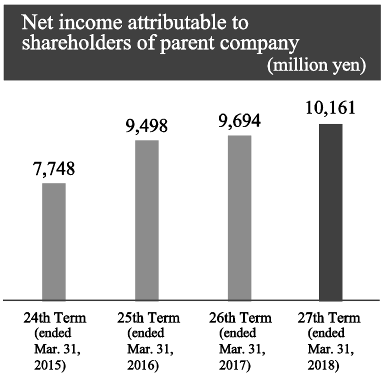
(vii) Acquisition or disposal of shares of stock, other equity interest, or subscription rights to shares in other companies:

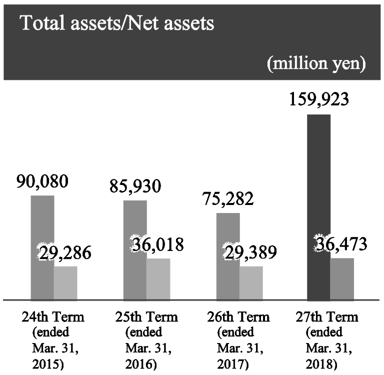
On December 1, 2017, the Company acquired all shares of QUO CARD Co., Ltd., and made QUO CARD a wholly-owned subsidiary of the Company.

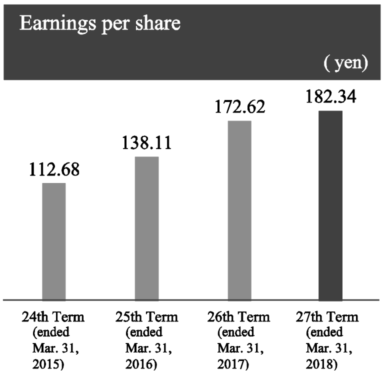
(2) Trends in Company Assets and Profit & Loss for the Last Three Business Years

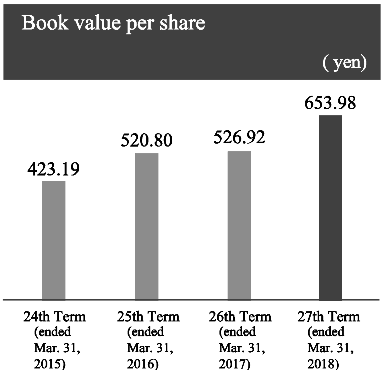












Category		24th Fiscal Year (To Mar 31, 2015)	25th Fiscal Year (To Mar 31, 2016)	26th Fiscal Year (To Mar 31, 2017)	27th Fiscal Year (Consolidated Fiscal Year Under Review) (To Mar 31, 2018)
Net sales	(million yen)	642,095	620,074	551,592	552,771
Ordinary income	(million yen)	14,194	15,621	14,284	15,335
Net income attributable to shareholders of parent company	(million yen)	7,748	9,498	9,694	10,161
Earnings per share	(yen)	112.68	138.11	172.62	182.34
Total assets	(million yen)	90,080	85,930	75,282	159,923
Net assets	(million yen)	29,286	36,018	29,389	36,473
Book value per share	(yen)	423.19	520.80	526.92	653.98
Equity ratio	(%)	32.3	41.7	39.0	22.8
Return on equity	(%)	29.4	29.3	29.7	30.9

(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 shop operations and implement structural reforms, spurred an increase in operating income. In the enterprise 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 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 net sales. However, efforts to lift unit prices through the sales expansion of smartphone accessories along with steps to achieve productivity gains with measures to boost shop operational efficiency and train sales staff resulted in increased operating income. In the enterprise 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 net sales and operating income. In the segment for settlement services and other business, net sales 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)

In the mobile telecommunications business, net sales and operating income decreased due to a decline in unit sales as overheating levels of sales completion subsided, efforts aimed at improving customer satisfaction through measures such as relocation and expansion of shops, and promotion of sales staff education and training programs. In the enterprise solutions business, net sales and operating income decreased, mainly reflecting the decline of large-volume demand for devices in the mobile solutions segment for corporates and future investments made in advance in the fixed-line-related merchandise. In the segment for settlement services and other business, net sales decreased mainly due to a shift in merchandise composition, but sales of gift cards performed favorably. Overseas operations also remained firm. However, operating income decreased mainly due to the effect of the transient income recorded for the previous fiscal year. As a result, this fiscal year recorded net sales of 551,592 million yen, ordinary income of 14,284 million yen, and net income of 9,694 million yen attributable to parent-company shareholders.

(27th Fiscal Year)

Details are as stated in 1. (1) (i) “Highlights and results.”

(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: Sumitomo Corporation, the largest shareholder of the Company, holds more than 40 % 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 the 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
QUO CARD Co., Ltd.	1,810 million yen	100.00%	Issuance and settlement services for prepaid and other types of cards; sales and maintenance service of cards and card-related equipment
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 1, 2017, the Company acquired all shares of QUO CARD Co., Ltd., and made QUO CARD a wholly-owned subsidiary of the Company.
2. On April 1, 2017, the Company merged with and absorbed consolidated subsidiary, TG Miyazaki Co., Ltd.

(4) Issues to be Addressed

(i) Issues and initiatives to be addressed in each business

The Group (the Company, its consolidated subsidiaries and related companies accounted for by the equity method) will continue to address the tasks of "Establishing a new revenue base" and "Company-wide productivity improvement" in each business segment.

In the mobile telecommunications business, responding to diversifying customer needs and developing an environment that allows customers to safely and securely utilize these devices and services have become challenges in view of the provision of new rate plans by telecom carriers, as well as the promulgation of sub-brand goods and MVNOs. Meanwhile, securing human resources such as sales staff and efficient shop operation are also required. Given the announced entry of new carriers, the market environment is expected to change significantly.

The Group is determined to further improve sales quality in view of recent shift of sales competition from price-based appeals to value propositions, with measures such as providing user instructions that are friendlier and easier to understand and holding smartphone classes. In addition, we will strive to open new shops and enhance existing shops to cope with changes in the market environment and to meet diversifying customer needs. At the same time, we are working to secure good human resources through active recruitment and the promotion for change of status of temporary employees to regular employees.

As for productivity improvement, we have proactively implemented new operating systems, including WEB cameras to be installed inside shops, an automatic work-shift documentation tool, and network-compliant ticketing machines. In combination with the flexible work-hour system we are utilizing such systems that allow us to precisely understand the customer-visiting conditions and allocate appropriate staff according to customers' busy or available conditions to reduce wait times and lost sales opportunities.

In the enterprise solutions business, an increasing number of companies are introducing smart devices as a business tool for operational efficiency, backed by the improved business sentiment of companies. Driven by such a business climate, we need to even more proactively develop and deliver high-value-added solutions and services that utilize diversifying devices and applications, etc. Moreover, we will actively promote the development and sales of various services tailored to industries such as education and nursing care where the enhanced utilization of ICT is expected.

We will strengthen our capability of offering comprehensive proposals, in which solution and optical line services are combined, for further productivity improvement in our business activities by consolidating the Enterprise Solutions Business Division and the Network Business Division. Additionally, we will develop new revenue bases with the launch of new ventures for the provision of new merchandize of deregulated electric power and gas markets, etc.

In the settlement services business, consumers now have access to extended service options such as settlement by carrier and the use of digital codes, and the market is expanding. In such a business environment, sales channels have decreased, affected by the reorganization of convenience stores and other factors. In the future, we will strive to capture market growth by promoting expansion of sales channels and product line-ups for electronic money utilizing PIN sales systems (e.g., multimedia terminals installed at convenience stores) and gift cards. Meanwhile, the Company made QUO CARD Co., Ltd., a wholly-owned subsidiary thereof and are aiming to increase the issuance of the QUO Card and create the "Digital Version QUO Card."

(ii) Growth Strategy

The Group will strive to achieve sustainable 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. The Group formulated and will strive to realize the specific growth strategy vision of an "ICT Peripheral & Comprehensive Business Corporation."

In the market for sales of new mobile phone handsets, which is the main business field of the Group, we will strive to maintain the top position in the industry. Further corporate growth will be pursued by making the most of the operating/management productivity of the directly managed shops and partnering sales agencies.

Going forward new services that accompany technological innovations will emerge centering on the mobile, the Internet, settlement, and other industries, and business opportunities in the "ICT peripheral" domain are expected to increase. The Group will strengthen its existing B-to-C businesses described above. Moreover, the Group intends to become an ICT Peripheral & Comprehensive Business Corporation through the development and expansion of B-to-B (including B-to-B-to-C) businesses, in which the Group can demonstrate its comprehensive power by leveraging a variety of business models that the Group owns, a broad range of business relations, and its nationwide sales office network.

(iii) Diversity:

Human resource diversity is an essential for sustainable growth and the creation of new value. For that reason, the 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 % 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 (as of July 1, 2017, the ratio of female management-level executives was 10.1 %). 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 flexible work-hour system. These measures will help us build an even stronger foundation for the promotion of diversity.

(5) Major Lines of Business (as of March 31, 2018)

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
Enterprise 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, 2018)

(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

QUO CARD Co., Ltd. Headquarters
4-1 Nihombashi Honcho 2-chome, Chuo-ku, Tokyo

WAM!NET Japan K.K Headquarters
5-17 Shinkawa 1-chome, Chuo-ku, Tokyo

(7) Employees (as of March 31, 2018)

(i) Group employees

No. of Employees	Change from the End of Previous Fiscal Year
3,570	Increase of 1,609

Notes: 1. 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 2,644 temporary employees.

2. The increase of 1,609 in the number of employees from the end of the previous fiscal year is mainly due to adjusting the status for certain temporary employees to regular employees by the Company and the conversion of QUO CARD Co., Ltd., into a subsidiary.

(ii) T-Gaia Corporation employees

No. of Employees	Change from the End of Previous Fiscal Year	Average Age	Average Years of Consecutive Employment
3,393	Increase of 1,544	36.5 years old	9.3 years

Notes: 1. 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 2,601 temporary employees.

2. The increase of 1,544 in the number of employees from the end of the previous fiscal year is mainly due to adjusting the status for certain temporary employees to regular employees by the Company.

(8) Major Creditors (as of March 31, 2018)

Creditor	Amount Borrowed (million yen)
Sumitomo Mitsui Banking Corporation	2,383
Sumitomo Mitsui Trust Bank, Ltd.	2,250
Mizuho Bank, Ltd.	1,750
Mitsubishi UFJ Trust & Banking Corporation	1,750
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,000
The Higo Bank, Ltd.	244

Note: The Bank of Tokyo-Mitsubishi UFJ, Ltd., changed its trade name to MUFG Bank, Ltd., as of April 1, 2018.

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

InComm Japan, K.K. (main office in Shinjuku-ku, Tokyo; Takuma Arai, CEO; hereinafter “InComm Japan”), a supplier of merchandise for our gift-card business, filed litigation against the Company, demanding that it suspends sales of and recovers the Company’s specific merchandise, and payment of compensation for damages of 680 million yen.

With regard to this litigation, on April 26, 2017, the Tokyo High Court issued an appeal court decision ordering the Company to pay InComm Japan compensation for damages of 67 million yen and dismissing all other claims filed by InComm Japan. Subsequently, that decision was certified as final and conclusive and the litigation was concluded.

2. Current Status of the Company

(1) Shares (as of March 31, 2018)

(i) Authorized shares: 400,000,000

(ii) Issued shares: 79,074,000

(iii) Shareholders: 9,250

(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)	1,397,200	2.50%
Info Service, Inc.	1,143,000	2.05%
Japan Trustee Services Bank, Ltd. (Trust account)	1,051,200	1.88%
T-Gaia Employee Shareholding Association	727,000	1.30%
GOVERNMENT OF NORWAY	607,236	1.08%
BNP PARIBAS SECURITIES SERVICES LUXEMBOURG/JASDEC/FIM/LUXEMBOURG FUNDS/UCITS ASSETS	550,000	0.98%
CHASE MANHATTAN BANK GTS CLIENTS ACCOUNT ESCROW	537,822	0.96%
Japan Trustee Services Bank, Ltd. (Trust account 9)	488,000	0.87%

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 execution of duties:

None.

(ii) During the year under review, subscription rights to shares granted to employees as consideration for their execution of duties:

None.

(3) Company Officers

(i) Directors and Corporate Auditors (as of March 31, 2018):

Position	Name	Responsibilities & Important Concurrent Posts
Chairman & Representative Director	Toshifumi Shibuya	Director, National Association of Mobile-phone Distributors Director, TELECOM SERVICES ASSOCIATION
President & Representative Director	Nobutaka Kanaji	Chief Executive Officer Director, QUO CARD Co., Ltd.
Director	Soichiro Tada	Executive Vice President; Senior Director of Corporate Finance and concurrently Senior Director of Corporate Strategy Corporate Auditor, QUO CARD Co., Ltd.
Director	Tsuyoshi Konda	Senior Executive Officer; President & Representative Director, QUO CARD Co., Ltd.
Director	Hiroyuki Koike	General Manager of ICT Business, Sumitomo Corporation; Director, SCSK Corporation
Director	Tetsu Fukuoka	Manager of Mobile Solutions Business Unit No. 1, Sumitomo Corporation Supervisor, National Association of Mobile-phone Distributors
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	Representative Employee, Gaia Lab LLC Representative Director and Vice Chairman, The Japanese Society for Quality Control (JSQC) Director, IIJ Innovation Institute Inc.
Director	Kyoko Deguchi	Vice President, Medical Corporation Shikiku-kai Outside Director, Nippon Ski Resort Development Co., Ltd.
Statutory Auditor	Naoya Okutani	Corporate Auditor, WAM!NET Japan K.K.
Statutory Auditor	Ryo Hashimoto	
Corporate Auditor	Toshiro Kaba	Representative Attorney, Shiroyama Tower Law Office Dean, Toin Law School Outside Auditor, GungHo Online Entertainment, Inc. Outside Auditor, Cave Interactive Co., Ltd. Outside Auditor, J.Score Co., Ltd.
Corporate Auditor	Tetsuo Kitagawa	Representative, Tetsuo Kitagawa Certified Public Accountant Office

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 Enterprise 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	Director, Senior Executive Officer; Senior Director of Corporate Strategy and Director of Operational Reform Promotion

2. At the conclusion of the 26th General Meeting of Shareholders, held on June 21, 2017, Director Bunpei Katayama and Corporate Auditor Yukihide Matsuoka retired due to the expiration of their terms.
3. The following changes in director positions and responsibilities as well as important concurrent posts took effect on December 1, 2017.

Name	Before Change	After Change
Nobutaka Kanaji	President and Representative Director, Chief Executive Officer	President and Representative Director, Chief Executive Officer Director, QUO CARD Co., Ltd.
Soichiro Tada	Director, Executive Vice President; Senior Director of Corporate Finance	Director, Executive Vice President; Senior Director of Corporate Finance and concurrently Senior Director of Corporate Strategy Corporate Auditor, QUO CARD Co., Ltd.
Tsuyoshi Konda	Director, Senior Executive Officer; Senior Director of Corporate Strategy and Director of Operational Reform Promotion	Director, Senior Executive Officer; President & Representative Director, QUO CARD Co., Ltd.

4. Director Toshiya Asaba assumed office as Representative Director and Vice Chairman of The Japanese Society for Quality Control (JSQC) as of November 25, 2017.
5. Director Kyoko Deguchi retired as COO of Medical Corporation Shikiku-kai (“Shikiku-kai”) as of July 31, 2017, and took office as Vice President of Shikiku-kai as of August 1, 2017. She retired as Outside Director of Cookpad Inc. as of March 27, 2018.
6. Directors Masami Atarashi, Toshiya Asaba, and Kyoko Deguchi are Outside Directors.
7. Corporate Auditors Toshiro Kaba and Tetsuo Kitagawa are Outside Auditors.
8. As detailed below, Full-time Auditors Naoya Okutani and Ryo Hashimoto and Corporate Auditor Tetsuo Kitagawa 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 Tetsuo Kitagawa is licensed as a certified public accountant.
9. The Company has designated Director Masami Atarashi, Director Toshiya Asaba, Director Kyoko Deguchi, Corporate Auditor Toshiro Kaba, and Corporate Auditor Tetsuo Kitagawa 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 Toshiro Kaba and Tetsuo Kitagawa 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) Remuneration, etc. for Directors and Auditors:

Classification	No. of Recipients	Amount (million yen)
Directors (Outside Directors)	8 (3)	168 (24)
Auditors (Outside Auditors)	5 (3)	55 (9)
Total	13	224

Notes:

1. Listed remuneration amounts for Directors do not include employee salaries paid to Directors in concurrent employee posts.
2. 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.)
3. 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.

(iv) Matters concerning Outside Officers:

a. Concurrent important positions as business operators 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. He is also Representative Director and Vice Chairman of The Japanese Society for Quality Control (JSQC). T-Gaia Corporation has no special relationship with either of them.
- Although Director Kyoko Deguchi was COO of Medical Corporation Shikiku-kai (“Shikiku-kai”), she retired from the post as of July 31, 2017, and took office as Vice President of Shikiku-kai as of August 1, 2017. T-Gaia Corporation has no special relationship with Shikiku-kai.
- 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 the Law Office or the Law School.
- Corporate Auditor Tetsuo Kitagawa is the Representative of Tetsuo Kitagawa Certified Public

Accountant Office, with which T-Gaia Corporation has no special relationship.

b. Concurrent significant 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 IIJ 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. Although she was an outside director of Cookpad Inc., she retired from the post as of March 27, 2018. 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	11/13	84.6	-	-
Director Toshiya Asaba	13/13	100.0	-	-
Director Kyoko Deguchi	13/13	100.0	-	-
Corporate Auditor Toshiro Kaba	13/13	100.0	14/14	100.0
Corporate Auditor Tetsuo Kitagawa	10/10	100.0	10/10	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 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.

- Drawing from his professional knowledge as a CPA, Corporate Auditor Tetsuo Kitagawa has made recommendations and proposals aimed at ensuring the rationality and suitability of decisions by the Board of Directors. In addition, at meetings of the Board of Auditors, he has voiced views and opinions reflecting his professional background as a CPA.

(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	67
Total in monetary remuneration and other economic benefits to be paid to the accounting auditor by the Company and its subsidiaries	70

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.
3. QUO CARD Co., Ltd., a subsidiary of the Company, received audit accounting services provided by an accounting firm other than the Company's Accounting Auditor.
4. The amount of the remuneration, etc., paid by the Company to the Accounting Auditor included compensation for their advisory duties concerning the sophistication and enhancement of the efficiency of the internal controls other than the duties prescribed in Article 2 (1) of the Certified Public Accountants Act.
5. Associated with the acquisition of shares in QUO CARD Co., Ltd., the audit accounting services took more hours, resulting in an increase in the amount of remuneration, etc., to the Accounting Auditor compared with the previous fiscal year.

(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

[Our Basic View Related to Corporate Governance]

The Group views corporate governance as a framework for the control of corporate business activities and considers it critically important that the rights and interests of our shareholders be protected and equally guaranteed. We also believe it is imperative that we respect the rights and interests of—and build positive relationships with— stakeholders including our clients, 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."

Also, we have developed the frameworks for the assurance of appropriate business operations and monitor their operational status as described below.

(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, branches and subsidiaries of the Company are being performed properly and in compliance with applicable laws and regulations and the Articles of Incorporation, and reports its audit findings to the President.

(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 9 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:

Positioning the legal compliance and the promotion of ethical conduct as one of the issues of top priority for its business operations, the T-Gaia Group holds Compliance Committee meetings once every two months, discusses various issues on compliance, and are working to ensure full compliance. Based on the discussions of the Committee, as part of educational activities, we have implemented compliance training such as e-learning course-driven compliance training for all executive officers and employees of the Company as well as employees of partner agencies, training for new employees, and training tailored for each operational base for shop employees, given by staff dedicated to compliance. We also conduct company-wide compliance-related educational activities on a regular basis.

Additionally, the Company has endeavored to quickly identify and counter compliance risk by encouraging active use of the multiple reporting/consulting channels installed by the Company and conducting compliance awareness surveys to all Company employees as well as questionnaire surveys to 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 % 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 27.5 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 27.5 yen per share in December 2017, the annual dividend per share will total 55 yen (an increase of 3 yen from the previous year).

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, 2018)

(million yen)

Items	Amount
(Assets)	
Current assets	**145,048**
Cash and deposits	18,941
Notes and accounts receivable – trade	19,536
Operational investment securities	2,051
Products	34,953
Inventories	136
Deferred tax assets	1,756
Other accounts receivable	13,156
Guarantee deposits	53,522
Other current assets	1,098
Allowance for doubtful accounts	(104)
Fixed assets	**14,875**
Tangible fixed assets	**3,744**
Buildings and structures	2,228
Machinery, equipment and vehicles	4
Furniture and fixtures	1,083
Land	329
Lease assets	58
Construction in progress	39
Intangible fixed assets	**3,632**
Goodwill	2,243
Software	1,265
Others	124
Investment and other assets	**7,497**
Investment securities	1,024
Long-term loans receivable	92
Deferred tax assets	1,226
Leasehold deposits	4,385
Others	774
Allowance for doubtful accounts	(5)
Total Assets	**159,923**

Items	Amount
(Liabilities)	
Current liabilities	**116,443**
Accounts payable – trade	8,901
Short-term borrowings	133
Long-term borrowings within one year	4,628
Accounts payable – other	13,224
Income taxes payable	3,068
Reserve for bonuses	1,922
Allowance for early subscription cancellations	128
Deposits received of prepaid cards	83,313
Others	1,122
Non-current liabilities	**7,006**
Long-term borrowings	4,616
Provision for long-term service benefits	63
Retirement benefit liabilities	367
Asset removal obligations	1,515
Others	444
Total liabilities	**123,450**
(Net Assets)	
Shareholders' equity	**36,217**
Capital stock	**3,154**
Capital surplus	**5,177**
Retained earnings	**49,412**
Treasury stock	**(21,526)**
Accumulated other comprehensive income	**228**
Valuation difference on available-for-sale securities	**225**
Foreign currency translation adjustment	**8**
Remeasurements of defined benefit plans	**(6)**
Non-controlling interests	**27**
Total net assets	**36,473**
Total Liabilities and Net Assets	**159,923**

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

Consolidated Statement of Income

(from April 1, 2017 to March 31, 2018)

(million yen)

Item	Amount	
Net sales		
Net sales of goods	368,221	
Commission fee	184,549	552,771
Cost of sales		
Cost of goods sold	371,862	
Commission fee	116,633	488,496
Gross profit		**64,274**
Selling, general and administrative expenses		**49,816**
Operating income		**14,457**
Non-operating income		
Interest income	0	
Dividend income	7	
Equity in earnings of affiliates	24	
Hoard profit of prepaid cards	836	
Others	83	952
Non-operating expenses		
Interest expenses	37	
Store cancellation penalty	27	
Others	9	74
Ordinary income		**15,335**
Extraordinary gains		
Gain on sales of fixed assets	4	4
Extraordinary losses		
Loss on sales of fixed assets	15	
Loss on removal of fixed assets	38	
Impairment loss	28	83
Net income before income taxes		**15,256**
Income taxes – current	5,078	
Income taxes – deferred	9	5,087
Net income		**10,169**
Net income attributable to non-controlling interests		8
Net income attributable to shareholders of the parent company		**10,161**

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

Consolidated Statement of Changes in Shareholders' Equity

(from April 1, 2017 to March 31, 2018)

(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	5,177	42,232	(21,526)	29,037
Changes during the fiscal year					
Dividends from surplus			(2,981)		(2,981)
Net income attributable to shareholders of the parent company			10,161		10,161
Changes in items other than shareholders' equity during the fiscal year (net)					
Total changes during the fiscal year	—	—	7,180	—	7,180
Balance at the end of the fiscal year	3,154	5,177	49,412	(21,526)	36,217

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the end of the previous fiscal year	321	6	—	327	24	29,389
Changes during the fiscal year						
Dividends from surplus						(2,981)
Net income attributable to shareholders of the parent company						10,161
Changes in items other than shareholders' equity during the fiscal year (net)	(95)	2	(6)	(99)	2	(96)
Total changes during the fiscal year	(95)	2	(6)	(99)	2	7,083
Balance at the end of the fiscal year	225	8	(6)	228	27	36,473

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: QUO CARD Co., Ltd.
  WAM!NET Japan K.K.

(ii) Status of non-consolidated subsidiaries:

None

(2) Matters concerning the application of equity method

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

None

(ii) Status of related companies accounted for by the equity method:

- Number of related companies accounted for by the equity method: 5
- Name of primary companies accounted for by the equity method:
  SRJ Co., Ltd.
  PC TECHNOLOGY CO**.,** LTD**.**

(iii) Status of non-consolidated subsidiaries or related companies not accounted for by the equity method:

None

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

(i) Change in the scope of consolidation:

QUO CARD Co., Ltd., is included within the scope of the Company's consolidation because the Company acquired all shares of QUO CARD during the year under review.

TG Miyazaki Co., Ltd., is excluded from the scope of the Company's consolidation because the Company merged TG Miyazaki Co., Ltd., which was a consolidated subsidiary in the previous fiscal year.

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

Effective from the fiscal year under review, PC TECHNOLOGY CO., **LTD**., VALUEDESIGN SINGAPORE PTE.LTD. and two other companies have been included in the scope of the related companies accounted for by the equity method because the Company acquired shares of these companies.

(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). At several consolidated subsidiaries, merchandise is stated at cost based on the moving-average 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.

Software for sale is amortized at the greater amount of either the amortization amount based on the expected sales volume or the equally allocated amount over the remaining effective period (3 years). Software for internal use is amortized by the straight-line method over the expected available periods (within 5 years).

c. Lease assets:

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

(iii) Recognition of significant allowances:

a. Allowance for doubtful accounts:

To prepare for credit losses on accounts receivable and loans receivable 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 network of sales agencies cancel their subscriptions within a short period of time.

d. Provision for long-term service benefits:

To provide for the payment of bonus for employees' services, provision for long-term service benefits is recorded in an estimated amount of payment based on the internal rules.

(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:

(Method of allocating the projected retirement benefits to periods)

At some consolidated subsidiaries, in calculating the expected benefit amount, the benefit formula basis is used as a method of attributing projected retirement benefits to periods up to the end of the fiscal year under review.

(Method for amortizing actuarial differences and prior service cost)

Actuarial differences are amortized by the straight-line method over a certain period (10 years), within the average remaining service years for employees at the time of their occurrence, from the following fiscal year of recognition. Prior service cost is subject to one-time amortization at its occurrence.

(Adoption of a simplified method by small-scale enterprises)

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. Amortization method and period of goodwill:

Goodwill is equally amortized by the straight-line method over the period (5–10 years) during which the effects could make a difference. However, goodwill with slight value and insignificant importance is subject to one-time amortization at its occurrence.

c. Recording of operational investment securities:

Securities held to gain finance income for operational purposes are recorded.

d. 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 Balance Sheet)

"Leasehold right," "Telephone subscription right," and "Software in progress," which were up until the previous fiscal year listed as separate account titles (9 million yen, 19 million yen and 88 million yen, respectively, in the fiscal year under review), are included in "Others" of "Intangible fixed assets" beginning with the period under review due to their decreased financial importance.

(Consolidated Statement of Income)

"Insurance income," which was up until the previous fiscal year listed under separate account title (21 million yen in the current fiscal year) is included in "Others" of "Non-operating income" beginning with the period under review due to its decreased financial importance.

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: "Notes and accounts receivable – trade" of 70,159 million yen, "Other accounts receivable" of 35,765 million yen, "Accounts payable – trade" of 58,817 million yen, and "Accounts payable – other" of 36,541 million yen.

(2) Assets pledged as collateral and the corresponding liabilities

(i) Assets pledged as collateral

Cash and deposits	1,700 million yen

(ii) Liabilities secured by the above collateral

Accounts payable – other	1,837 million yen

In addition to the above, the Company deposits operational investment securities and guarantee deposits as the security deposit for issuance in accordance with Article 14, Paragraph 1 of the Payment Services Act. (Deposit balance of 55,562 million yen for the current fiscal year).

(3) Accumulated depreciation of property, plant and equipment

9,939 million yen.

The figure of accumulated depreciation includes accumulated impairment losses.

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 21, 2017	Common shares	1,448	26.00	March 31, 2017	June 22, 2017
Board of Directors meeting on October 30, 2017	Common shares	1,532	27.50	September 30, 2017	December 4, 2017

(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 27th Ordinary General Meeting of Shareholders to be held on June 20, 2018

(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 20, 2018	Common shares	Retained earnings	1,532	27.50	March 31, 2018	June 21, 2018

5. Notes regarding Financial Instruments

(1) Matters concerning the status of financial instruments

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

Risk reduction in customer credit risk pertaining to "Accounts receivable – trade" and "Other accounts receivable" is intended in line with the Credit Management Regulations. Operational investment securities refer to the bonds held by a consolidated subsidiary engaged in the issuance and settlement services of prepaid cards, and investment securities mainly consist of equity shares. Securities with market quotations are monitored to recognize their market value quarterly, thus leading to the reduction of such credit risk.

"Accounts payable – trade" and "Accounts payable – other," both of which, in most cases, entail a due date for payments within two months, are exposed to liquidity risk. Deposits received of prepaid cards are associated with the aforementioned consolidated subsidiary engaged in the issuance and settlement services of prepaid cards, and consist of financial obligations without interest. Deposits received of prepaid cards are exposed to liquidity risk. Borrowings are procured for use as fund working capital (mainly short-term borrowings) and for investment in plant and equipment (long-term borrowings). Part of such borrowings is exposed to interest volatility risk. For financial obligations including the above-described items, liquidity on hand is pursued to be maintained by preparing and updating capital plans in a timely manner based on reports from the respective divisions/departments of the Company and Group companies.

The Group abides by a policy of not entering into derivative transactions.

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

Carrying values stated on the consolidated balance sheet as of March 31, 2018, their fair values, and the valuation differentials are as follows:

(million yen)

	Consolidated balance sheet carrying value*	Fair value*	Differential*
1. Cash and deposits	18,941	18,941	–
2. Notes and accounts receivable – trade	19,536	19,536	–
3. Operational investment securities			
Available-for-sale securities	2,051	2,051	–
4. Other accounts receivable	13,156	13,156	–
5. Guarantee deposits	53,522	53,522	–
6. Investment securities			
Available-for-sale securities (Note 1)	415	415	–
7. Leasehold deposits	4,385	4,366	-18
8. Accounts payable – trade	(8,901)	(8,901)	–
9. Short-term borrowings	(133)	(133)	–
10. Accounts payable – other	(13,224)	(13,224)	–
11. Income taxes payable	(3,068)	(3,068)	–
12. Deposits received of prepaid cards	(83,313)	(83,313)	–
13. Long-term borrowings (Note 2)	(9,244)	(9,242)	-1

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

Note 1: This does not include non-listed shares (608 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

1. Cash and deposits, 2. Notes and accounts receivable – trade, and 4. 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.

3. Operational investment securities, and 6. Investment securities:
   Fair value of investment securities is stated at the market prices noted on a public exchange.

5. Guarantee deposits:
   Guarantee deposits are deposited as a security deposit for issuance in accordance with the Payment Services Act. The amount to be received if settlement was made on the account settlement date is deemed as the fair value.

7. 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.

8. Accounts payable – trade, 9. Short-term borrowings, 10. Accounts payable – other, and 11. 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.

12. Deposits received of prepaid cards:
   The usage fee should be mandatorily paid in proportion to the card usage track record stated in the notice sent from member shops. The amount for which payment is expected to be demanded in the future as of the account settlement date is deemed as the fair value.

13. 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: 653.98 yen

(ii) Net income per share: 182.34 yen

7. Other Notes

(Business Combinations)

Business combination through acquisition

(1) Summary of the business combination

(i) Name and business line of the acquired company:
   - Name of the acquired company: QUO CARD Co., Ltd.
   - Business lines: Issuance and settlement services for prepaid and other types of cards; sales and maintenance service of cards and card-related equipment

(ii) Major reasons for the business combination:

Triggered by successful sales of prepaid-type mobile phones and prepaid cards at convenience stores, the Company has expanded the distribution business in settlement services including sales of PIN-based prepaid electronic money and gift cards.

Positioning the settlement service business as the core business following the sales business of new mobile phone handsets, etc. the objective of the business combination is to increase the issuance of the QUO Card by combining the customer base and business know-how of both companies through the acquisition of QUO CARD shares, as well as to further extend into this business field by appropriately responding to digital settlements at storefronts centering on those of convenience stores.

(iii) Date of the business combination:

December 1, 2017 (Date of acquisition of shares)

December 31, 2017 (Date of deemed acquisition of shares)

(iv) Legal form of the business combination:

Acquisition of shares for a cash consideration.

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

Unchanged

(vi) Percentage of voting rights acquired:

100%

(vii) Major grounds for having determined the acquired company to be a counterparty:

The Company made the acquired company a consolidated subsidiary thereof through the acquisition of the acquired company’s shares for a cash consideration.

(2) Period of the business results of the acquired company, which are included in the consolidated financial statements:

As December 31, 2017 was determined as the “Deemed date of acquisition of shares,” the operating performance of the acquired company for the period between January 1, 2018 and March 31, 2018 is included in the Consolidated Statement of Income.

(3) Breakdown of the cost of acquisition of the acquired company and the consideration paid per class of shares:

Consideration paid for the acquisition (Cash)	22,500 million yen
Acquisition cost	22,500 million yen

(4) Important acquisition-related expenses, description and amounts

Advisory fee, etc.	52 million yen

(5) Amount, cause of accrual, amortization method, and amortization period of/for the goodwill

(i) Amount of goodwill 913 million yen

(ii) Cause of accrual

Excess earning power for future business development was mainly expected.

(iii) Amortization method and period

Goodwill is equally amortized over 5 years.

(6) Assets accepted and liabilities undertaken on the date of the business combination, as well as major breakdown thereof

(million yen)

Current assets	108,590
Fixed assets	330
Total assets	108,920
Current liabilities	87,275
Non-current liabilities	58
Total liabilities	87,334

Non-consolidated Balance Sheet

(as of March 31, 2018)

(million yen)

Item	Amount
(Assets)	
Current assets	**79,278**
Cash and deposits	15,678
Accounts receivable – trade	18,173
Products	33,962
Inventories	131
Prepaid expenses	567
Deferred tax assets	1,392
Other accounts receivable	9,058
Other current assets	418
Allowance for doubtful accounts	(104)
Fixed assets	**37,232**
Tangible fixed assets	**3,504**
Buildings	2,040
Structures	144
Machinery, equipment and vehicles	4
Furniture and fixtures	946
Land	329
Construction in progress	39
Intangible fixed assets	**1,811**
Goodwill	768
Software	927
Software in preparation	88
Leasehold right	9
Others	17
Investment and other assets	**31,916**
Investment securities	505
Stocks of subsidiaries and affiliates	25,105
Long-term loans receivable	92
Long-term prepaid expenses	94
Deferred tax assets	1,175
Leasehold deposits	4,270
Others	677
Allowance for doubtful accounts	(5)
Total Assets	**116,510**

Item	Amount
(Liabilities)	
Current liabilities	**72,743**
Accounts payable – trade	8,275
Short-term borrowings	100
Long-term borrowings within one year	4,628
Accounts payable – other	8,420
Accrued expenses	348
Income taxes payable	2,612
Deposits received	46,359
Unearned revenue	27
Reserve for bonuses	1,833
Allowance for early subscription cancellations	128
Others	10
Non-current liabilities	**6,947**
Long-term borrowings	4,616
Provision for long-term service benefits	63
Provision for retirement benefits	362
Asset removal obligations	1,462
Others	443
Total liabilities	**79,691**
(Net Assets)	
Shareholders' equity	**36,588**
Capital stock	**3,154**
Capital surplus	**5,640**
Legal capital surplus	5,640
Retained earnings	**49,320**
Legal retained earnings	17
Other retained earnings	
Retained earnings brought forward	49,302
Treasury stock	**(21,526)**
Valuation and translation adjustments	**231**
Valuation difference on available-for-sale securities	**231**
Total net assets	**36,819**
Total Liabilities and Net Assets	**116,510**

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

Non-consolidated Statement of Income

(from April 1, 2017 to March 31, 2018)

(million yen)

Item	Amount	
Net sales		
Net sales of goods	365,965	
Commission fee	183,934	549,900
Cost of sales		
Cost of goods sold	370,486	
Commission fee	116,458	486,944
Gross profit		**62,955**
Selling, general and administrative expenses		**48,575**
Operating income		**14,379**
Non-operating income		
Interest income	0	
Dividend income	219	
Insurance income	21	
Others	60	302
Non-operating expenses		
Interest expenses	49	
Store cancellation penalty	27	
Others	9	86
Ordinary income		**14,595**
Extraordinary gains		
Gain on sales of fixed assets	4	4
Extraordinary losses		
Loss on sales of fixed assets	15	
Loss on removal of fixed assets	25	
Impairment loss	28	
Loss on extinguishment of tie-in shares	662	732
Net income before income taxes		**13,867**
Income taxes – current	4,685	
Income taxes – deferred	68	4,753
Net income		**9,113**

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

Non-consolidated Statement of Changes in Shareholders' Equity

(from April 1, 2017 to March 31, 2018)

(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	43,170	43,187	(21,526)	30,455
Changes of items during the period								
Dividends from surplus					(2,981)	(2,981)		(2,981)
Net income					9,113	9,113		9,113
Changes in items other than shareholders' equity during the period (net)								
Total changes during the period	–	–	–	–	6,132	6,132	–	6,132
Balance at the end of the period	3,154	5,640	5,640	17	49,302	49,320	(21,526)	36,588

	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	321	321	30,777
Changes of items during the period			
Dividends from surplus			(2,981)
Net income			9,113
Changes in items other than shareholders' equity during the period (net)	(89)	(89)	(89)
Total changes during the period	(89)	(89)	6,042
Balance at the end of the period	231	231	36,819

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:
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:
Calculated by the straight-line method.
Goodwill is amortized by the straight-line method over the period (10 years) during which the effects could make a difference. Software for internal use is amortized by the straight-line method over the expected available periods within 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.

(v) Provision for long-term service benefits:

To provide for the payment of bonus for employees' services, the Company records a provision for long-term service benefits in an estimated amount of payment based on the internal rules.

(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

(Balance Sheet)

"Telephone subscription right," which was up until the previous fiscal year listed as a separate account title (16 million yen in the current fiscal year), is included in "Others" of "Intangible fixed assets" beginning with the period under review due to its decrease in financial importance.

"Construction assistance fund" and "Claims provable in bankruptcy, rehabilitation, etc." which were up until the previous fiscal year listed as separate account titles (471 million yen and 0 million yen, respectively, in the current fiscal year and), are included in "Others" of "Investment and other assets" beginning with the period under review due to the decrease in their financial importance.

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" of 68,796 million yen, "Other accounts receivable" of 31,668 million yen, "Accounts payable – trade" of 58,191 million yen, and "Accounts payable – other" of 31,738 million yen.

(2) Accumulated depreciation of property, plant and equipment

9,015 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.	33 million yen

(4) Accounts payable and receivable in relation to related companies

Short-term accounts receivable:	61 million yen
Long-term accounts receivable:	0 million yen
Short-term accounts payable:	46,115 million yen

4. Notes regarding the Statement of Income

Transaction balance with related companies

Transaction balance from operating transactions:	
Sales	184 million yen
Operating expenses	363 million yen
Transaction balance from non-operating transactions:	224 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

6. Notes regarding Tax Effect Accounting

Main reasons for deferred tax assets and deferred tax liabilities

Deferred tax assets

Reserve for bonuses:	561 million yen
Allowance for doubtful accounts:	33 million yen
Inventory valuation loss:	42 million yen
Accrued business tax and business office tax:	167 million yen
Excessive depreciation:	601 million yen
Asset retirement obligations:	447 million yen
Provision for retirement benefits:	111 million yen
Allowance for early subscription cancellations:	39 million yen
Asset adjustment:	40 million yen
Other:	809 million yen
Total deferred tax assets:	2,854 million yen

Deferred tax liabilities

Asset retirement obligations:	-183 million yen
Net unrealized holding gain on securities:	-103 million yen
Total deferred tax liabilities:	-286 million yen

Net deferred tax assets:	2,567 million yen

7. Notes regarding Transactions with Related Parties

Related companies, etc.

Attribute	Company name, etc. (%)	Ratio of voting rights	Relationship with the related party		Description of transactions	Transaction amount (million yen)	Account title	Year-end balance (million yen)
			Posts concurrently held for company officers	Business relationship				
Subsidiary	QUO CARD Co., Ltd.	Directly holding (100%)	1 person on assignment, 3 persons at posts concurrently held	Deposited money (Note 2), Payment of interest	46,000 12		Deposits received Accounts payable - other	46,000 4

Note 1: “Transaction amount” above does not include consumption taxes, and “Year-end balance” includes consumption taxes.

Note 2: Transaction conditions and decision guidelines thereon:

The interest rate on “Deposited money” is determined based on the general **terms and conditions** of business by taking into account the market interest rate.

8. Notes regarding Per Share Information

(1) Net assets per share: 660.70 yen

(2) Net income per share: 163.54 yen

9. Other Notes

(Business Combinations)

Transaction under common control

The Company executed 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 ended 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. was dissolved.

(iv) Name of the post-merger company:

T-Gaia Corporation

(v) Objective:

TG Miyazaki Co., Ltd. sold mobile handsets and conducted 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

The transaction was 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 recorded 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).

Independent Auditor's Report on Consolidated Financial Statements

Independent Auditor's Report

May 7, 2018

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, 2017 to March 31, 2018 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 7, 2018

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 27th fiscal year from April 1, 2017 to March 31, 2018 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 27th fiscal year from April 1, 2017 to March 31, 2018, 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 9, 2018

Audit and Supervisory Board, T-Gaia Corporation

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