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Internet Disclosure Items for Convocation Notice of the 29th Ordinary General Meeting of Shareholders

- Notes to Consolidated Financial Statements
- Notes to Non-consolidated Financial Statements

For the 29th Fiscal Year (from April 1, 2019 to March 31, 2020)

T-Gaia Corporation

In accordance with the laws and regulations as well as provisions of Article 15 of the Articles of Incorporation of T-Gaia Corporation (the “Company”), the Company discloses the items listed above on its website (<https://www.t-gaia.co.jp>) so that they can be readily viewed by shareholders.

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: 3
- Name of consolidated subsidiaries: QUO CARD Co., Ltd.
WAMNET Japan K.K.
Model T Co., Ltd. (Changed the company name to TG Power Inc. on May 1, 2020)

(ii) Status of non-consolidated subsidiaries:

- Number of non-consolidated subsidiaries: 7
- Name of primary non-consolidated subsidiaries: PC TECHNOLOGY Co., LTD.
TGC, Inc.
- Reasons for excluding them from the scope of consolidation
Non-consolidated subsidiaries are excluded from the scope of consolidation on the ground of the degree of significance.

(2) Matters concerning the application of equity method

(i) Status of non-consolidated subsidiaries accounted for by the equity method:

- Number of non-consolidated subsidiaries accounted for by the equity method: 7
- Name of primary companies accounted for by the equity method: PC TECHNOLOGY Co., LTD.
TGC, Inc.

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

- Number of related companies accounted for by the equity method: 3
- Name of primary companies accounted for by the equity method: Valuedesign Singapore Pte Ltd

(iii) Status of non-consolidated subsidiaries or related companies not accounted for by the equity method:
None

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

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

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

(i) Change in the scope of consolidation:

Model T Co., Ltd. (changed its company name to TG Power Inc. on May 1, 2020), which was included in the scope of the application of the equity method until the end of the previous fiscal year, is excluded from the scope thereof and included in the scope of the consolidation from the fiscal year under review due to its increased significance.

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

PopularSoft Co., Ltd. and Infinity Communication Co. Ltd., which became the Company's subsidiaries following the new acquisition of their respective shares by the Company in the fiscal year under review, are included in the scope of the application of the equity method due to their increased significances.

SRJ CO.,LTD. that was included in the scope of the application of the equity method until the end of the previous fiscal year is excluded from the scope of the application thereof as a result of the transfer of all its shares held by the Company.

(4) 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:

- Products

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).

- Inventories

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. Tangible fixed assets (excluding lease assets):

Tangible fixed assets are depreciated according to the straight-line method and the declining-balance method.

Facilities attached to buildings, structures, 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

Machinery, equipment and vehicles: 3–17 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 bonuses:

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

c. Provision for long-term service benefits:

To provide for the payment of bonus for employees' services, provision for long-term service benefits is recorded at 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:

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

b. Amortization method and period of goodwill:

Goodwill is equally amortized by the straight-line method over the period (3–10 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. 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 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 50,628 million yen, “Other accounts receivable” of 27,116 million yen, “Accounts payable – trade” of 41,550 million yen, and “Accounts payable – other” of 32,139 million yen.

(2) Assets pledged as collateral and the corresponding liabilities

(i) Assets pledged as collateral

Cash and deposits 1,900 million yen

(ii) Liabilities secured by the above collateral

Accounts payable – other 1,729 million yen

In addition to the above, the Company deposits guarantee deposits as the security deposit for issuance in accordance with Article 14, Paragraph 1 of the Payment Services Act. (Deposit balance of 65,230 million yen for the current fiscal year).

(3) Accumulated depreciation of property, plant and equipment

11,499 million yen.

The figure of accumulated depreciation includes accumulated impairment losses.

3. 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: 56,074,000 shares

(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 19, 2019	Common shares	2,145	38.50	March 31, 2019	June 20, 2019
Board of Directors meeting on October 30, 2019	Common shares	2,089	37.50	September 30, 2019	December 3, 2019

- (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 29th Ordinary General Meeting of Shareholders to be held on June 29, 2020

(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 29, 2020	Common shares	Retained earnings	2,089	37.50	March 31, 2020	June 30, 2020

4. Notes regarding Financial Instruments

(1) Matters concerning the status of financial instruments

(i) Policies for financial instruments

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

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

(ii) Overview of financial instruments and associated risks

Operating receivables including “Notes and accounts receivable – trade,” “Other accounts receivable,” and “Leasehold deposits” are exposed to the credit risks of trading partners.

“Investment securities” mainly consist of equity shares of the entities with which the Company has business relationships, and these securities are exposed to risks from market price fluctuation.

Operating payables including “Accounts payable – trade” and “Accounts payable – other,” both of which, in most cases, entail a due date for payments within two months, are exposed to liquidity risk. “Card deposits” are associated with a consolidated subsidiary engaged in the issuance and settlement services of prepaid cards, and consist of financial obligations without interest. “Card deposits” are exposed to liquidity risk.

(iii) System for managing risks associated with financial instruments

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

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

b. Market risk management (foreign exchange fluctuation risks and interest rate fluctuation risks, etc.)

With respect to investment securities, the Company periodically monitors their fair values and financial positions of the issuing bodies (trading partners) in order to continuously revise the

holding status taking into account market conditions and business relations with the trading partners.

The Company had a nil outstanding balance on the amount borrowed as of March 31, 2020. Borrowings are managed by groups, and are repaid as need arises when the risk of rising interest grows caused by external factors, in order to minimize the amount of interest payable impacted by interest fluctuation.

- c. Management of liquidity risks associated with fund procurement (risks associated with non-repayment on due date)

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

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

Carrying values stated on the consolidated balance sheet as of March 31, 2020, their fair values, and the valuation differentials are as follows:

(million yen)

	Consolidated balance sheet carrying value*	Fair value*	Differential
1. Cash and deposits	45,025	45,025	—
2. Notes and accounts receivable – trade	15,655	15,655	—
3. Other accounts receivable	13,094	13,094	—
4. Guarantee deposits	65,230	65,230	—
5. Investment securities			
Available-for-sale securities (Note)	559	559	—
6. Leasehold deposits	4,493	4,479	-13
7. Accounts payable – trade	(7,895)	(7,895)	—
8. Accounts payable – other	(16,800)	(16,800)	—
9. Income taxes payable	(2,476)	(2,476)	—
10. Card deposits	(93,364)	(93,364)	—

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

Note: This does not include non-listed shares (2,903 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.

* 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 3. 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.

4. 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.

5. Investment securities:

Fair value of investment securities is stated at the market prices noted on a public exchange.

6. Leasehold deposits:

Fair value of leasehold deposits is stated at the present value of the future cash flows from leasehold deposits discounted at the yield of Japanese Government Bonds.

If the yield on government bonds is a negative value, the discounting rate is deemed zero percent in the calculation of fair value.

7. Accounts payable – trade, 8. Accounts payable – other, and 9. Income taxes payable:

Due to the short-term maturities of these items, fair value and carrying value are almost at parity. The fair value is therefore stated at the carrying value.

10. Card deposits:

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.

5. Notes regarding Per Share Information

- (i) Net assets per share: 988.23 yen
- (ii) Net income per share: 226.59 yen

6. Significant Subsequent Events

None

7. Other Notes

None

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:

- Products

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).

- Inventories

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

Machinery, equipment and vehicles: 3–17 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 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) Provision for retirement benefits:

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

(iv) 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 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 50,217 million yen, "Other accounts receivable" of 22,800 million yen, "Accounts payable – trade" of 41,421 million yen, and "Accounts payable – other" of 26,036 million yen.

(2) Accumulated depreciation of property, plant and equipment

10,479 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.	291 million yen
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(4) Accounts payable and receivable in relation to related companies

Short-term accounts receivable:	1,189 million yen
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Short-term accounts payable:	47,962 million yen
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3. Notes regarding the Statement of Income

Transaction balance with related companies

Transaction balance from operating transactions:

Sales	1,853 million yen
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Operating expenses	1,545 million yen
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Transaction balance from non-operating transactions:	1,258 million yen
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4. 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:	341,827
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5. Notes regarding Tax Effect Accounting

Main reasons for deferred tax assets and deferred tax liabilities

Deferred tax assets

Reserve for bonuses:	669 million yen
Allowance for doubtful accounts:	41 million yen
Inventory valuation loss:	51 million yen
Accrued business tax and business office tax:	184 million yen
Excessive depreciation:	699 million yen
Asset retirement obligations:	486 million yen
Provision for retirement benefits:	100 million yen
Loss on valuation of investment securities	188 million yen
Asset adjustment:	47 million yen
Other:	<u>701 million yen</u>
Total deferred tax assets:	3,173 million yen

Deferred tax liabilities

Asset retirement obligations:	-175 million yen
Valuation difference on available-for-sale securities:	<u>-105 million yen</u>
Total deferred tax liabilities:	<u>-281 million yen</u>

Net deferred tax assets: 2,892 million yen

6. 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 Concurrent holding of positions by company officers	Repayment (Note 2)	11,400	Deposits received	47,600
					Deposited money (Note 2)	8,300		
					Payment of interest (Note 2)	61	Other Current liabilities	4

Notes: 1. "Transaction amount" above does not include consumption taxes, and "Year-end balance" includes consumption taxes.

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.

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

7. Notes regarding Per Share Information

(1) Net assets per share:	931.21 yen
(2) Net income per share:	209.23 yen

8. Significant Subsequent Events

None

9. Other Notes

None