Internet Disclosure Items for Convocation Notice of the 30th Ordinary General Meeting of Shareholders

・Notes to Consolidated Financial Statements

・Notes to Non-consolidated Financial Statements

For the 30th Fiscal Year (from April 1, 2020 to March 31, 2021)

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: 4
- Name of consolidated subsidiaries: QUO CARD Co., Ltd.
  WAMNET Japan K.K.
  TG Power Inc.
  T-Gaia Retail Service Corporation

(ii) Status of non-consolidated subsidiaries:

- Number of non-consolidated subsidiaries: 7
- Name of primary non-consolidated subsidiaries: PC TECHNOLOGY Co., LTD.
  Infinity Communication Co. Ltd.
- Reasons for excluding them from the scope of consolidation
  Non-consolidated subsidiaries are excluded from the scope of consolidation 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.
  Infinity Communication Co. Ltd.

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

- Number of related companies accounted for by the equity method: 4
- Name of primary companies accounted for by the equity method: Relay2,Inc.

(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:

On November 2, 2020, the Company acquired all of the shares of Personals Mobile Business Split Preparation Co., Ltd. (trade name changed to TF Mobile Solutions Corporation on the same day) making it a subsidiary, resulting in such company being included in the scope of consolidation. However, such company merged with the Company on February 1, 2021, so it is excluded from the scope of consolidation.

Note that due to the acquisition of such company’s shares, that company’s 100% subsidiary Fujitsu

Personal Retail Service Co., Ltd. (trade name change to T-Gaia Retail Service Corporation on the same day) became the Company's second tier subsidiary (a subsidiary since February 1, 2021), so it is included in the scope of consolidation.

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

In the fiscal year under review, the acquisition of shares of Relay2,Inc. led to it becoming a related company, so the company is included in the scope of the application of the equity method.

(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 (3–20 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.

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

(Accounting treatment of third-party card issuance)

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

(Supplementary Information)

"Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections" (ASBJ Statement No. 24, March 31, 2020) shall be applied to the Consolidated Financial Statements relating to the end of the fiscal year under review, with new disclosure of the accounting principles and procedures adopted where relevant accounting standards, etc. are not clear.

2. Significant Accounting Estimates

(1) Estimates of hoard profit of prepaid cards

(i) Amount recorded in the Consolidated Financial Statements of the fiscal year under review

	The fiscal year under review (million yen)
Consolidated Statement of Income (non-operating income)	5,926

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

a. Method of calculating the amount recorded in the Consolidated Financial Statements for the fiscal year under review

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

b. Impact on the following fiscal year's Consolidated Financial Statements

Hoard profit of prepaid cards, as noted in a., assumes the best estimate, but if the actual use varies from the estimate, it could have an impact on the following fiscal year's Consolidated Financial Statements. Note that as of the end of the fiscal year under review, we are aware that there has been no change in the treatment of financial liabilities under laws and ordinances, and regulations, etc., so we deem there to be no impact on the following fiscal year's Consolidated Financial Statements.

c. Impact from COVID-19

With respect to the impact of COVID-19, this has not been a cause of pronounced fluctuation compared to the actual usage of prepaid cards in the fiscal year under review and since there has been no evidence of pronounced fluctuation in use compared to the previous fiscal year since April 2021, we deem the impact on the Consolidated Financial Statements to be insignificant.

(2) Impairment of fixed assets

(i) Amount recorded in the Consolidated Financial Statements of the fiscal year under review

	The fiscal year under review (million yen)
Consolidated Statement of Income (extraordinary losses)	168

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

a. Method of calculating the amount recorded in the Consolidated Financial Statements for the fiscal year under review

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

If signs of impairment are determined, the future cash flows are reasonably estimated from information such as the profit and loss plans for each grouping with the collectability of such carrying value determined and treated as impairment up until the collectable amount.

b. Impact on the following fiscal year's Consolidated Financial Statements

As also noted in 9. Other notes (Business Combinations) Business combination through acquisition, a large amount of goodwill (a tentatively assessed amount as of the end of the fiscal year under review since the allocation of the acquisition cost has not been completed) was recorded for the fiscal year under review. Severe change from the business environment that was anticipated at the time of acquisition and a pronounced divergence in the actual results from the anticipated business plan means the uncertain events that could not have been assessed at the time of evaluation may materialize. Consequently, there is the possibility of recognizing impairment losses due to change in the assumptions used in estimating future cash flows and change in the collectable amount.

c. Impact from COVID-19

With respect to the impact of COVID-19, there has been a gradual return to normal operations since June 2020 and we were not subject to shortened hours of operation and closures of shops under the second state of emergency declared in January 2021, so we have assumed the impact from the spread of COVID-19 on the estimate of future cash flows is insignificant. Note that some shops were subject to closures under the third state of emergency declared in April 2021 and the future impact is uncertain, however we have retained our assumption that the impact on the estimate of future cash flows is insignificant.

3. Notes regarding Changes in the Method of Presentation

(Consolidated Statement of Income)

"Store cancellation penalty" of "Non-operating expenses," which was up until the previous fiscal year listed as a separate account, is included in "Other" in the fiscal year under review due to its decrease in financial importance. The "Store cancellation penalty" in the previous consolidated fiscal year was 5 million yen.

(Application of "Accounting Standard for Disclosure of Accounting Estimate")

The "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020) has been applied beginning the Consolidated Financial Statement for the end of the fiscal year under review and notes concerning the Significant Accounting Estimates in the Consolidated Financial Statements are shown.

However, in accordance with the transitional provisions prescribed in the proviso on paragraph 11 of such Accounting Standard, such notes do not show the details relating to the previous fiscal year.

4. 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:

Item	The fiscal year under review (million yen)
Notes and accounts receivable – trade	61,033
Other accounts receivable	29,725
Accounts payable – trade	46,681
Accounts payable – other	6,806

(2) Assets pledged as collateral and the corresponding liabilities

(i) Assets pledged as collateral

Cash and deposits 1,800 million yen

(ii) Liabilities secured by the above collateral

Accounts payable – other 2,106 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 73,790 million yen for the current fiscal year).

(3) Accumulated depreciation of property, plant and equipment

13,442 million yen

The figure of accumulated depreciation includes accumulated impairment losses.

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

(1) Type and 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 29, 2020	Common shares	2,089	37.50	March 31, 2020	June 30, 2020
Board of Directors meeting on November 5, 2020	Common shares	2,090	37.50	September 30, 2020	December 2, 2020

(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 30th Ordinary General Meeting of Shareholders to be held on June 18, 2021

(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 18, 2021	Common shares	Retained earnings	2,090	37.50	March 31, 2021	June 21, 2021

6. Notes regarding Financial Instruments

(1) Matters concerning the status of financial instruments

(i) Policies for financial instruments

The Company and its consolidated subsidiaries limit its fund management to short-term deposits, etc. and procure 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.

   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, 2021, their fair values, and the valuation differentials are as follows:

(million yen)

	Consolidated balance sheet carrying value*	Fair value*	Differential
1. Cash and deposits	49,401	49,401	—
2. Notes and accounts receivable – trade	22,487	22,487	—
3. Other accounts receivable	14,148	14,148	—
4. Guarantee deposits	73,790	73,790	—
5. Investment securities			
Available-for-sale securities (Note 1)	686	686	—
6. Leasehold deposits	4,800	4,751	-49
7. Accounts payable – trade	(9,689)	(9,689)	—
8. Accounts payable – other	(19,675)	(19,675)	—
9. Income taxes payable	(3,966)	(3,966)	—
10. Card deposits	(106,516)	(106,516)	—
11. Long-term borrowings (Note 2)	(22,124)	(22,124)	-0

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

(Note 1) This does not include non-listed shares (3,433 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) This includes long-term borrowings 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 3. Other accounts receivable:
   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.
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 stores. The amount for which payment is expected to be demanded in the future as of the account settlement date is deemed as the fair value.

11. Long-term borrowings:

The fair value of long-term borrowings is calculated by discounting the total amount of principal and interest by the interest rate assumed to be applied when similar new loans are made.

7. Notes regarding Per Share Information

(i) Net assets per share: 1,148.26 yen

(ii) Net income per share: 234.01 yen

8. Significant Subsequent Events

None

9. Other Notes

(Business combinations)

Business combination through acquisition

(1) Overview of business combinations

(i) Name of the acquired company and its business content

- Name of the acquired company: Personals Mobile Business Split Preparation Co., Ltd.
- Business descriptions: Sales of mobile phone handsets and provision of services related to these handsets

As a result of this share acquisition, Fujitsu Personal Retail Service Co., Ltd. (Note) also became a subsidiary (sub-subsidiary) of the Company.

(ii) Main reason for the business combination

While consolidating the foundation of the mobile telecommunications business (for retail), the Group has been developing and expanding the enterprise solutions business (for corporates), payment service business and other businesses.

We believe that, through the acquisition of the shares, we will be able to establish a nationwide network of excellent shops and improve the sophistication and productivity of our services by combining the human resources, store management and sales know-how of the Company and Fujitsu Personal System Limited (“FJP”) in our core mobile telecommunications business.

In addition, in the enterprise solutions business, the Company aims to achieve further growth and expansion by combining FJP’s strong customer base and high sales capabilities with the Company’s product development, sales capabilities and know-how.

(iii) Date of the business combination

November 2, 2020 (acquisition date of the company)

(iv) Legal form of business combination

Acquisition of shares

(v) Name of the company after the business combination

TF Mobile Solutions Corporation

Note: T-Gaia Retail Service Corporation

(vi) Percentage of voting rights acquired

100%

(vii) The basis for determining the acquirer

This was due to the Company's acquisition of shares in exchange for cash.

(2) Period of the acquired company's business results included in the consolidated financial statements

The Company merged with TF Mobile Solutions Corporation on February 1, 2020, so earnings for the period from November 2, 2020 until January 31, 2021 are included in the Consolidated Statement of Income.

(3) Acquisition cost of the acquired company and breakdown by type of consideration

Consideration for the acquisition (Cash)	28,276 million yen
Acquisition cost	28,276 million yen

(4) Significant acquisition-related costs, details and amounts

Advisory fee, etc. 133 million yen

(5) Amount of goodwill generated, reason for generation, amortization method and period

(i) Amount of goodwill generated

18,020 million yen

The amount of goodwill is tentatively calculated as the allocation of the acquisition cost has not been completed as of the end of the current fiscal year.

(ii) Reason for generation of goodwill

The goodwill mainly reflects the excess earning power expected from future business development.

(iii) Amortization method and period

Straight-line amortization over 20 years

(6) Amount of assets received and liabilities assumed on the date of business combination and their breakdown

Current assets	7,354 million yen
Fixed assets	10,086 million yen
Total Assets	17,441 million yen
Current liabilities	6,945 million yen
Non-current liabilities	240 million yen
Total liabilities	7,185 million yen

Transactions under common control

(Acquisition of additional shares of a subsidiary)

(1) Summary of the transaction

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

Name of the party subject to business combination:	TG Power Inc.
Business lines:	Development, sales and operation of renewable energy business and related consulting; power retail business and its agency business, etc.

(ii) Date of the business combination:

April 30, 2020

(iii) Legal form of the business combination:

Acquisition of shares from non-controlling shareholders.

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

Unchanged.

(v) Other matters concerning the transaction summary:

The additionally acquired shares represent 20% of voting rights. With TG Power Inc. becoming a wholly-owned subsidiary following this additional acquisition, the Company is aiming for growth and expansion to further strengthen the management base and to work towards the realization of a sustainable society.

(2) Summary of the accounting treatment implemented

The acquisition is treated as a transaction with non-controlling shareholders with regard to transactions under common control pursuant to the “Accounting Standard for Business Combinations” and the “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures.”

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

Consideration for the acquisition (Cash)	100 million yen
Acquisition cost	100 million yen

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

・Main reason for change in capital surplus:

Acquisition of additional shares of a subsidiary

・Amount of reduction in capital surplus due to the transaction with non-controlling shareholders:

89 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:

- 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
Furniture and fixtures:	2–24 years

(ii) Intangible fixed assets:

Calculated by the straight-line method.

Goodwill is amortized by the straight-line method over the period (3–20 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 fiscal year under review.

(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. Significant Accounting Estimates

(1) Impairment of fixed assets

(i) Amount recorded in the Non-consolidated Financial Statements of the fiscal year under review

	The fiscal year under review (million yen)
Non-consolidated Statement of Income (extraordinary losses)	159

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

a. Method of calculating the amount recorded in the Non-consolidated Financial Statements for the fiscal year under review

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

If signs of impairment are determined, the future cash flows are reasonably estimated from information such as the profit and loss plans for each grouping with the collectability of such carrying value determined and treated as impairment up until the collectable amount.

b. Impact on the following fiscal year's Non-consolidated Financial Statements

As also noted in 12. Other notes (Business Combinations) Transactions under common control, a large amount of goodwill (a tentatively assessed amount as of the end of the fiscal year under review since the allocation of the acquisition cost has not been completed) was recorded for the fiscal year under review. Severe change from the business environment that was anticipated at the time of acquisition and a pronounced divergence in the actual results from the anticipated business plan means the uncertain events that could not have been assessed at the time of evaluation may materialize. Consequently, there is the possibility of recognizing impairment losses due to change in the assumptions used in estimating future cash flows and change in the collectable amount.

c. Impact from COVID-19

With respect to the impact of COVID-19, there has been a gradual return to normal operations since June 2020 and we were not subject to shortened hours of operation and closures of shops under the second state of emergency declared in January 2021, so we have assumed the impact from the spread of COVID-19 on the estimate of future cash flows is insignificant. Note that some shops were subject to closures under the third state of emergency declared in April 2021 and the future impact is uncertain, however we have retained our assumption that the impact on the estimate of future cash flows is insignificant.

3. Notes regarding Changes in the Method of Presentation

(Statement of Income)

"Subsidy income," which was up until the previous fiscal year included in "Other" of "Non-operating income" is listed under a separate account from the fiscal year under review due to its increase in financial importance. The "Subsidy income" included in "Other" in the previous fiscal year was 1 million yen.

"Insurance income" of "Non-operating income," which was up until the previous fiscal year listed as a separate account, is included in "Other" in the fiscal year under review due to its decrease in financial importance. The "Insurance income" in the previous fiscal year was 18 million yen.

"Store lease cancellation penalty" of "Non-operating expenses," which was up until the previous fiscal year listed as a separate account, is included in "Other" in the fiscal year under review due to its decrease in financial importance. The "Store lease cancellation penalty" in the previous fiscal year was 5 million yen.

(Application of "Accounting Standard for Disclosure of Accounting Estimate")

The "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020) has been applied beginning the Non-consolidated Financial Statements for the end of the fiscal year under review and notes concerning the Significant Accounting Estimates in the Non-consolidated Financial Statements are shown.

However, in accordance with the transitional provisions prescribed in the proviso on paragraph 11 of such Accounting Standard, such notes do not show the details relating to the previous fiscal year.

4. 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:

Item	Amount (million yen)
Notes and accounts receivable – trade	60,582
Other accounts receivable	25,536
Accounts payable – trade	46,572
Accounts payable – other	29,731

(2) Accumulated depreciation of property, plant and equipment

12,327 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.	296 million yen

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

Short-term accounts receivable:	1,790 million yen
Short-term accounts payable:	57,184 million yen

5. Notes regarding the Statement of Income

Transaction balance with related companies

Transaction balance from operating transactions:	
Sales	1,690 million yen
Operating expenses	2,132 million yen
Transaction balance from non-operating transactions:	1,217 million yen

6. 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: 338,866

7. Notes regarding Tax Effect Accounting

Main reasons for deferred tax assets and deferred tax liabilities

Deferred tax assets	
Reserve for bonuses:	765 million yen
Allowance for doubtful accounts:	99 million yen
Inventory valuation loss:	58 million yen
Accrued business tax and business office tax:	227 million yen
Excessive depreciation:	795 million yen
Asset retirement obligations:	560 million yen
Provision for retirement benefits:	97 million yen
Loss on valuation of investment securities:	188 million yen
Asset adjustment:	7,295 million yen
Other:	773 million yen
Deferred tax assets subtotal	10,862 million yen
Valuation allowance	-302 million yen
Total deferred tax assets:	10,559 million yen
Deferred tax liabilities	
Asset retirement obligations:	-189 million yen
Valuation difference on available-for-sale securities:	-140 million yen
Total deferred tax liabilities:	-330 million yen
Net deferred tax assets:	10,229 million yen

8. Notes regarding Transactions with Related Parties

Related companies, etc.

<table>
<tr><th rowspan="2">Attribute</th><th rowspan="2">Company name, etc.</th><th rowspan="2">Ratio of voting rights (%)</th><th colspan="2">Relationship with the related party</th><th rowspan="2">Description of transactions</th><th rowspan="2">Transaction amount (million yen)</th><th rowspan="2">Account title</th><th rowspan="2">Year-end balance (million yen)</th></tr>
<tr><th>Posts concurrently held for company officers</th><th>Business relationship</th></tr>
<tr><td rowspan="2">Subsidiary</td><td rowspan="2">QUO CARD Co., Ltd.</td><td rowspan="2">Directly holding (100%)</td><td rowspan="2">1 person on assignment, 3 persons at posts concurrently held</td><td rowspan="2">Deposited money
Concurrent holding of positions by company officers</td><td>Repayment (Note 2)
Deposited money (Note 2)</td><td>9,800
18,600</td><td>Deposits received</td><td>56,400</td></tr>
<tr><td>Payment of interest (Note 2)</td><td>64</td><td>Other Current liabilities</td><td>6</td></tr>
</table>

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.

9. Notes regarding Per Share Information

(1) Net assets per share: 1,063.47 yen

(2) Net income per share: 204.49 yen

10. Notes regarding Company Subject to Consolidated Dividend Regulations

The Company becomes a company subject to consolidated dividend regulations following the final day of the final fiscal year, which is the final day of the fiscal year under review.

11. Notes regarding Significant Subsequent Events

(Business combinations)

Transactions under common control

The Company merged with TGC, Inc. ("TGC"), a wholly owned subsidiary, through an absorption-type merger as of April 1, 2021.

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

(1) Overview of transaction

(i) Outline of the company absorbed (fiscal year ended March 31, 2021)

- Name TGC, Inc.
- Business descriptions Sales for mobile phones, etc.
- Total assets 429 million yen
- Liabilities 259 million yen
- Net assets 169 million yen

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

April 1, 2021

(iii) Legal form of the business combination

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

(iv) Name of the company after the business combination

T-Gaia Corporation

(v) Purpose of transaction

TGC had been engaged in mobile phone sales in the Kyushu region. However, the Company decided to merge TGC through an absorption-type merger to strengthen sales of mobile phones and other products in the Company's mobile telecommunications business and to improve the efficiency of the management system by centralizing the organization.

(2) Overview of accounting treatment

The transaction will be treated as a transaction under common control in accordance with the "Accounting Standard for Business Combinations" and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures." Note that the intent is to record gain on extinguishment of tie-in shares from such transaction as extraordinary income in the Non-consolidated Statement of Income.

12. Other Notes

(Business combinations)

Transactions under Common Control

As of February 1, 2021, the Company merged its wholly owned subsidiary TF Mobile Solutions Corporation ("TFM") through an absorption-type merger.

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

(1) Overview of transaction

(i) Overview of the company absorbed (fiscal year ended March 31, 2021)

- Company name	TF Mobile Solutions Corporation
- Business descriptions	Sales and agency services for mobile phones, etc.
- Total assets	19,904 million yen
- Liabilities	9,261 million yen
- Net assets	10,642 million yen

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

February 1, 2021

(iii) Legal Form of business combination

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

(iv) Name of the company after the business combination

T-Gaia Corporation

(v) Purpose of transaction

TFM had been engaged in nationwide sales and agency business of mobile phones, etc., and the

Company decided to merge TFM through an absorption-type merger to strengthen sales of mobile phones, etc., in our mobile telecommunications business and enterprise solutions business and to improve the efficiency of the management system by centralizing the organization.

(2) Overview of accounting treatment

The transaction was treated as a transaction under common control in accordance with the "Accounting Standard for Business Combinations" and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures." Note that the gain on extinguishment of tie-in shares from such transaction was recorded as extraordinary income in the Non-consolidated Statement of Income.