Annual Securities Report

(Report in accordance with Article 24, paragraph (1) of
the Financial Instruments and Exchange Act)

The 33rd fiscal year (from April 1, 2023 to March 31, 2024)

T-Gaia Corporation
E05392

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Document Filed	Annual Securities Report
Applicable Law	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act
Filed to	Director-General, Kanto Local Finance Bureau
Filing Date	June 21, 2024
Fiscal Year	The 33rd Fiscal year (From April 1, 2023 to March 31, 2024)
Company Name	株式会社ティーガイア (Kabushiki Kaisha T-Gaia)
Company Name in English	T-Gaia Corporation
Title and Name of Representative	Masato Ishida, President and Representative Director
Address of Head Office	1-18 Ebisu 4-chome, Shibuya-ku, Tokyo
Telephone Number	+81-3-6409-1111
Contact Person	Hiroyuki Sugai, Director, Executive Vice President, and CFO
Nearest Contact Place	1-18 Ebisu 4-chome, Shibuya-ku, Tokyo
Telephone Number	+81-3-6409-1111
Contact Person	Hiroyuki Sugai, Director, Executive Vice President, and CFO
Place Where Available for Public Inspection	T-Gaia Corporation, Tokai Regional Headquarters (11-11 Nishiki 1-chome, Naka-ku, Nagoya City, Aichi Prefecture) T-Gaia Corporation, West Japan Regional Headquarters (6-20 Dojima 1-chome, Kita-ku, Osaka City, Osaka Prefecture) Tokyo Stock Exchange, Inc. (2-1 Nihombashi Kabuto-cho, Chuo-ku, Tokyo)

Part One Company Information

I. Company Overview

1. Changes in Key Financial Data, etc.

(1) Consolidated financial data, etc.

Business term	29th	30th	31st	32nd	33rd
Fiscal year	Year ended March 31, 2020	Year ended March 31, 2021	Year ended March 31, 2022	Year ended March 31, 2023	Year ended March 31, 2024
Net sales (millions of yen)	474,150	422,973	476,464	453,604	448,954
Ordinary profit (millions of yen)	19,194	19,793	15,381	11,637	12,390
Profit attributable to owners of parent (millions of yen)	12,628	13,042	10,579	7,938	7,013
Comprehensive income (millions of yen)	12,555	13,197	10,579	7,959	6,619
Net assets (millions of yen)	55,102	64,026	70,483	74,887	77,404
Total assets (millions of yen)	181,378	233,826	241,277	246,068	248,260
Net assets per share (yen)	988.23	1,148.26	1,263.30	1,333.28	1,385.42
Earnings per share (yen)	226.59	234.01	189.74	142.31	125.66
Diluted earnings per share (yen)	–	–	–	–	–
Equity ratio (%)	30.4	27.4	29.2	30.2	31.2
Return on equity (%)	24.8	21.9	15.7	11.0	9.2
Price-earnings ratio (times)	9.0	8.2	8.6	11.7	16.4
Cash flows from operating activities (millions of yen)	30,998	19,338	18,864	9,996	8,411
Cash flows from investing activities (millions of yen)	(4,642)	(32,711)	(2,484)	(3,558)	(4,143)
Cash flows from financing activities (millions of yen)	(8,868)	17,849	(7,931)	(17,165)	(7,826)
Cash and cash equivalents at end of period (millions of yen)	43,125	47,601	56,162	45,652	43,022
Number of employees (persons) [Separately, average number of temporary employees]	4,090 [2,155]	5,088 [2,193]	5,056 [2,103]	4,955 [2,072]	4,971 [2,257]

(Note) Information on diluted earnings per share is omitted as there are no dilutive shares.

(2) The reporting company's key financial data, etc.

Business term	29th	30th	31st	32nd	33rd
Fiscal year	Year ended March 31, 2020	Year ended March 31, 2021	Year ended March 31, 2022	Year ended March 31, 2023	Year ended March 31, 2024
Net sales (millions of yen)	469,580	399,307	471,907	447,773	438,660
Ordinary profit (millions of yen)	16,986	16,928	13,252	10,021	10,376
Profit (millions of yen)	11,660	11,397	9,590	6,652	5,815
Share capital (millions of yen)	3,154	3,154	3,154	3,154	3,154
Total number of outstanding shares (shares)	56,074,000	56,074,000	56,074,000	56,074,000	56,074,000
Net assets (millions of yen)	51,898	59,269	64,688	67,255	68,958
Total assets (millions of yen)	125,478	169,442	170,068	161,337	161,321
Net assets per share (yen)	931.21	1,063.41	1,160.02	1,205.48	1,235.36
Dividend per share (yen) [Interim dividend per share]	75.00 [37.50]	75.00 [37.50]	75.00 [37.50]	75.00 [37.50]	75.00 [37.50]
Earnings per share (yen)	209.23	204.49	172.00	119.25	104.20
Diluted earnings per share (yen)	–	–	–	–	–
Equity ratio (%)	41.4	35.0	38.0	41.7	42.7
Return on equity (%)	24.2	20.5	15.5	10.1	8.5
Price-earnings ratio (times)	9.8	9.4	9.5	14.0	19.8
Dividend payout ratio (%)	35.8	36.7	43.6	62.9	72.0
Number of employees (persons) [Separately, average number of temporary employees]	3,895 [2,098]	4,181 [2,066]	4,227 [2,001]	4,525 [1,976]	4,237 [1,738]
Total shareholder return (%) [Comparative index: TOPIX] (%)	115.6 [88.2]	112.6 [122.8]	101.4 [122.3]	107.3 [125.9]	132.7 [173.9]
Highest stock price (yen)	2,844	2,338	2,081	1,893	2,159
Lowest stock price (yen)	1,638	1,761	1,585	1,593	1,627

(Notes) 1. Information on diluted earnings per share is omitted as there are no dilutive shares.
2. The highest and lowest stock prices are those on the Tokyo Stock Exchange Prime Market from April 4, 2022, and those before that date were on the First Section of the Tokyo Stock Exchange.

2. History

Month/Year	Event
Feb 1992	Mitsui Electronic Telecommunication Services was established by Mitsui & Co., Ltd. for the purpose of selling information and telecommunication electronics.
Mar 1994	MC Telenet was established by Mitsubishi Corporation.
Apr 1994	Mitsui & Co., Ltd. established Bussan Telecommunication.
Jun 1995	Sumisho Telemates was established by Sumitomo Corporation.
Jun 1997	Mitsui & Co., Ltd. established Bussan Telecommunication Osaka.
Apr 2001	Mitsui Electronic Telecommunication Services was merged with Bussan Telecommunication and Bussan Telecommunication Osaka to form Mitsui & Associates Telepark Corp.
Jul 2001	Sumisho Telemates was merged with MC Telenet to become MS Communications Co., Ltd.
Dec 2003	Mitsui & Associates Telepark Corp. made JRC Mobitec Co., Ltd. a wholly owned subsidiary.
Apr 2004	Mitsui & Associates Telepark Corp. became listed on the Second Section of the Tokyo Stock Exchange.
Jul 2004	Mitsui & Associates Telepark Corp. succeeded, through a company split, the business conducted by JRC Mobitec Co., Ltd. in regions other than Kyushu and Okinawa. Mitsui & Associates Telepark Corp. changed the trade name of the surviving company to Mobitec Co., Ltd. (absorbed and merged in June 2008).
Oct 2004	Mitsui & Associates Telepark Corp. changed the trade name to Telepark Corp.
Mar 2005	Telepark Corp. listed on the First Section of the Tokyo Stock Exchange.
Jul 2005	MS Communications Co., Ltd. made Calsonic Communication Co., Ltd. a subsidiary (absorbed and merged in April 2006).
Oct 2007	Telepark Corp. made Telecom Sanyo Co., Ltd. a wholly owned subsidiary (absorbed and merged in April 2008).
Oct 2008	Telepark Corp. was merged on equal terms with MS Communications Co, Ltd. to form T-Gaia Corporation.
Jun 2009	T-Gaia Corporation relocated its head office to Shibuya-ku, Tokyo.
Nov 2013	T-Gaia Corporation established Advanced Star Link Pte. Ltd. (currently known as T-Gaia Asia Pacific Pte. Ltd.) in Singapore.
Mar 2014	T-Gaia Corporation made WAMNET Japan K.K. a subsidiary.
Apr 2015	T-Gaia Corporation established Career Design Academy Co., Ltd. (absorbed and merged in October 2023)
Dec 2017	T-Gaia Corporation made QUO CARD Co., Ltd. a wholly owned subsidiary.
Apr 2018	T-Gaia Corporation made V-Growth Co., Ltd. a subsidiary.
Mar 2019	T-Gaia Corporation made PC TECHNOLOGY Co., LTD. a wholly owned subsidiary.
Jul 2019	T-Gaia Corporation made Popular Soft Co., Ltd. (currently known as TG Solutions Corporation) a wholly owned subsidiary.
Mar 2020	T-Gaia Corporation made Model T Co., Ltd. (currently known as TG Power Inc.) a wholly owned subsidiary.
Nov 2020	T-Gaia Corporation made Personals Mobile Business Split Preparation Co., Ltd., the successor to the mobile phones sales business of Fujitsu Personal System Limited in an incorporation-type company split, a wholly owned subsidiary. T-Gaia Corporation changed the trade name of Personals Mobile Business Split Preparation Co., Ltd. to TF Mobile Solutions Corporation (absorbed and merged in February 2021). T-Gaia Corporation made a subsidiary of TF Mobile Solutions Corporation (T-Gaia Retail Service Corporation) a wholly owned subsidiary (absorbed and merged in April 2022).
Apr 2022	Due to the restructuring of market segments of the Tokyo Stock Exchange, T-Gaia Corporation moved from the First Section to the Prime Market of the Tokyo Stock Exchange.
	T-Gaia Corporation made the U.S. company Relay2, Inc., and its three subsidiaries, subsidiaries.
Sep 2022	T-Gaia Corporation made CCC FRONTIER Inc. (currently known as UNiCASE Corporation) a wholly owned subsidiary.
Nov 2022	T-Gaia Corporation made MOBILETRUST CO., LTD. a wholly owned subsidiary (absorbed and merged in April 2024).

3. Business Description

As of the end of the fiscal year under review, T-Gaia Corporation, its consolidated subsidiaries, and its equity-method affiliates (the “Group”) is composed of T-Gaia Corporation (the “Company”), 14 consolidated subsidiaries, and 1 non-consolidated subsidiary, accounted for using the equity method. Main business lines are the Consumer Mobile Business Segment centered on sales of mobile phones for consumers, the Enterprise Solutions Business Segment engaged in sales of mobile phones for corporate users and sales and intermediary services for optical communication line service contracts, and the Smart Life & QUO Card Business Segment engaged in PIN and gift card sales.

(1) Consumer Mobile Business Segment

This segment is mainly engaged in intermediary services specializing in mobile and other telecommunications services contracts and the sales of mobile phones. The intermediary services for telecommunications service contracts are intermediary services for contracts related to the telecommunications services provided by each telecommunications carrier (e.g., NTT DOCOMO, INC., KDDI CORPORATION, SoftBank Corp., and Rakuten Mobile, Inc.) to consumers based on agency service contracts between the Group and those telecommunications carriers, and it receives commissions from telecommunications carriers as consideration for intermediary service after the conclusion of contracts. The intermediary services for telecommunications service contracts and sales of mobile phones to consumers are conducted at the Group’s sales channels across the country, which include not only shops run by the Company, but also secondary agents, such as home appliance retail stores and general agencies.

(2) Enterprise Solutions Business Segment

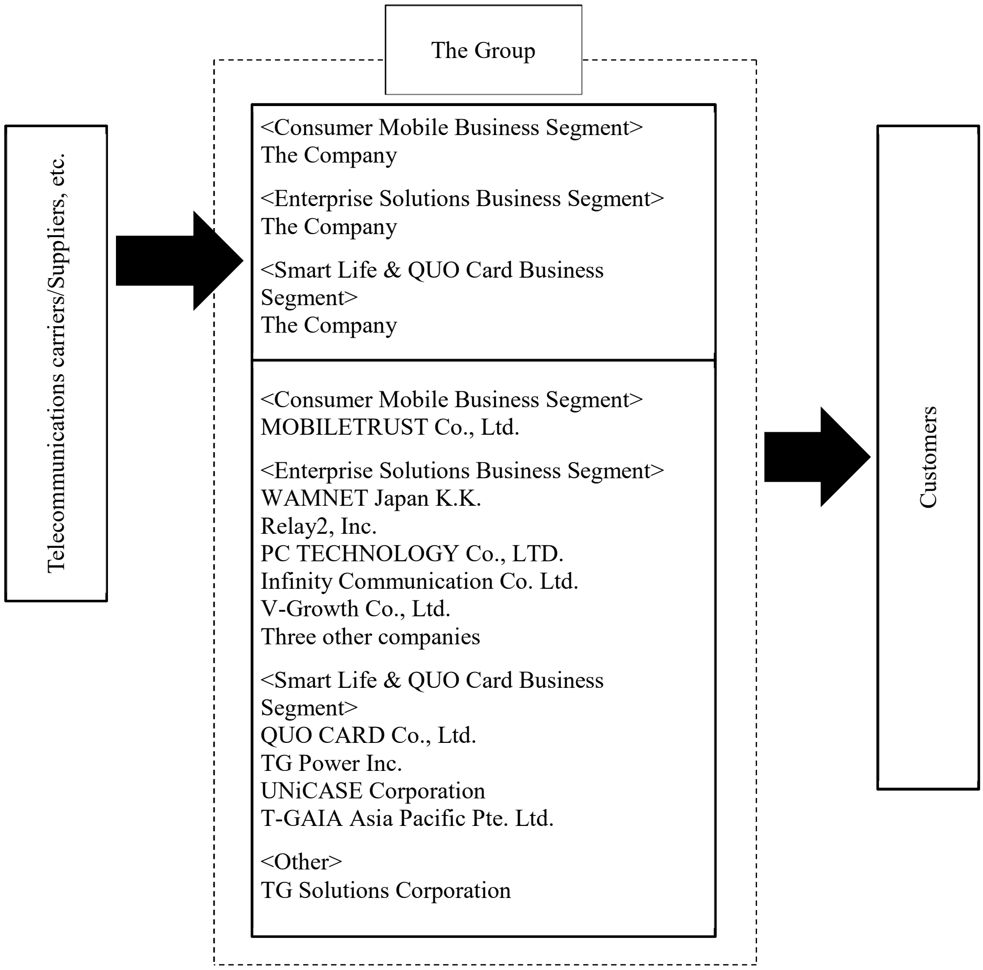
This segment is mainly engaged in the sales of mobile phone to corporate customers, the provision of solution services related to devices, network services, and the sales and intermediary services specializing in optical communication line service contracts for corporate and individual customers. The Group carries out intermediary services for contracts related to the telecommunications services provided by each telecommunications carrier based on agency service contracts with telecommunications carriers, such as NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION and NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION, internet service providers, etc., in addition to telecommunications carriers in the Consumer Mobile Business Segment, and receives commissions from telecommunications carriers as consideration for intermediary service after the conclusion of contracts.

(3) Smart Life & QUO Card Business Segment

This segment is mainly engaged in sales of e-money related products using PIN sales systems through major nationwide convenience store chains, sales of gift cards, and sales of smartphone accessories. The segment is also tasked with the issuance and settlement of “QUO CARD” and “QUO CARD Pay” and the sales and repair/maintenance of card-handling equipment, etc.

* From the fiscal year ending March 31, 2025, the Group will change its reporting segments to “Consumer Business Segment,” “Enterprise Business Segment,” and “Social Innovation & QUO Card Business Segment”

The chart below illustrates the scheme of our business segments.



(Note) The Group has one non-consolidated subsidiary accounted for using the equity method that is not included in the chart.

4. Overview of Associated Companies

Company name	Address	Share capital (millions of yen)	Principal business activities	Owning/Owned ratio of voting rights (%)	Relationship
(Other associated company) Sumitomo Corporation (Note) 1	Chiyoda-ku, Tokyo	220,423	General trading company	Owned 41.8	–
(Other associated company) Hikari Tsushin, Inc. (Notes) 1, 2	Toshima-ku, Tokyo	54,259	Mobile telecommunications business, sales of office automation equipment, and intermediary service for fixed lines, etc.	Owned 28.8 (28.8)	–
(Consolidated subsidiary) QUO CARD Co., Ltd. (Note) 3	Chuo-ku, Tokyo	1,810	Issuance and settlement of cards (prepaid cards, etc.) Sales and repair/maintenance of cards and card-handling equipment	100.0	Custody of funds Interlocking directors
WAMNET Japan K.K.	Chuo-ku, Tokyo	200	Digital content network administrative service provider; development and sales of fax server software	97.5	–
TG Power Inc.	Shibuya-ku, Tokyo	100	Development, sales and operation of renewable energy business and related consulting	100.0	Borrowing and lending of funds
TG Solutions Corporation	Shibuya-ku, Tokyo	100	Development, sales, operation and maintenance of information service business, as well as development and sales of own company's products	100.0	Entrustment of operation, maintenance, etc., of information system
Relay2, Inc. (Note) 3	California, the U.S.A.	US$64 million	Development and sales of cloud Wi-Fi solutions with edge computing	51.3	Interlocking directors
UNiCASE Corporation	Shibuya-ku, Tokyo	100	Operation of smartphone accessory specialty shops and e-commerce sites	100.0	Borrowing and lending of funds
MOBILETRUST Co., Ltd.	Hino City, Tokyo	10	Sales, intermediary service, and maintenance of mobile telecommunications devices	100.0	A sales agent of the Company
T-Gaia Asia Pacific Pte. Ltd. (Note) 3	Singapore	S$5 million	Payment service business including gift card sales	100.0	–
PC TECHNOLOGY Co., LTD.	Taito-ku, Tokyo	42	Call center business, PC Life Cycle Management business, engineer dispatch business, and sales support business	100.0	Borrowing and lending of funds
Infinity Communication Co. Ltd.	Chiyoda-ku, Tokyo	90	Network system consulting services; network system design, construction, implementation, maintenance, and operation services; cloud technology consulting, design, and construction; and other businesses	100.0	Borrowing and lending of funds

Company name	Address	Share capital (millions of yen)	Principal business activities	Owning/Owned ratio of voting rights (%)	Relationship
V-Growth Co., Ltd.	Minato-ku, Tokyo	40	Consulting for ICT introduction, environment construction, operation support, and education-related digital content services centered on the education industry	80.0	Borrowing and lending of funds
Three other companies					

(Notes) 1. This company files Annual Securities Report.
2. The figures in the parentheses for owned ratio of voting rights show the percentage of indirectly owned voting rights.
3. This company is a specified subsidiary.
4. The Group has one non-consolidated subsidiary accounted for using the equity method that is not included in the table.

5. Data on Employees

(1) Consolidated companies

As of March 31, 2024

Segment	Number of employees (persons)
Consumer Mobile Business Segment	3,166 (1,534)
Enterprise Solutions Business Segment	944 (473)
Smart Life & QUO Card Business Segment	384 (196)
Corporate (common)	477 (54)
Total	4,971 (2,257)

(Notes)
1. The number of employees refers to the number of working employees (excluding those who are on loan from a Group company to a company outside the Group and including those who are on loan from a company outside the Group to a Group company), and the average number of temporary employees per year is separately shown in parentheses.
2. The number of employees in the Corporate (common) portion refers to the number of those who belong to the Company's administrative divisions and information system divisions.

(2) Reporting company

As of March 31, 2024

Number of employees (persons)	Average age (years old)	Average length of service (years)	Average annual salary (yen)
4,237 (1,738)	39.3	11.7	5,098,122

Segment	Number of employees (persons)
Consumer Mobile Business Segment	3,107 (1,511)
Enterprise Solutions Business Segment	576 (56)
Smart Life & QUO Card Business Segment	152 (130)
Corporate (common)	402 (41)
Total	4,237 (1,738)

(Notes)
1. The number of employees refers to the number of working employees (excluding those who are on loan from the Company to a company outside the Company and including those who are on loan from a company outside the Company to the Company), and the average number of temporary employees per year is separately shown in parentheses.
2. The average annual salary includes bonuses and extra wages.
3. The number of employees in the Corporate (common) portion refers to the number of those who belong to the Company's administrative divisions and information system divisions.

(3) Labor unions

There is no labor union formed by the Group's employees. A harmonious relationship has nevertheless been maintained between employers and employees.

(4) Percentage of female managers, rate of male employee's taking child-care leave, and wage variance between male and female employees

(i) Reporting company

The fiscal year under review				
Percentage of female managers (%) (Note) 1	Rate of male employee's taking child-care leave (%) (Note) 2	Wage variance between male and female employees (%) (Note) 1		
		Total employees	Regular employees	Part-time and fixed-term employees
11.8	70.6	72.5	72.5	87.7

(Notes) 1. This is calculated based on provisions of the Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015).

2. This is the rate of taking either a company-specific leave of absence for the purpose of child care or child-care leave, etc. (including childcare leave at birth (paternity leave after childbirth)), calculated according to Article 71-4, Item (ii) of the Enforcement Regulations for the Law Concerning the Welfare of Workers Who Take Care of Children or Other Family Members, Including Child Care and Family Care Leave (Ministry of Labor Ordinance No. 25 of Oct. 15, 1991) based on provisions of the Law concerning the Welfare of Workers Who Take Care of Children or Other Family Members Including Child Care and Family Care Leave (Law No. 76 of 1991).

(ii) Consolidated subsidiaries

Not applicable.

II. Business Overview

1. Management Policies, Business Environment, Issues to Be Addressed, Etc.

The Group’s management policies, business environment, issues to be addressed, etc., are as follows.

Note that the forward-looking statements contained herein are determined by the Group at the end of the fiscal year under review.

(1) Management policies

Toward sustainable growth based on the Corporate Philosophy shown below, the Group strengthens its revenue base by boosting the productivity of all the existing businesses and aggressively exploring new business segments. The Group also strives to heighten its corporate value by enhancing transparency in management and fulfilling its social responsibilities.

The Corporate Philosophy is used to serve as a basis for the Group’s internal judgment and decision-making, as well as for its personnel evaluation and daily business operations.

<Corporate philosophy>

TG Vision - T-Gaia's Corporate Vision -

T-Gaia will propose new ways of communication
to provide our customers with excitement, delight, and safety.

TG Mission - T-Gaia's Corporate Mission -

- We pledge to care for our employees and their families to ensure that everyone finds joy in work.
- We pledge to establish strong relationships of trust with our business partners, communities, and shareholders to strive for sustainable development together.
- As an industry leader, we pledge to stay ahead of changes and continuously take on new business opportunities.

TG Action - T-Gaia's Code of Conduct -

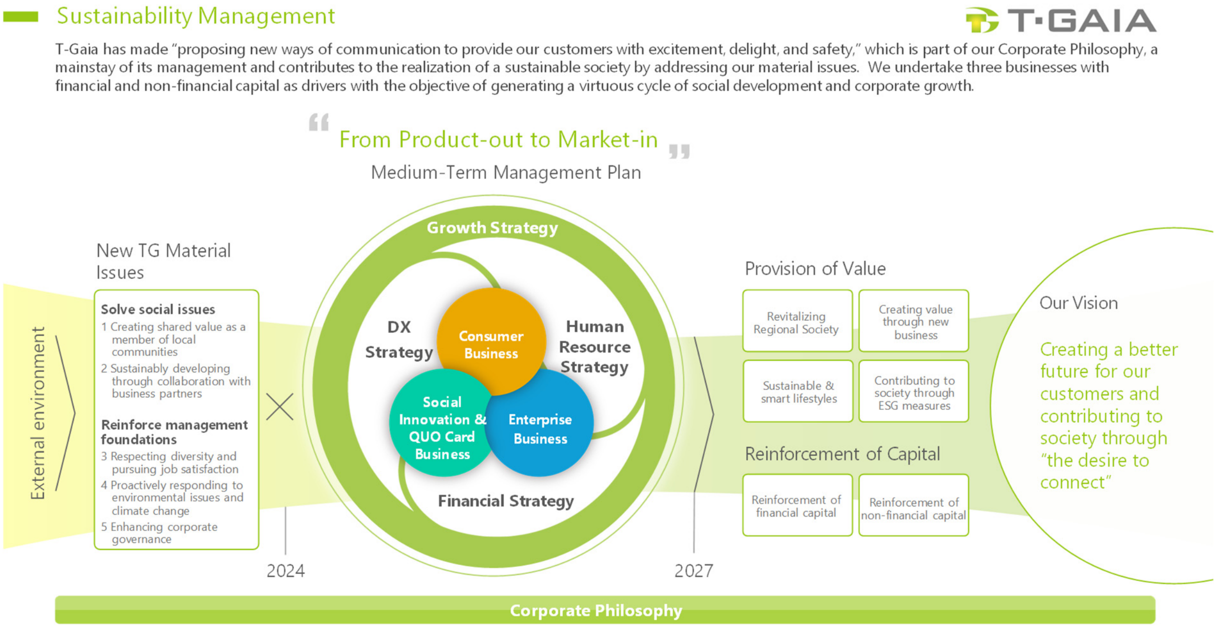
- We pursue services that go above and beyond customers’ appreciation.
- We take on new challenges proactively through our passion and with a sense of speed.
- We value communications to build a culture of openness and trust in the workplace.
- We respect our employees' diversity to foster the best teamwork.
- We strive for constant self-improvement as a team of professionals.
- We always act on high ethical standards and strengthen our compliance structure.

(2) Management strategy, etc.

In May 2024, the Company announced its “Medium-Term Management Plan (fiscal year ending March 31, 2025 to fiscal year ending March 31, 2027).” Along with this, we have also defined our new “vision” as “Creating a better future for our customers and contributing to society through ‘the desire to connect’” and have identified five material issues to be solved through our business activities in order to realize this vision.

<Medium-Term Management Plan>

Based on the premise that it is important to connect deeply with customers and understand their thoughts, we believe that a shift from a product-out perspective to a market-in perspective is necessary. We have set forth “shifting to customer-centric business,” “collaborating with strategic partners,” and “providing community-based solutions to social issues” as the three growth strategies in the Medium-Term Management Plan.



(3) Objective metrics, etc., for measuring the achievement of management goals

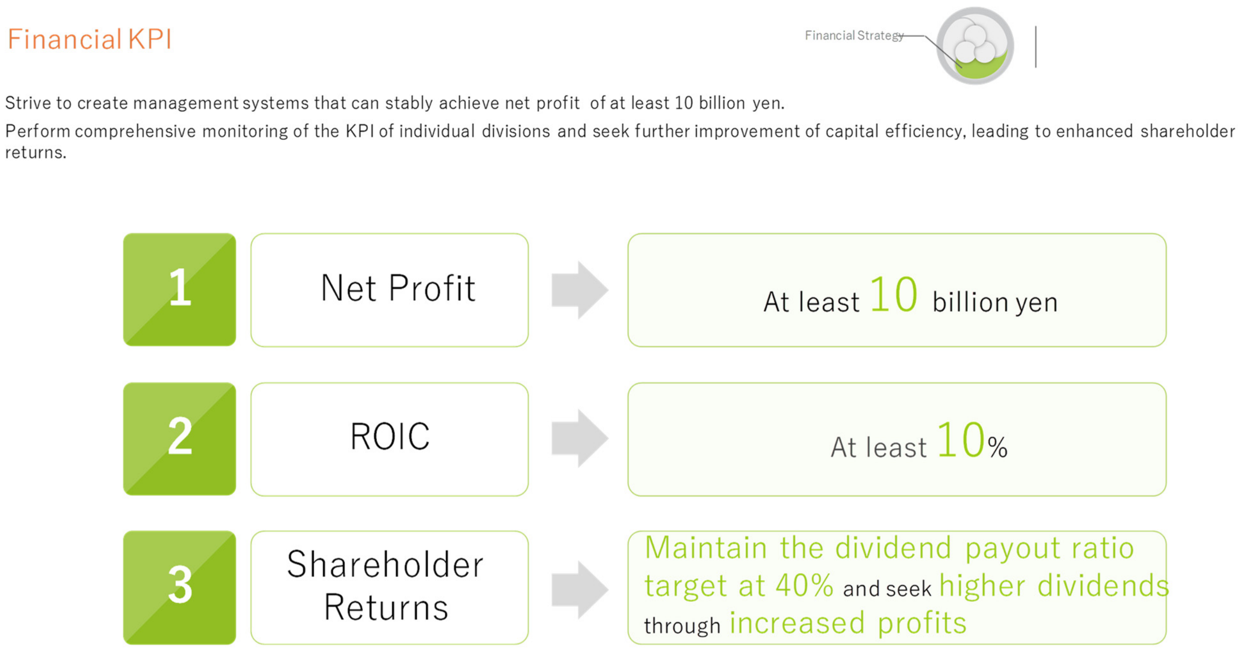
In addition to executing the three growth strategies set forth in the Medium-Term Management Plan (fiscal year ending March 31, 2025 to fiscal year ending March 31, 2027), the Group will also strengthen corporate functions, which will serve as its business foundations, aiming to achieve profit attributable to owners of parent of 10 billion yen or more and ROIC of 10% or more.

The consolidated forecast for the fiscal year ending March 31, 2025, which is the first year of the Medium-Term Management Plan, is net sales of 418,400 million yen (-6.8% compared with the previous fiscal year), operating profit of 8,800 million yen (+9.3% compared with the previous fiscal year), ordinary profit of 14,300 million yen (+15.4% compared with the previous fiscal year), and profit attributable to owners of parent of 8,000 million yen (+14.1% compared with the previous fiscal year).

Although net sales are expected to decrease due to the revision of ministerial ordinances and a decrease in the number of shops in the Consumer Business Segment, operating profit is expected to increase by making investments required for growth businesses, while improving the efficiency of company-wide operations and optimizing the personnel structure.

As stated in the “Notice Concerning Call for Voluntary Retirement” announced on May 9, 2024, the Company made a call for voluntary retirement due to the need to optimize the composition of the workforce and build an efficient structure to further improve profitability and strengthen business foundations in implementing its Medium-Term Management Plan. This forecast includes extraordinary losses of approximately 1,700 million yen, which is a one-time cost associated with the call for voluntary retirement.

<Financial KPIs>



(4) Business and financial issues of priority

(i) Important business matters

The Group will position the five material issues as an important element in the formulation of strategies for each business and in the business decision-making process, set KPIs for minor items of each material issue, and aim to achieve business growth for the entire Group in order to solve the issues facing society through all of our business activities.

TG Material Issues and KPI

T·GAIA

We re-analyzed risks and opportunities in the external environment, combined them with their significance to T-Gaia (leveraging of strengths, degree of contribution to social issues, and threat level), and reviewed the material issues.

TG Material Issues	Sub-categories	KPIs	SDG Action Items
1 Creating shared value as a member of local communities	Coexistence with local communities through business	Number of social Innovation business projects	4, 9, 10, 11
	Raise customer satisfaction and provide inspiring experiences	NPS (customer loyalty index)	
	Create a digital society where no one is left behind	Number of store customers, number of remote customer contacts, number of e-caravans held (number of participants), number of smartphone classes held (number of participants), etc.	
2 Sustainably developing through collaboration with business partners	Build sustainable supply chains	CSR survey response rate	8, 9, 17
	Strengthen relationships with business partners	Number of services provided per company, number of new clients acquired	
	Create enriching lifestyles through the use of digital technologies	DX promotion index score, ratio of digital investment amount to new sales	
3 Respecting diversity and pursuing job satisfaction	Build a human resource portfolio linked to business strategies	Number of employees hired (recent graduates and mid-career), training time and expenditures, number of digital human resources hired	4, 5, 8
	Implement DEIB	Acquisition of external evaluations, percentage of managers who are women, percentage of men who take childcare leave, gender pay disparity, percentage of workforce who are have disabilities	
	Promote engagement	Engagement score, employee retention rate, paid leave utilization rate, average duration of employment	
4 Proactively responding to environmental issues and climate change	Reduce greenhouse gas emissions	Scope 1 and 2 greenhouse gas emissions reduction rates (compared to FY 2019), percentage of electricity used derived from renewable energy	7, 12, 13, 15
	Promote Renewable Energy Business	Renewable energy capacity	
	Provide support in the event of a disaster using our network	Examples of support during emergencies (qualitative)	
5 Enhancing corporate governance	Rigorous compliance	Compliance training participation rate (number), number of serious compliance violations	16, 17
	Maintain and advance governance	Board of Directors self-evaluation (qualitative), contribution to autonomy of Group companies and sustainable growth (qualitative)	
	Enhance information disclosure	Disclosure of various KPI, active disclosures in English (qualitative)	

(ii) Initiatives in each segment

<Consumer Business Segment>

In the mobile market, which is the mainstay of the Consumer Business Segment, the business environment is changing at a dizzying pace, with rising prices due to factors, such as the increasing sophistication of smartphones, legal regulations, and the spread of 5G communications. The Group will take a market-in perspective to provide services that meet the needs of our customers by leveraging our strengths, our nationwide network of shops and human resources, and the know-how we have cultivated over the years, with the aim of providing new and exciting experiences to our customers and achieving sustainable growth in a mature industry.

Specifically, we will take on the challenge of developing new, original shops that offer not only mobile phone contracts, but also consulting and repair services, as well as an inspiring place to experience cutting-edge technologies, such as AI, while at carrier shops, we will work with telecommunications carriers to provide more attractive services as an important place to “connect” customers with peace of mind. In the retail business for smartphone accessories and other products, we will expand business opportunities and enhance sales channels and products by combining the real value that can be provided only by physical shops with the digital value of e-commerce sites and online customer service.

<Enterprise Business Segment>

In the Enterprise Business Segment, we will continue to provide mobile phone-based solutions to a wide range of issues, such as a declining labor force and a shortage of digital human resources that are seen to be social issues. In particular, we will support our customers in building a rich DX environment by strengthening our solutions especially for small- and medium-sized businesses. In addition, we will perform market and customer analysis through the establishment of CRM, and focus on system development and human resource development by creating dedicated organizations by industry type.

In the smart support business, we will provide high-quality services, such as support for improving business efficiency and secure network environments. We aim to build trust and expand earnings by enhancing proposal capabilities through our professionally qualified human resources and providing optimal IT solutions in line with customers’ requirements.

<Social Innovation & QUO Card Business Segment>

In the Social Innovation & QUO Card Business Segment, we will make social contributions through our business by maximizing the use of the Group’s nationwide assets to address social issues, health issues, and other problems in each region. In order to promote our new initiative, the Social Innovation business, we will build a system closely linked to each region to support regional revitalization along with health and livability for everyone living in each region. In addition to the contacts made by each of our business units, we will also coordinate with QUO CARD, which has a proven track record in areas, such as local government policies, for proposals to local governments, which act as an entry point to regional revitalization.

The Payment Service Business will continue to strengthen digital marketing and expand sales channels by strengthening cooperation with convenience stores and other partners. The QUO Card Business will continue to foster a culture of giving and establish a solid position in the gift market by expanding the handling of QUO CARD and QUO CARD Pay while considering next-generation services.

(iii) Corporate governance

The Group positions compliance involving everyday observation of laws and regulations and internal rules and the preservation of ethics as one of the most critical issues in the performance of business operations. We will continue with the initiatives to quickly detect and respond to risk and conduct awareness activities through measures, such as enhancement of training about compliance and the use of in-house social networking services (SNS).

In addition, the Company is also taking measures to strengthen governance systems, including making a majority of members of independent Outside Directors on the Board of Directors. The Company complies with all principles of Japan’s Corporate Governance Code.

2. Concept and measures of sustainability

The Group will contribute to the sustainable growth of society through business activities according to the T-Gaia Group's Sustainability Policy formulated in 2021. The Group will work on resolving various social issues and continue to create value for a prosperous future.

(1) Governance

The Group evaluates and manages environmental and social issues through a company-wide committee (Sustainability Committee). The Sustainability Committee is an advisory body to the Management Conference, and formulates and deliberates on policies, strategies, and measures to improve the Company's sustainability on environmental and social issues. The committee reports its discussions to the Management Conference depending on the degree of their importance, and recommends submitting important issues to the Board of Directors.

・Board of Directors

The Board of Directors receives reports on policies, strategies, measures, and company-wide risks formulated and deliberated by the Sustainability Committee, and makes decisions on important matters. It oversees initiatives related to sustainability in general.

・Management Conference (Chairperson: President and Chief Executive Officer)

The Management Conference discusses policies, strategies, measures, and company-wide risks of sustainability related to company management. It receives reports from the Sustainability Committee and determines whether to submit them to the Board of Directors for discussion and reporting.

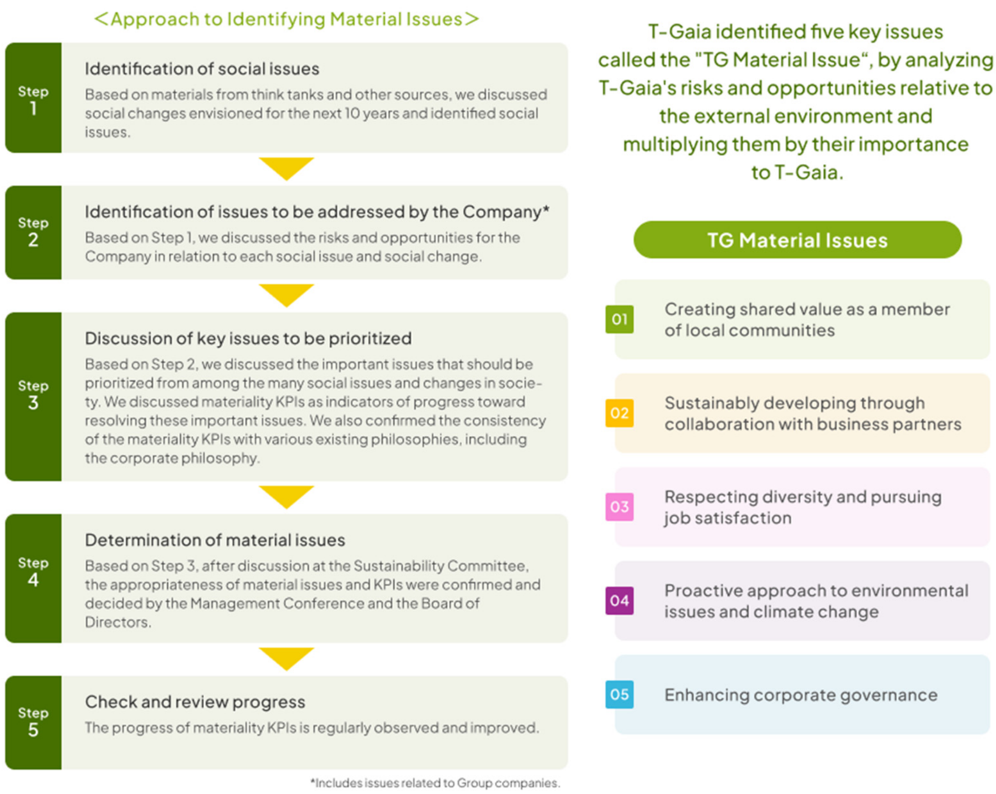
・Sustainability Committee (Chairperson: the corporate officer responsible for sustainability)

The Sustainability Committee formulates and deliberates on sustainability policies, strategies, and measures so that the Company will contribute to solving environmental and social issues. Further, it manages climate change-related risks in cooperation with the Risk Management Committee.

(2) Risk management

In TG Material Issues, we recognize approach to environmental and social issues as one of the key issues. The Risk Management Committee identifies, evaluates, and manages various risks related to the Group's business activities. The Risk Management Committee also collaborates with the Sustainability Committee, which handles strategies and measures related to environmental and social response, to address issues related to sustainability of the Group.

<Approach to identifying material issues>



・Risk Management Committee (Chairperson: CFO)

The Risk Management Committee identifies and assesses all business material issues, and works with the Sustainability Committee to manage environment and society-related risks.

(3) Strategy, indicators and goals

(i) Response to climate change issues

The Company has established a greenhouse gas (Scope 1, 2) reduction target of substantially zero emission on its business activities by 2040 (medium-term target as of 2030: a 50% reduction compared with fiscal 2019). In order to achieve the target, the Company aims to introduce the proportion of electricity derived from renewable energy as 50% as of fiscal 2030 and 100% as of fiscal 2040. In January 2023, the Company participated in the "Declaration of 100 Renewable Energy, RE Action."

Not only the Company, but the Group as a whole will also continue to proactively promote climate change measures to realize sustainable society.

As one of climate change measures, the Company has divided analysis of the impact of climate change risks and opportunities on our business strategies and financial plans into four steps in accordance with the recommendations of the "Task Force on Climate-related Financial Disclosures (TCFD)," for which the Company expressed support in December 2021: "Risk Materiality Assessment," "Scenario Selection (4°C and 1.5°C)," "Business Impact Assessment," and "Consideration of Response Measures."

・Risk materiality assessment

Intensification of extreme weather events may cause losses to our business, such as disruption of supply chains, including damage to our own stores. At the same time, growing demand for renewable energy business may create opportunities for significant financial benefits for the Company.

Details of the risk materiality assessment are as follows.

Large (profit: 10% or more), medium (profit: less than 10% to 1% or more), small (profit: less than 1%)

<Major risks>

Type		Risk	Major Risks	Assessment
Transition	Policies/ Regulations	Carbon pricing (carbon tax)	- New regulations that significantly increase carbon taxation and emissions trading	Small
		Response to GHG emissions regulations	- Increase in price of fossil fuels and fossil fuel-derived electricity	Small
		Renewable energy/energy-saving policies	- Cost of renewable energy procurement and energy-saving measures	Small
	Market	Changes in energy costs	- Demand grows for low-cost fossil fuel-derived electricity but not for renewable energy electricity	Small
	Reputation	Changes in reputation with investors	- Impact on stock prices due to a lower valuation caused by a delay in responding to investor requests for environmental disclosures	Large
Physical	Acute	Intensification of extreme weather events	- Decline in sales due to damage or closure of sales offices, delay in product procurement due to supply chain disruptions - Damage to solar power generation facilities due to extreme weather events - Increase in fire insurance premiums	Medium
	Chronic	Rise in average temperatures	- Increase in cooling costs - Decrease in sales at sales offices due to reduced outings	Small

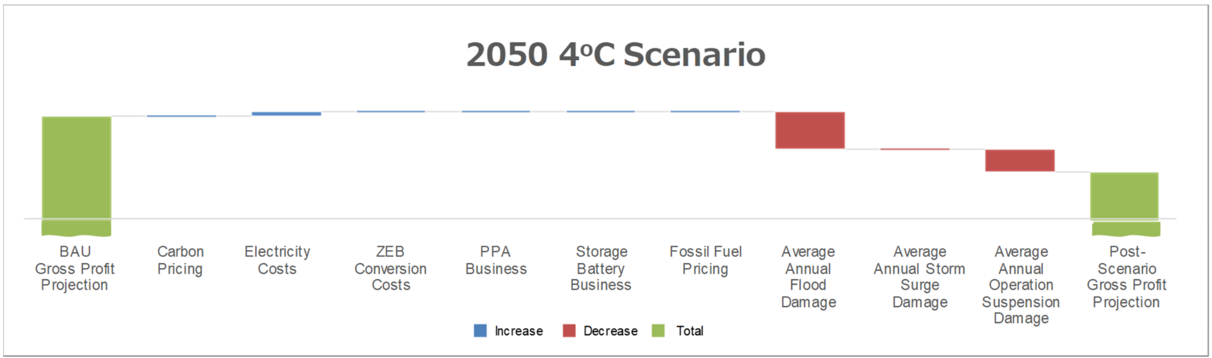
<Major opportunities>

Type		Opportunity	Major Opportunities	Assessment
Transition	Policies/ Regulations	Emissions trading	- Increase in revenue from the sale of emission credits earned from reductions due to solar power generation	Small
		Renewable energy policies	- Increase in sales from increased PPA installations due to an increase in demand for renewable energy electricity	Medium
		Energy-saving policies	- Reduction in operating costs through the use of subsidy programs	Small
	Technology	Adoption of renewable energy/energy-saving technologies	- Reduction in capital investment costs from the advancement of renewable energy technology and lower price of storage batteries	Small
		Advancement of low-carbon technologies	- Increase in sales from the introduction of high-efficiency solar cells	Small
	Reputation	Changes in reputation with investors	- Decrease in capital procurement costs through proactive response to investor requests	Large
Physical	Acute	Intensification of extreme weather events	- Increase in sales of remote work products - Increase in sales from increased demand for self-consumption solar power generation and uninterruptible power supply solutions as BCP measures	Small
	Chronic	Rise in average temperatures	- Increase in traveling sales due to the spread of on-site sales shops	Small

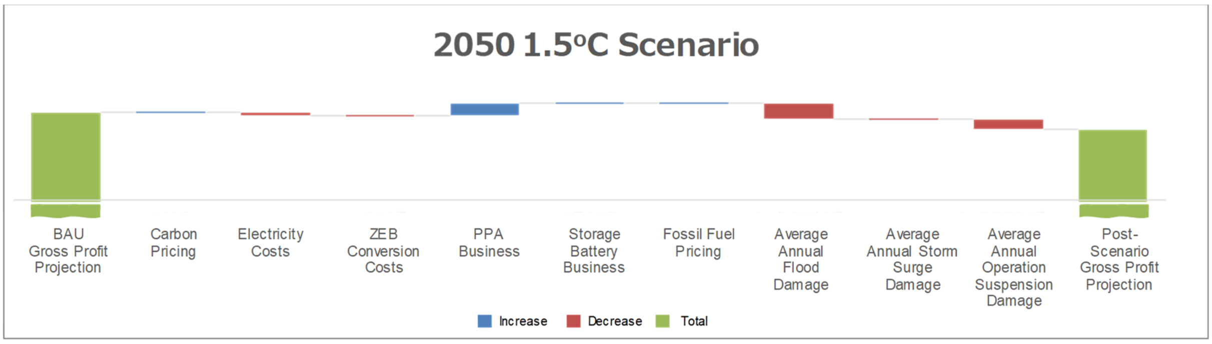
・Scenario selection (4°C and 1.5°C) and business impact assessment

Based on a qualitative analysis of risks and opportunities related to climate change, the Company uses the “4°C scenario” and the “1.5°C scenario” to evaluate their respective business impacts.

The 4°C scenario assumes an increase in damage to stores due to intensification of extreme weather events, the risks of flooding and landslide disaster around 360 directly managed shops nationwide was confirmed with hazard maps, and the impact was rated as “medium.” We have reviewed our BCP measures and are taking steps to ensure that business continuity will not be affected significantly.



The 1.5°C scenario assumes that policies and regulations, such as carbon taxes, will be strengthened in line with the transition to a decarbonized society. Based on the results of Scope 1, 2, and 3 calculations, we have established targets for the introduction of renewable energy electricity (“renewable electricity”) and GHG reductions, but have determined that the financial impact of achieving these targets will be limited. It was also found that demand for renewable electricity, including solar power generation, is expected to increase, which could lead to expanded business opportunities in the Group’s renewable energy business. In order to steadily capture business opportunities, we will work to establish a supply system and provide renewable electricity in a variety of ways.



・Consideration of response measures

As a response to the identified risks and opportunities, the Company has established a Sustainability Policy. We are also reviewing our BCP measures and will continue to consider specific countermeasures.

GHG emission results in Scope 1, 2, and 3 are available on our website and in our Integrated Report.

Please refer to Integrated Report regarding the Company's efforts for the environment such as climate change issues.

(ii) Human capital and diversity

We advocate "Respect for Diversity and Promotion of Human Resources Development," "Realization of Diversity and Inclusion," and "Promotion of Health Management" as the core of the personnel management strategy, and we are promoting various measures aiming at realization of work environment where all employees are able to continue working excitedly in order to realize the shape of which the Company wishes to be.

While the business environment surrounding the Company has been rapidly changing, the type of human resources required to realize the business strategy is also largely changing. In order to respond to this change, we promote employees' autonomous learning and support their development, as well as we aim at creating work environment where each employee is able to actively contribute in his/her own way.

Regarding indicators of percentage of female managers, rate of male employee's taking child-care leave, and wage variance between male and female employees, please refer to "(4) Percentage of female managers, rate of male employee's taking child-care leave and, wage variance between male and female employees, 5. Data on Employees of I. Company Overview."

Policy on human resources development

・Development and utilization of human resources by various support and program

We promote each employee's autonomous learning and support his/her development, as well as we continue to develop and utilize human resources through various support and program aiming at creating work environment where each employee is able to actively contribute in his/her own way.

Preparation of opportunity and environment to challenge aiming at support for employees' carrier development	・Internal job posting program ・FA system ・Side business permission ・Human resource exchange with business companies
Acquisition of knowledge and skills in accordance with the role through "TG Training Program," which supports employees' development	・Rank-based training ・Training for shop staff
Gaining company-wide viewpoints and management skills for the purpose of development of next generation leaders through a systematic method	・Sending to business schools
Development of human resources who can utilize knowledge of the cutting-edge technology and provide value to own company and customers	・Development project of digital human resources ・Implementation of basic IT training for all employees
Promotion of communication with partner companies and collection of the latest ICT information, etc.	・Overseas trainee system
Promoting employees' autonomous carrier development, as well as optimizing deployment and development of human resources through visualization of human resources	・Utilization of HR information system ・Carrier assessment ・Implementation of utilization plan of human resources

In-house environment improvement policy

・Diversity and inclusion to create innovation

Aiming to create work environment where all employees, who have various backgrounds and values, are able to actively contribute with a feeling of joy to work, we will work on realizing diversity and inclusion and promoting diversified working styles without being limited by time or place.

Implementation of development training of next-generation managers and training for managers that contributes to promotion of active participation by women (target: achieving 15% of proportion of female managers by fiscal 2025)	・Promotion of active participation by women Proportion of female managers: 13.0%(*1)
Implementation of a periodical interview, an exchange meeting, PC skill support, etc., aiming to provide assistance for job retention (target: 2.5% of employment rate of persons with disabilities in fiscal 2023)	・Employment of persons with disabilities and support for job retention Employment rate of persons with disabilities: 2.7%(*1)
Implementing promotion of male employees' taking child-care leave, provision of support for coping with both of infertility treatment and working, and information exchange meetings for employees taking maternity leave or child-care leave	・Providing support to employees coping with child care, family care, infertility treatment, etc. Rate of male employees taking child-care leave: 70.6%(*2)
Expansion of ways of working and support of career choices for senior human resources	・Flexibility use of the side job/part-time job system ・Setting flexible working hours
Development of facilities and systems that support diverse SOGIs, and implementation of in-house awareness activities	・Establishment of outside consultation window and installation of genderless "Toilet for everybody" ・Introduction of "Same-sex partnership system" and "Use of in-house common name" ・Implementation of Ally Seminar
Promotion of diversified working styles and efforts to improve labor productivity	・Expansion of super flextime system and teleworking ・Promotion of paperless operation ・Promotion of digital utilization, such as RPA and AI ・Promotion of remote work at regional headquarters, branches, etc.

*1 The results of proportion of female managers and employment rate of persons with disabilities show the status as of April 2024.

*2 Fiscal 2023 rate of male employees taking child-care leave, calculated including the Company's own-care leave system (Care Leave System for Supporting Child-rearing Father)

・Promotion of Health Management based on the "Declaration of T-Gaia's Health Management"

Considering that it is dispensable for the Company's business development that employees and their family members are healthy and filled with energy, the Company implements various health-related measures, including the improvement of work environment and providing proactive support for employees maintenance and enhancement of "mental" and "physical" health so that each employee will be able to actively work on his/her duties.

Conducting health guidance based on results of periodical health check and thorough medical examination, recommending to take stress check, etc.	・Inspection tours on work place by industrial physicians ・Interview with a public health nurse
Installation of interview room with counselors, implementation of line-care and self-care training to enhance mental health literacy	・TG-Support Lounge ・Mental health education
Development of measures aimed at improving labor productivity through recovery from exhaustion and stress reduction	・Operation of a massage room ・Participation in walking events
Establishment of a support system for employees who balance work with treatment for cancer and other illnesses and injuries	・"Specific disease-leave program" system ・Purchasing Group Long-Term Disability Income Indemnity Insurance (GLTD)
Support for employee smoking cessation, efforts to prevent passive smoking, and implementation of in-house awareness activities	・Establishment of "T-Gaia Non-smoking Day" ・Providing Online Smoking-Cessation Program without charge

(iii) Respect for human rights including the supply chain

The Group established "T-Gaia Group CSR Procurement Policy" to carry out sustainable procurement and "T-Gaia Group Human Rights Policy" to strengthen working on human rights issues in February 2023.

Recognition of risks and opportunities

Characteristics of the Group's business include the fact that its supply chain includes distributors and mass retailers engaged in consignment sales, and thus its customers include a variety of individuals, corporations, municipalities, and others. Employees throughout the entire Group also come from diverse occupations, including sales, operations, administration, and systems development.

If respect for human rights is not adequately addressed, the impact on these extensive supply chains is significant and this will also have an impact on further development of the business, which has diversified centered around "human resources." By ensuring that each member of the Group understands the importance of respect for human rights and incorporates such understanding into our business, we aim to further strengthen our business foundation and achieve sustainable growth and development of both society and the Group.

Please refer to the Company's website for the Company's specific initiatives, such as responses to human rights risks (human rights due diligence).

3. Risk Factors for Our Business, etc.

Among the matters concerning the business overview, financial information, etc., stated in this Annual Securities Report, our management recognizes the following as major risk factors that might significantly impact the Group's financial position, operational results, and cash flows.

Note that the forward-looking statements contained herein are determined by the Group at the end of the fiscal year under review.

(1) Macroeconomic factors

Amid the continuation of global monetary tightening, etc., the downturn in overseas business conditions has been a downward risk on the business conditions in Japan. As for the outlook, we believe that attention should be paid to the effects of inflation and fluctuations in financial and capital markets.

(2) Agency service contracts with telecommunications carriers

(i) Agency service contracts

The Group's sales and intermediary services for mobile phones, which are the Group's main business segments, are conducted based on agency service contracts with telecommunications carriers. Those agency service contracts with telecommunications carriers are automatically renewed, unless either the telecommunications carrier or the Company decides otherwise. However, if there is a significant change in the composition of the Company's shareholders or management members, those contracts might affect the Group's business performance significantly, because they contain provisions allowing the telecommunications carriers to stop paying commissions to us and terminate the contracts with us.

(ii) Market environment and business policies of telecommunications carriers in the mobile telecommunications market

The Group's Consumer Business Segment relies on telecommunication services and mobile handsets, etc., provided by telecommunications carriers as a precondition for its business activities. In recent years, competition among telecommunications carriers in terms of rates, service, and quality has intensified due to amendments to relevant laws, ordinances, and guidelines to stimulate competition with new entrants and MVNOs. This competitive environment among telecommunications carriers might affect the number of contracts we receive from each telecommunications carrier.

(iii) Transaction terms

In the Group's Consumer Business Segment and Enterprise Business Segment, profits are generated from the procurement and sales of mobile phone handsets and other products handled by telecommunications carriers, agency commissions for acting as an intermediary for telecommunications services, and compensation for operating shops on consignment. The terms of these transactions are periodically reviewed based on the policy of each telecommunications carrier, and any significant changes might have a substantial impact on our business performance.

(3) Risk factors across all business segments

(i) Intensifying market competition and new services, etc.

The performance of each of the Group's businesses may be affected by intensification of competition from other companies in the same industry or new entrants, changes in transaction terms, the emergence of new services, legal regulations and amendments, and other factors.

The Group will further enhance its corporate value by realizing a growth strategy based on maintaining a sound financial position, improving the value of human capital, and enhancing DX.

(ii) Business partners

The Group has some projects conducted jointly with business partners. We work with the business partners on the continuation and expansion of joint projects. However, the Company's business performance and the projects' continuation might be affected if there is a change in the policies of the business partners or in the business circumstances, etc.

We make our best efforts to promote joint projects and build ongoing good relationships with business partners.

(iii) External contractors

In all of our business segments, we work with external contractors when we need to use their expertise to fulfill projects. We use external contractors after giving due consideration to the objectives of the projects, the necessity of external contractors, and their trustworthiness and reliability. However, the Company's business performance might be affected if there is a change in the policies of the external contractors or in the business circumstances, etc.

We make our best efforts to build ongoing good relationships with external contractors.

(4) Risk factors involved in corporate acquisitions aimed at business expansion

There is a possibility that we make investments aimed at acquiring companies and creating or nurturing new businesses for our business expansion. These investments, etc., might affect the Group's financial position and operational results.

Moreover, such investments or expenditures might not deliver expected outcomes depending on market or economic conditions in the future, and there might be cases where we find it difficult to recover invested capital if the project concerned fails to make intended progress, and such outcomes might affect the Group's business performance, business plan, etc.

Whenever making an investment or expenditure, we take into consideration its potential synergy with the Group's existing businesses, and once we make an investment or expenditure, we will examine the progress concerned to seek maximization of the effect of the investment or expenditure.

(5) Human resources

In order to further enhance customer satisfaction and sales quality in the Consumer Business Segment, imperative issues include the increase of time spent attending to customers at shops in response to the popularization of smartphones and other high-performance handset devices as well as diversified services, and the increase of quality of human resources and their retention rate.

For the Enterprise Business Segment, the Social Innovation & QUO Card Business Segment, and Other Business Segments, it is also becoming more important to hire and train personnel who have expertise in digital and other related fields in response to the business expansion and diversification.

In order to address those necessities at hand, the Group has taken a Business Process Re-engineering (BPR) approach, thereby redeploying its workforce for more effective use and reducing workload at shops for higher productivity. We also introduced a new personnel program aimed at encouraging our non-permanent employees to work on a permanent basis, and the teleworking and flex system. By promoting diverse work styles and work-life balance among employees, we create a workplace that makes employees want to stay.

(6) Corporate compliance

The Group is working on corporate compliance as one of the top priority issues in its operations because the occurrence of compliance violations might affect business performance and social trust.

Since the Group handles various products, services, and information in all of its business segments, we are particularly mindful of raising employee awareness about the importance of observing ethics and fulfilling social responsibilities as a company, apart from the duty of expanding the business scale and increasing earnings. In the intermediary service business in which we act as an agent for telecommunications plans on behalf of telecommunications carriers, we deploy efforts, together with our agencies, to prevent and eliminate illegal agreements and educate employees on corporate compliance.

At the same time, while information postings by individuals become more popular along with the higher availability of various types of SNS, etc., and increased interest in handling or misconduct of information, we will work on activities for improvement and raising awareness therefor within the Company, raising the level as needed.

(7) Legal restrictions and amendments, etc.

Laws and regulations, etc., that are applicable to an agency service business for telecommunications carriers, etc., include the following:

- Telecommunications Business Act
- Act on Prohibition of Private Monopolization and Maintenance of Fair Trade
- Act against Unjustifiable Premiums and Misleading Representations
- Act on the Protection of Personal Information
- Act on Identity Confirmation, etc., Performed by Mobile Voice Communications Carriers for their Subscribers, etc., and Prevention of Wrongful Use of Mobile Voice Communications Services
- Act against Delay in Payment of Subcontract Proceeds, etc., to Subcontractors and others

Any of the following matters regarding those laws and regulations, etc., might affect the Group's business performance.

- A change in a sales method or market due to a revision to a law, regulation, etc., and a change in transaction terms and conditions with a telecommunications carrier
- Promotion of a policy and formulation or revision of guidelines by the Ministry of Internal Affairs and Communications or other administrative agency
- A violation of a law, regulation, etc., and its resultant damaged trust in the Group, a claim for damages, termination of an agency service contract, and an order to suspend operations or other disciplinary actions imposed on the Group

Moreover, if there is a change in laws, regulations, or standards relevant to the preparation of the Group's consolidated financial statements, that might affect the Group's business performance.

In order to ensure our compliance with all relevant laws and regulations, etc., we continue to provide the Group's employees with education and awareness programs about legal compliance while at the same time enhancing the Group's internal management system.

(8) Natural disaster risk, etc.

The occurrence of natural disasters, such as heavy rains, large-scale typhoons, and earthquakes, has been increasing in Japan. Furthermore, some of the recent natural disasters inflicted damage of unprecedented levels.

We have a contingency plan to prepare the Group for a natural disaster, etc. The occurrence of a natural disaster, etc., however, might affect the Group's business continuity or performance, depending on the disaster's scale, etc.

We have procedures to handle an emergency situation, including how to check and ensure the safety of employees. We also conduct disaster drills across the Group. Measures to protect our essential computer systems are also in place. We keep improving our measures so that we can protect the safety of employees and ensure our business continuity in the event of a natural disaster, etc.

(9) Litigation risk

All of the Group's businesses are constantly exposed to litigation risk. Although we check all contracts in all of its business segments, given the nature of lawsuits, however, it is impossible to predict the outcome of ongoing or potential future lawsuits filed by or against the Group. If we lose any of ongoing or potential future lawsuits, that might pose an obstacle to the Group's business operations, damage trust by society in the Group, or negatively affect the Group's financial position or business performance.

4. Management's Analysis of Financial Position, Operational Results, and Cash Flows

(1) Overview of operational results, etc.

The overview of the Group's financial position, operational results, and cash flows (hereafter, the "operational results, etc.") is as follows:

(i) Results of operations

Amid the continuation of global monetary tightening, etc., the downturn in overseas business conditions has been a downward risk on the business conditions in Japan in the fiscal year under review. As for the outlook, we believe that attention should be paid to the effects of inflation and fluctuations in financial and capital markets.

In the market for sales of mobile phone handsets, which is the main business field of the Company, there was excessive competition to obtain new contracts among telecommunications carriers due to the impact of facilitation of switching carriers brought by the revision of the Telecommunications Business Act enacted in October 2019. In the fiscal year under review, discount competition is subsiding, and a partial revision of the Regulation for Enforcement of the Telecommunications Business Act, including a new regulation capping device discounts, went into effect on December 27, 2023. It is expected that the market will transition to normalcy in the future as the competitive environment will no longer be as intense . Meanwhile, the average number of years of device use has been lengthening as a result of price hikes associated with the increasing functionality of smartphones and reluctance to buy due to high prices. As telecommunications carriers begin to offer new value propositions, such as linking with financial services, we forecast that the role expected of us and other mobile phone distributors will continue to rise.

In this business environment, the Group (the Company, its consolidated subsidiaries, and its equity-method affiliates) has implemented the Medium-Term Management Plan (fiscal year ended March 31, 2022 to fiscal year ended March 31, 2024), namely "Realization of the TG Universe (the ecosystem within T-Gaia)" and "Initiatives for TG Material Issues (eight material issues)." We improved profitability by expanding the sales of our original products mainly in the Consumer Mobile Business Segment and improving the efficiency of shop operations. Furthermore, we transformed our business portfolio to be less dependent on the Consumer Mobile Business Segment and are working on several new businesses.

In addition, with a view to the next Medium-Term Management Plan, we launched a project organization in April 2023 and regional development teams at each location in October, in order to change our shops into a customer-oriented business model. We aim to expand earnings by shifting from our previous product sales-oriented approach (product out) to an approach in which we provide services in line with customer requests (market in) in both our consumer business and enterprise client business.

Consolidated business results for the period under review marked net sales of 448,954 million yen (down 1.0% year on year), operating profit of 8,051 million yen (up 15.1% year on year), ordinary profit of 12,390 million yen (up 6.5% year on year), and profit attributable to owners of parent of 7,013 million yen (down 11.7% year on year).

The decrease in net income attributable to shareholders of the parent company was mainly due to the recording of an impairment loss on Relay2, Inc., a consolidated subsidiary in the Enterprise Solutions Business Segment, as an extraordinary loss in the fiscal year under review.

For the operational results by segment for the fiscal year under review, please see "V. Financial Information, 1. Consolidated Financial Statements and Other Information, (1) Consolidated financial statements, Segment information, etc., in Notes to consolidated financial statements."

(ii) Financial position

(Assets)

Total assets at the end of the fiscal year under review were 248,260 million yen, an increase of 2,191 million yen from the end of the previous fiscal year. The main contributing factors behind the increases or decreases are as shown below.

Contributing factors behind increases/decreases by item

Item	Change from the end of the previous fiscal year	Main factors
Current assets	Increase of 5,223 million yen	As for a decrease of 2,629 million yen in cash and deposits, please see "V. Financial Information, 1. Consolidated Financial Statements and Other Information, (1) Consolidated financial statements, (iv) Consolidated statements of cash flows." Furthermore, operational investment securities increased by 15,500 million yen and guarantee deposits decreased by 14,049 million yen in consolidated subsidiaries.
Non-current assets	Decrease of 3,032 million yen	This was mainly due to decreases of 1,634 million yen in goodwill and 1,340 million yen in investment securities due to factors such as a change in the scope of consolidation.

(Liabilities)

Total liabilities at the end of the fiscal year under review were 170,855 million yen, a decrease of 325 million yen compared with the end of the previous fiscal year. The main contributing factors behind the increases or decreases are as shown below.

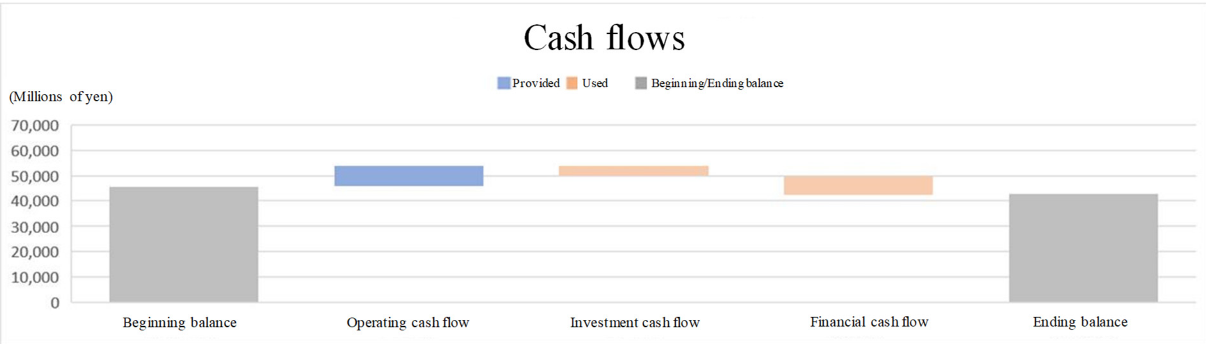
Contributing factors behind increases/decreases by item

Item	Change from the end of the previous fiscal year	Main factors
Current liabilities	Increase of 1,251 million yen	There were increases of 1,115 million yen in income taxes payable and 636 million yen in card deposits, and a 1,875 million yen decrease in current portion of long-term borrowings was recorded because of the repayment.
Non-current liabilities	Decrease of 1,577 million yen	Non-current liabilities decreased by 1,871 million yen as a result of a transfer of debts payable to financial institutions from non-current liabilities to current liabilities.

(Net assets)

Total net assets at the end of the fiscal year under review were 77,404 million yen, an increase of 2,517 million yen compared with the end of the previous fiscal year. For the main contributing factors behind the increases or decreases, please see “V. Financial Information, 1. Consolidated Financial Statements and Other Information, (1) Consolidated financial statements, (iii) Consolidated statements of changes in shareholders’ equity.” As a result of the increase, the equity ratio was 31.2% (30.2% at the end of the previous fiscal year).

(iii) Cash flows



Cash and cash equivalents (hereafter, “cash”) at the end of the fiscal year under review were 43,022 million yen, a decrease of 2,629 million yen compared with the end of the previous fiscal year. Cash flows for the fiscal year under review and major factors are as shown below.

(Cash flows from operating activities)

Net cash provided by operating activities was 8,411 million yen (net cash provided by operating activities of 9,996 million yen for the previous fiscal year). This was mainly due to recording a profit before income taxes of 10,387 million yen, an increase of 15,485 million yen in operational investment securities, and a decrease of 13,400 million yen in guarantee deposits.

(Cash flows from investing activities)

Net cash used in investing activities was 4,143 million yen (net cash used in investing activities of 3,558 million yen for the previous fiscal year). This was mainly due to using 2,979 million yen for the purchase of property, plant and equipment and using 2,063 million yen for the purchase of intangible assets.

(Cash flows from financing activities)

Net cash used in financing activities was 7,826 million yen (net cash used in financing activities of 17,165 million yen for the previous fiscal year). This was mainly due to 4,185 million yen in payments of dividends and 3,838 million yen in repayments of long-term borrowings.

(iv) Actual purchases and sales

a. Actual purchases of merchandise, etc.

Please see below for the actual purchases of merchandise, etc. (including commission expenses), by segment in the fiscal year under review.

Segment	Fiscal year under review (From April 1, 2023 to March 31, 2024)	
	Amount (millions of yen)	Year-to-year comparison (%)
Consumer Mobile Business Segment	321,172	97.2
Enterprise Solutions Business Segment	29,517	108.7
Smart Life & QUO Card Business Segment	22,055	77.4
Reportable segments total	372,745	96.5
Others	–	–
Total	372,745	96.5

(Note) The purchases and sales of inter-segment transactions have been offset by each other.

b. Actual sales, etc.

Please see below for the actual sales, etc. (including commission income), by segment in the fiscal year under review.

Segment	Fiscal year under review (From April 1, 2023 to March 31, 2024)	
	Amount (millions of yen)	Year-to-year comparison (%)
Consumer Mobile Business Segment	377,892	99.1
Enterprise Solutions Business Segment	41,403	110.0
Smart Life & QUO Card Business Segment	29,639	86.7
Reportable segments total	448,935	99.0
Others	18	7.0
Total	448,954	99.0

(Note 1) The purchases and sales of inter-segment transactions have been offset by each other.

(Note 2) Sales by major customer and the ratios of those sales to total sales in the latest two fiscal years are as shown below.

Customer	Previous fiscal year (From April 1, 2022 to March 31, 2023)		Fiscal year under review (From April 1, 2023 to March 31, 2024)	
	Amount (millions of yen)	Ratio (%)	Amount (millions of yen)	Ratio (%)
KDDI CORPORATION	61,092	13.5	53,557	11.9
NTT DOCOMO, INC.	60,183	13.3	52,553	11.7

(2) Management's analysis and evaluation of operational results, etc.

Our management's understanding, analysis, and evaluation of the Group's operational results, etc., are as follows:

Forward-looking statements contained herein are determined at the end of the fiscal year under review.

(i) Understanding, analysis, and evaluation of operational results, etc., for the fiscal year under review

The Group's operational results, etc., for the fiscal year under review are as shown in "II. Business Overview, 4. Management's Analysis of Financial position, Operational Results, and Cash Flows, (1) Overview of operational results, etc., (i) Results of operations and (ii) Financial position."

Factors that could significantly affect the Group's business results include changes in the market environment in the mobile communications market, changes in the business policies of telecommunications carriers, corporate acquisitions, and securing human resources.

Regarding changes in the market environment in the mobile communications market and changes in the business policies of telecommunications carriers, competition among telecommunications carriers in terms of rates, service, and quality has intensified due to amendments to relevant laws, ordinances, and guidelines to stimulate competition with new entrants and MVNOs. This competitive environment among telecommunications carriers might affect the number of contracts we receive from each telecommunications carrier. In response, the Group is working to further expand its proprietary business and enhance the operational efficiency and productivity, mainly of its shops.

With regard to corporate acquisitions, etc., the Company recorded impairment losses on goodwill, etc., related to its consolidated subsidiary Relay2, Inc. in the fiscal year under review. However, we will remain committed to making investments aimed at enabling us to combine and use our existing varied business models, ample connections, sales offices across the country, and other strengths of the Company.

In securing human resources, we are working to improve the quality and retention rate of human resources to further enhance customer satisfaction and sales quality, particularly in the Consumer Mobile Business Segment. For the Enterprise Solutions Business Segment and the Smart Life & QUO Card Business Segment, we focus on securing and training personnel who have expertise in digital and other related fields in response to the business expansion and diversification. The Group is building an attractive work environment by diversifying work styles and promoting work-life balance.

For other factors that could also significantly affect our operational results, please see "II. Business Overview, 3. Risk Factors for Our Business, etc."

Our understanding and analysis of operational results by segment are as follows:

For initiatives in each segment based on operational results and other factors, please see "II. Business Overview, 1. Management Policies, Business Environment, Issues to Be Addressed, Etc., (4) Business and financial issues of priority, (ii) Initiatives in each segment."

(Consumer Mobile Business Segment)

The number of mobile phone contracts in the Consumer Mobile Business Segment decreased to 3,053,000 (down 6.2% from the previous fiscal year) due to lengthening of the replacement cycle caused by soaring smartphone prices and other factors.

At our carrier shops, we have also introduced "Smart Online Support," which provides remote initial setup support and explanations on the use of smartphones, to improve the efficiency of our operations and increase customer satisfaction by providing support tailored to each customer's needs by our expert staff. The number of customers visiting our directly managed shops is recovering, as we have resumed accepting customers without reservations to visit our shops after the transition of COVID-19 to a Class 5 infectious disease. In addition, since the previous fiscal year, the Company has been working to optimize the number of shops and to improve the efficiency and productivity of its operations, and has been able to curb selling, general, and administrative expenses.

As a result, net sales marked 377,892 million yen (down 0.9% year on year), with profit attributable to owners of parent of 4,300 million yen (up 66.4% year on year).

(Enterprise Solutions Business Segment)

The number of mobile phone contracts in the Enterprise Solutions Business Segment was 326,000 lines (down 2.3% year on year), and net sales and commission income of smart devices decreased. We will continue to enhance our sales capabilities through Group-wide efforts to develop human resources and other measures, as well as focusing on expanding sales channels.

We expanded products and services in the LCM business, and the number of management IDs for network administrative services (movino star), helpdesks, and the like surpassed the same period of the previous fiscal year. movino star has expanded its target devices to include not only smartphones but also PCs, leading to an increase in the number of IDs. In anticipation of an aging society, we also focused on expanding our business domains and attracting new customer bases by proposing voice interactive AI services and monitoring cameras for use in nursing care facilities.

Meanwhile, amortization and other expenses increased compared to the previous fiscal year due to functional enhancements to our sales system.

In products related to fixed-line telecommunications, the cumulative number of "TG Hikari," the Company's own fiber-optics access service, remained strong.

As a result, net sales marked 41,403 million yen (up 10.0% year on year), with loss attributable to owners of parent of 95 million yen (profit attributable to owners of parent of 2,032 million yen in the previous fiscal year) due to recording an extraordinary loss.

(Smart Life & QUO Card Business Segment)

In the Smart Life Business, PIN and gift card transaction volumes were down compared with the previous fiscal year. The demand for a variety of digital content, including games, music, and video streaming, continued to gradually decline as lifestyles change. Wholesale sales of smartphone accessories, mainly to convenience stores, etc., and sales of Fitbit wearable devices remained steady.

Additionally, in November 2023, we opened the first FEMTECH LAB, a salon-style femtech store offering products and services that help to solve women's specific health issues. We are also working on the development of services that organically integrate real and digital worlds in cooperation with our online store, which opened in December.

In the QUO Card Business, the amount of issuance for QUO CARD and QUO CARD Pay decreased compared to the same period of the previous fiscal year, primarily due to effects of significant initiatives undertaken for local governments during the same period of the previous fiscal year. We are endeavoring to expand the number of member stores, with major convenience stores joining the "QUO CARD Pay" and becoming member stores in July 2023.

As a result, net sales marked 29,639 million yen (down 13.3% year on year), with profit attributable to owners of parent of 2,716 million yen (down 9.4% year on year).

(ii) Analysis and evaluation of cash flows, and information about capital sources and the liquidity of funds

For the analysis and evaluation of cash flows during the fiscal year under review, please see "II. Business Overview, 4. Management's Analysis of Financial Position, Operational Results, and Cash Flows, (1) Overview of operational results, etc., (iii) Cash flows."

A. Management's stance on finance

(Procurement of funds)

As to the procurement of working capital and the financing of investment funds, we make it our basic policy to use net cash provided by operating activities. If we need to raise funds beyond the amount on hand, we will borrow from financial institutions in an appropriate and sufficient amount. As to the procurement of funds for the Group companies, we basically arrange intra-Group financing to stabilize our procurement of funds and reduce the costs involved, but in some cases, we borrow from financing institutions in consideration of the interest rate.

(Purposes of use of funds)

We have allocated funds for purposes including mergers and acquisitions (M&A) in all our businesses; purchases of inventories such as mobile handsets; payments of selling, general and administrative expenses; acquisitions of outside assets and other resources; investments in equipment and facilities; repayments of loans and interests; and payments of dividends. The Group will accelerate investments in product development, M&A, and peripheral businesses in each of its businesses.

B. Management's stance on shareholder returns policy and capital allocation strategy

We always keep in mind the balance between internal reserves needed for investment for growth and dividends to shareholders. In fiscal 2021, we decided to target a consolidated dividend payout ratio of 40%. There is no change to the policy to "return profits to shareholders in a stable and continuous manner over the long term."

(iii) Important accounting estimates and assumptions used for the estimates

The Group's consolidated financial statements are prepared according to accounting standards that are generally accepted as fair and appropriate in Japan, and the preparation of such consolidated financial statements requires estimates and judgments that affect the choice and application of key accounting standards; amounts of assets, liabilities, income, and expenses; and disclosure.

In the process of developing or forming such estimates, various factors, including business performance in the past, outlook for the future, the probabilities of occurrence, and the rationality of amounts, are taken into consideration to make the most reasonable estimates possible at the time of the process. However, there may be cases where the actual results turn out to be different due to intrinsic uncertainties involved in estimates (such as changes in the management environment and the preconditions underlying the estimates).

Important accounting estimates that we developed based on the aforementioned assumptions, etc., and used for the preparation of the consolidated financial statements for the fiscal year under review, and important assumptions used for the estimates are as shown below.

A. Estimates of hoard profit of prepaid card

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

It is as is stated in "V. Financial Information, 1. Consolidated Financial Statements and Other Information, (1) Consolidated financial statements, Significant accounting estimates in Notes to consolidated financial statements."

C. Recoverability of deferred tax assets

The Group's assessment of the recoverability of deferred tax assets was conducted in compliance with the Accounting Standard for Tax Effect Accounting and the Implementation Guidance on Recoverability of Deferred Tax Assets (Accounting Standards Board of Japan (ASBJ) Guidance No. 26). However, since judgments as to the recoverability of deferred tax assets depend on the forecasts of business performance and the estimates of taxable income to some extent, the amount of deferred tax assets may be reduced and, as a result, additional tax expenses may be recognized if any of the following events or circumstances occur or exist:

- Significant deterioration of business performance by the Company or any of its consolidated subsidiaries
- A change in tax rate concerned, or any other change in taxation system

D. Impairment of non-current assets

For non-current assets with indications of impairment, the Group writes down the book value to the recoverable amount if the total undiscounted future cash flows from the asset are less than its book value and recognizes the reductions as impairment losses.

Although we carefully examine the identification of indications of impairment, and the recognition and measurement of impairment losses, impairment may be necessary if the conditions and assumptions on which such estimates are based change due to future changes in business plans or market conditions.

5. Operationally Important Contracts, etc.

(1) Sales agency contracts, etc.

Contracting company	Contractual counterpart	Country	Items under contract	Content of contract	Contract period
T-Gaia Corporation (The Company)	NTT DOCOMO, INC.	Japan	Intermediary service for mobile and other telecommunications service plans	Sales agency contract	From April 1, 2024 to March 31, 2025 (Renewed automatically)
Ditto	KDDI CORPORATION	Ditto	Ditto	Ditto	From April 1, 2024 to March 31, 2025 (Renewed automatically)
		Ditto	Intermediary service for FTTH, ADSL, and other telecommunications service plans	Outsourcing contract for sales operations	From April 1, 2024 to March 31, 2025 (Renewed automatically)
Ditto	SoftBank Corp.	Ditto	Intermediary service for mobile and other telecommunications service plans	Sales agency contract	From April 1, 2024 to March 31, 2025 (Renewed automatically)
Ditto	NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION	Ditto	Intermediary service for FTTH, ADSL, and other telecommunications service plans	Sales partner contract	From April 1, 2024 to March 31, 2025

(Note) The contracts with NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION and NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION were signed afresh for the period from April 1, 2024 to March 31, 2025.

(2) Business succession through merger and acquisition

(i) In a meeting of the Board of Directors held on July 28, 2023, the Company resolved to conduct an absorption-type merger effective October 1, 2023, with the Company as the surviving company and its wholly owned subsidiary Career Design Academy Co., Ltd. as the disappearing company, and entered into an absorption-type merger agreement on July 28, 2023.

For details, please see "V. Financial Information, 2. Consolidated Financial Statements and Other Information, (1) Consolidated financial statements, Business combinations in Notes to consolidated financial statements."

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

For details, please see "V. Financial Information, 2. Consolidated Financial Statements and Other Information, (1) Consolidated financial statements, Significant subsequent events in Notes to consolidated financial statements."

6. Research and Development Activities

Not applicable.

III. Property, Plant and Equipment

1. Overview of Capital Investments, etc.

During the fiscal year under review, the Company and its consolidated subsidiaries made capital investments of 4,402 million yen in total. Major capital investments made are as follows:

(1) Consumer Mobile Business Segment-related

As part of measures to boost sales of mobile phone handsets, etc., we invested a total of 692 million yen mainly to cover the cost of renovating our nationwide mobile phone shops and the purchase of furnishings.

(2) Systems-related

We invested 2,342 million yen in measures, such as to introduce and strengthen our sales system, and develop system infrastructure.

(3) Others

We invested 1,367 million yen in solar panel equipment, office renovation, and replacement of furniture and fixtures.

2. Major Property, Plant and Equipment

The Group's major property, plant and equipment are as follows:

(1) Reporting company

Apart from the head office in Shibuya-ku, Tokyo, the Company has three regional headquarters and five branches and runs 361 mobile phone and other shops (all brick-and-mortar shops) across the country.

As of March 31, 2024

Business sites (Location)	Segment	Facility descriptions	Book values (millions of yen)				Number of employees (persons)
			Buildings and structures	Furniture and fixtures	Land (area m^2)	Total	
Tokyo Head Office (Shibuya-ku, Tokyo) and 219 shops	Consumer Mobile Business Segment Enterprise Solutions Business Segment Smart Life & QUO Card Business Segment	-Office -Mobile phone shops	547	141	233 (13,853.87)	922	2,051 (1,005)
West Japan Regional Headquarters (Kita-ku, Osaka City, Osaka Prefecture) and 19 shops	Consumer Mobile Business Segment Enterprise Solutions Business Segment	Ditto	160	38	–	199	512 (235)
Tokai Regional Headquarters (Naka-ku, Nagoya City, Aichi Prefecture) and 35 shops	Consumer Mobile Business Segment Enterprise Solutions Business Segment	Ditto	179	31	–	210	481 (90)
Kyushu Regional Headquarters (Hakata-ku, Fukuoka City, Fukuoka Prefecture) and 24 shops	Consumer Mobile Business Segment Enterprise Solutions Business Segment	Ditto	125	23	–	149	412 (108)
Hokkaido Branch (Chuo-ku, Sapporo City, Hokkaido) and 9 shops	Consumer Mobile Business Segment Enterprise Solutions Business Segment	Ditto	25	9	–	35	151 (66)
Tohoku Branch (Taihaku-ku, Sendai City, Miyagi Prefecture) and 18 shops	Consumer Mobile Business Segment	Ditto	127	51	–	179	294 (69)
Hokuriku Branch (Kanazawa City, Ishikawa Prefecture) and 10 shops	Consumer Mobile Business Segment	Ditto	66	11	–	77	98 (25)
Chugoku Branch (Naka-ku, Hiroshima City, Hiroshima Prefecture) and 20 shops	Consumer Mobile Business Segment Enterprise Solutions Business Segment	Ditto	36	34	–	70	302 (49)
Shikoku Branch (Takamatsu City, Kagawa Prefecture) and 7 shops	Consumer Mobile Business Segment	Ditto	25	10	71 (991.74)	107	84 (25)

(Note) The number of employees in parentheses separately shows the number of temporary employees as of the end of the fiscal year under review.

(2) Subsidiaries in Japan

As of March 31, 2024

Company names	Business sites (Location)	Segment	Facility descriptions	Book values (millions of yen)					Number of employees (persons)
				Buildings and structures	Machinery, equipment and vehicles	Leased assets	Others	Total	
QUO CARD Co., Ltd.	Headquarters (Chuo-ku, Tokyo) and 1 business site	Smart Life & QUO Card Business Segment	- Office - Production facility	53	–	2	157	213	174 (51)
TG Power Inc.	Headquarters (Shibuya-ku, Tokyo)	Smart Life & QUO Card Business Segment	- Office - Solar panels	39	2,406	369	113	2,928	15 (–)
MOBILETRUST Co., Ltd.	Headquarters (Hino City, Tokyo)	Consumer Mobile Business Segment	- Office	36	–	–	4	40	59 (26)
PC TECHNOLOGY Co., LTD.	Headquarters (Taito-ku, Tokyo) and 3 business sites	Enterprise Solutions Business Segment	- Office	79	–	–	5	85	175 (428)

(Notes) 1. The "Others" category under book values is for furniture and fixtures and includes construction in progress.
2. The number of employees in parentheses separately shows the number of temporary employees as of the end of the fiscal year under review.

(3) Overseas subsidiary

As of March 31, 2024

Company names	Business sites (Location)	Segment	Facility descriptions	Book values (millions of yen)					Number of employees (persons)
				Buildings and structures	Machinery, equipment and vehicles	Leased assets	Others	Total	
T-Gaia Asia Pacific Pte. Ltd.	Singapore	Smart Life & QUO Card Business Segment	- Others	–	–	31	44	76	6 (–)

(Note) The number of employees in parentheses separately shows the number of temporary employees as of the end of the fiscal year under review.

3. Planned Facility Addition, Retirement, etc.

Not applicable.

IV. Information About Reporting Company

1. Company's Shares, etc.

(1) Total number of shares, etc.

(i) Total number of shares

Type	Total number of authorized shares (shares)
Common shares	400,000,000
Total	400,000,000

(ii) Outstanding shares

Type	Number of outstanding shares as of fiscal year end (shares) (March 31, 2024)	Number of outstanding shares as of filing date (shares) (June 21, 2024)	Name of financial instruments exchange on which securities are listed or authorized financial instruments business association to which securities are registered	Description
Common shares	56,074,000	56,074,000	Tokyo Stock Exchange, Inc. (Prime market)	Number of shares constituting one unit 100 shares
Total	56,074,000	56,074,000	–	–

(2) Share acquisition rights

(i) Employee share option plans

Not applicable.

(ii) Rights plans

Not applicable.

(iii) Share acquisition rights for other uses

Not applicable.

(3) Exercise status of moving strike bonds with share acquisition rights

Not applicable.

(4) Changes in total number of outstanding shares, share capital, and legal capital surplus

Month/Date/Year	Change in total number of outstanding shares (shares)	Total number of outstanding shares (shares)	Change in amount of share capital (millions of yen)	Balance of share capital (millions of yen)	Change in amount of legal capital surplus (millions of yen)	Balance of legal capital surplus (millions of yen)
May 24, 2019 (Note)	(23,000,000)	56,074,000	–	3,154	–	5,640

(Note) Decrease due to cancellation of treasury shares.

(5) Shareholding by shareholder category

As of March 31, 2024

Category	Shareholding status (number of shares constituting one unit: 100)								Status of shares less than one unit (shares)
	National and local governments	Financial institutions	Financial service providers	Other corporations	Overseas corporations, etc.		Individuals and others	Total	
					Other than individual	Individuals			
Number of shareholders (persons)	–	11	20	192	141	119	35,550	36,033	–
Number of shares held (units)	–	41,078	3,686	395,817	38,338	147	81,437	560,503	23,700
Proportion of number of shares held (%)	–	7.328	0.657	70.618	6.839	0.026	14.529	100.000	–

(Note) Treasury shares of 253,709 shares are represented in "Individuals and others" as 2,537 units and in "Status of shares less than one unit" as 9 shares.

(6) Information about major shareholders

As of March 31, 2024

Name	Address	Number of shares held (shares)	Shareholding ratio against total number of outstanding shares (%) (excluding treasury shares)
Sumitomo Corporation	3-2 Otemachi 2-chome, Chiyoda-ku, Tokyo	23,345,400	41.82
UH Partners 2, Inc.	9-9 Minamiikebukuro 2-chome, Toshima-ku, Tokyo	5,516,500	9.88
Hikari Tsushin, Inc.	4-10 Nishiikebukuro 1-chome, Toshima-ku, Tokyo	4,730,800	8.48
UH Partners 3, Inc.	9-9 Minamiikebukuro 2-chome, Toshima-ku, Tokyo	4,184,500	7.50
The Master Trust Bank of Japan, Ltd. (Trust account)	8-1 Akasaka 1-chome, Minato-ku, Tokyo	2,836,800	5.08
SIL, Inc.	9-9 Minamiikebukuro 2-chome, Toshima-ku, Tokyo	1,683,900	3.02
T-Gaia Employee Shareholding Association	1-18 Ebisu 4-chome, Shibuya-ku, Tokyo	998,900	1.79
Custody Bank of Japan, Ltd. (Trust account)	8-12 Harumi 1-chome, Chuo-ku, Tokyo	985,300	1.77
MSIP CLIENT SECURITIES (Standing proxy: Morgan Stanley MUFG Securities Co., Ltd.)	25 CABOT SQUARE, CANARY WHARF, LONDON E14 4QA, U.K. (9-7 Otemachi 1-chome, Chiyoda-ku, Tokyo)	414,600	0.74
THE BANK OF NEW YORK MELLON 140040 Mizuho Bank, Ltd. (Standing proxy: Settlement Sales Department of Mizuho Bank, Ltd.)	240 GREENWICH STREET, NEW YORK, NY 10286, U.S.A. (15-1 Konan 2-chome, Minato-ku, Tokyo)	330,315	0.59
Total	――――――	45,027,015	80.66

(Notes)
1. Among the above mentioned, shares owned by the Master Trust Bank of Japan, Ltd. and Custody Bank of Japan, Ltd. are all related to trust business.
2. Shareholding ratio against total number of outstanding shares (excluding treasury shares) is rounded off to the second decimal place.
3. Although it is described in the Report of Possession of Large Volume (Change Report), which was made available for public inspection on December 13, 2023, that Hikari Tsushin, Inc. and its joint holders of three companies hold below-mentioned shares respectively as of December 6, 2023, the Company is not able to confirm the number of substantially owned shares as of March 31, 2024, therefore, above-mentioned information about major shareholders is described based on the Shareholder Registry.

   The contents of the Report of Possession of Large Volume (Change Report) are as follows:

Name	Address	Number of shares held (shares)	Shareholding ratio (%)
Hikari Tsushin, Inc.	4-10 Nishiikebukuro 1-chome, Toshima-ku, Tokyo	Shares 4,730,800	8.44
UH Partners 2, Inc.	9-9 Minamiikebukuro 2-chome, Toshima-ku, Tokyo	Shares 5,516,500	9.84
UH Partners 3, Inc.	9-9 Minamiikebukuro 2-chome, Toshima-ku, Tokyo	Shares 4,184,500	7.46
SIL, Inc.	9-9 Minamiikebukuro 2-chome, Toshima-ku, Tokyo	Shares 1,541,400	2.75

(7) Voting rights

(i) Outstanding shares

As of March 31, 2024

Category	Number of shares (shares)		Number of voting rights	Description
Shares with no voting rights		–	–	–
Shares with restricted voting rights (treasury shares, etc.)		–	–	–
Shares with restricted voting rights (other)		–	–	–
Shares with full voting rights (treasury shares, etc.)	Common shares	253,700	–	–
Shares with full voting rights (other)	Common shares	55,796,600	557,966	Shares treated as standard at the Company, whose rights are not restricted in any way
Shares less than one unit	Common shares	23,700	–	–
Total number of outstanding shares		56,074,000	–	–
Voting rights of all shareholders		–	557,966	–

(ii) Treasury shares, etc.

As of March 31, 2024

Name of shareholder	Address of shareholder	Number of shares held in own name (shares)	Number of shares held in others' names (shares)	Total number of shares held (shares)	Proportion of the number of shares held against total number of outstanding shares (%)
T-Gaia Corporation	1-18 Ebisu 4-chome, Shibuya-ku, Tokyo	253,700	–	253,700	0.45
Total	–	253,700	–	253,700	0.45

2. Acquisition and Disposal of Treasury Shares

Type of shares, etc.

Acquisition of shares of common share as stipulated in Article 155, item (vii) of the Companies Act

(1) Acquisition by resolution of shareholders meeting

Not applicable.

(2) Acquisition by resolution of Board of Directors meeting

Not applicable.

(3) Acquisition not based on resolution of shareholders meeting or Board of Directors meeting

Not applicable.

(4) Disposal of acquired treasury shares and number of treasury shares held

Category	Fiscal year under review		Current period	
	Number of shares (shares)	Total amount of disposal (yen)	Number of shares (shares)	Total amount of disposal (yen)
Acquired treasury shares for which subscription has been offered	–	–	–	–
Acquired treasury shares which were canceled	–	–	–	–
Acquired treasury shares which were transferred in relation to a merger, share exchange, share issuance, or a company split	–	–	–	–
Others (disposal of treasury shares as restricted stock remuneration)	28,600	50,193,000	–	–
Number of treasury shares held	253,709	–	253,709	–

(Note) Number of treasury shares held during the current period does not include the number of shares from shares less than one unit which were acquired or sold, and shares as restricted stock remuneration for the period from June 1, 2024 through the filing date of this Annual Securities Report.

3. Dividend Policy

In response to its business performance, it is a basic policy of the Company to return profits to our shareholders with a dividend payout ratio of 40%, while securing the internal reserves necessary for future business expansion and the reinforcement of its business foundations.

The Company maintains a basic policy to pay dividends of surplus twice a year as interim dividends and year-end-dividends, and decision-making bodies on dividends of surplus are the Board of Directors for interim dividends and the ordinary general meeting of shareholders for year-end dividends.

The Company decided to pay year-end dividend of 37.5 yen per share for the fiscal year under review as it was forecasted at the beginning of the fiscal year. Total amount of dividends for the fiscal year shall be 75 yen per share (same as in the previous fiscal year), including interim dividends of 37.5 yen paid in December 2023. As a result, the consolidated dividend payout ratio for the fiscal year under review shall be 59.7%.

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

The Articles of Incorporation stipulate that the Company "may pay interim dividends as of the date of record, September 30 of each year, by the resolution of Board of Directors meeting."

The Company is a company subject to consolidated dividend regulations. The dividends of surplus for the 33rd fiscal year are as follows:

Date of resolution	Total amount of dividends (millions of yen)	Dividend per share (yen)
November 1, 2023 Resolution of Board of Directors Meeting	2,093	37.5
June 21, 2024 Resolution of Ordinary General Meeting of Shareholders	2,093	37.5

4. Corporate Governance

(1) Overview of corporate governance

(i) Our basic view related to corporate governance

The Company 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 other than shareholders, including our clients, business partners, employees, and local communities. Our basic view related to corporate governance has been specified as the Basic Policy on Corporate Governance, which is disclosed on the Company’s website. 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 “boosting corporate value.”

(ii) Overview of corporate governance framework and its reason to adopt said framework

In the Company, with Directors, who are adept in business operations, at its core, it is made possible to manage business with a sense of speed while Outside Directors, who are familiar with the communications industry and corporate management, are supervising the execution of duties by Directors and giving advice from external viewpoints.

Audit and Supervisory Board Members, who have expertise in fields, such as corporate management, finance, control, accounting, and legal affairs, conduct an audit in cooperation with the Internal Audit Department and Accounting Auditor so that the framework shall ensure adequateness of business operation; namely, the Company is adopting a form of “Company with Audit and Supervisory Board.”

Function and operating structure of each organ are as follows:

Board of Directors and Directors

The Board of Directors handles decisions on important matters and supervises Directors to determine whether they are performing their duties efficiently and properly. The Board of Directors comprises nine Directors (five of whom are independent officers), including six Outside Directors, and its meetings are also attended by all three Audit and Supervisory Board Members (two of whom are independent officers). Board meetings regularly convene on a monthly basis, and extraordinary meetings are held as required to realize flexible management.

The appointment principle for Directors is as follows:

1) Director (internal)

A candidate for Director (internal) shall be an individual with integrity, as well as high-level management insight and capabilities, who has expert knowledge and abundant experience in telecommunications field and other areas, regardless of gender and nationality.

2) Outside Director

A candidate for Outside Director shall be an individual with integrity, as well as high-level management insight and capabilities, who is capable enough to supervise business execution while providing advice from an external point of view based on broad-based knowledge and experience in his/her own area of specialty and general corporate management, regardless of gender and nationality.

Audit and Supervisory Board and Audit and Supervisory Board Members

Of the three Audit and Supervisory Board Members of the Company, three are Outside Audit and Supervisory Board Members (two of whom are independent officers). Using their professional background, experience, and expertise, they not only audit compliance with laws, but also give advice on overall management from a fair and neutral standpoint. The Audit and Supervisory Board meetings convene on a monthly basis in principle, and three Audit and Supervisory Board Members hold discussions and report matters at the meetings. Audit and Supervisory Board Members attend important company meetings, such as the Board of Directors’ meetings, to supervise the status of decisions on management policy and the status of performance of duties by Directors. Furthermore, Audit and Supervisory Board Members appropriately collaborate with the Internal Audit Department and Accounting Auditor and work to strengthen the internal control system through the exchange of views and information with them.

The appointment principle for Audit and Supervisory Board Members is as follows.

A candidate for Audit and Supervisory Board Member shall be an individual with integrity as well as high-level insight, experience, and capabilities in corporate management, not least operational expert knowledge and hands-on management experience, who is considered capable enough to contribute to sustainable growth/development of the Company and the medium- to long-term enhancement of its corporate value, regardless of gender or nationality. Candidate for an Independent Outside Audit and Supervisory Board Member, in particular, shall have advanced expertise and abundant experience in the areas, such as legal affairs, accounting, and corporate management.

Nominating Advisory Committee and Compensation Advisory Committee

The Company has established the Nominating Advisory Committee and the Compensation Advisory Committee as advisory bodies to the Board of Directors in order to enhance the transparency of management. The objective of the Nominating Advisory Committee is to propose the appointment and dismissal of Directors and executive officers above Managing Executive Officers to the Board of Directors, and the objective of the Compensation Advisory Committee is to propose such matters as remuneration of Directors and executive officers above Directors and Managing Executive Officers to the Board of Directors.

The Nominating Advisory Committee and the Compensation Advisory Committee are composed of Outside Directors and the Representative Director as well as Directors nominated by the President and Representative Director, and the members thereof are decided by the Board of Directors.

Names and assigned members of company organs

1) Board of Directors, Nominating Advisory Committee, and Compensation Advisory Committee

Official title or position	Name	Board of Directors	Nominating Advisory Committee	Compensation Advisory Committee
President and Representative Director	Masato Ishida	◎	○	○
Director	Hiroyuki Sugai	○		
Director	Hiroyoshi Ueji	○		
Outside Director	Katsuya Kashiki	○	○	○
Outside Director	Junichi Kamata	○	◎	◎
Outside Director	Toshio Morohoshi	○	○	○
Outside Director	Yoshisada Takahashi	○	○	○
Outside Director	Ryuichi Ishii	○	○	○
Outside Director	Kumi Nakamura	○	○	○

*○: Assigned member, ◎: Chairperson of the organ

- The Board of Directors meetings regularly convene on a monthly basis in principle, and extraordinary meetings are held as required.
- The Nominating Advisory Committee meets before the convening of the Board of Directors meeting, which resolves the appointment and dismissal of Directors and executive officers above Managing Executive Officers. However, when issues are raised by the Committee members, Committee meetings are held as needed.
- The Compensation Advisory Committee meets before the convening of the Board of Directors meeting, which resolves the remuneration of Directors and executive officers above Directors and Managing Executive Officers. However, when issues are raised by the Committee members, Committee meetings are held as needed.

(Reference) Skills Matrix

Officer			Indepen-dence	Knowledge and experience expected by the Company					
				Corporate manage-ment Business strategy	Investment M&A	ICT Digital	Account-ing Finance	Legal affairs, personnel, and compliance	Global experience and interna-tionality
Director	Internal	Masato Ishida		●	●				●
		Hiroyuki Sugai		●			●		●
		Hiroyoshi Ueji		●	●	●			
	Outside	Katsuya Kashiki		●	●	●			●
		Junichi Kamata	●	●	●			●	●
		Toshio Morohoshi	●	●	●	●			●
		Yoshisada Takahashi	●	●	●	●			●
		Ryuichi Ishii	●	●	●	●			●
		Kumi Nakamura	●	●	●		●		●

* The above table does not represent all knowledge and experience held by the candidates.
* Up to four areas of knowledge and experience in which the candidate is particularly outstanding have been provided.

2) Audit and Supervisory Board

Official title or position	Name	Audit and Supervisory Board
Full-time Outside Audit and Supervisory Board Member	Nobuo Oyama	◎
Outside Audit and Supervisory Board Member	Toshiro Kaba	○
Outside Audit and Supervisory Board Member	Tetsuo Kitagawa	○

*○: Assigned member, ◎: Chairperson of the organ

- The Audit and Supervisory Board meetings convene on a regular basis. However, extraordinary meetings may be held as required.

3) Description of company organs and a chart indicating internal control system

A schematic diagram indicating outline of the Group's Corporate Governance Framework and Internal Control System is as follows:

(iii) Other matters related to corporate governance

Development status of framework and environment of internal control

1) Framework to ensure that duties performed by Directors and Employees are in compliance with applicable laws and the Company's Articles of Incorporation:
- 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.
- 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 and CS Promotion Department that serves in an administrative role.
- 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.
- 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.
- Violators of the Company's compliance policy are dealt with sternly, and are subject to disciplinary actions under the Company's employment regulations.
- 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 the Company's business are assessed.

2) Framework for retention and management of information relevant to the executive duties of Directors:
- 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.
- Directors and Audit and Supervisory Board Members may promptly view these documents and other information upon request.

3) Regulations and other frameworks for the management of risk of loss:
- In order to soundly and constantly develop the Group's business activities, the Group has established the "Basic Rules Regarding Group-Wide Risks" with the aim of minimizing damage and preventing recurrence by observing various risks in a unified manner, identifying risks, preventing risks from materializing, and swiftly and accurately responding if risks materialize, as well as proactively maintaining and increasing corporate value by actively controlling risks.
- The heads of individual units within the 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.

- 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.

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

- 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.
- 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.
- 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.
- 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.
- 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.

5) Framework to ensure the propriety of the business operations of the Corporate Group comprising the Company, its parent, and subsidiaries:

- Based on the principle of autonomous subsidiary operations and in keeping with the Regulations for the Management of Affiliates, the headquarters engaged in business operations most closely related to the business of a given subsidiary is the supervisory organization for that subsidiary. Supervisory organizations 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 organizations 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.
- 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.
- 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.

6) Employees that are assigned on request from Audit and Supervisory Board Members to assist in the performance of Audit and Supervisory Board Members' duties:

- In the event Audit and Supervisory Board Members 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.

7) 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 Audit and Supervisory Board Member 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 Audit and Supervisory Board Member.

8) Framework for reporting to Audit and Supervisory Board Members by Directors, Employees, and Others:

- Audit and Supervisory Board Members may attend meetings of the Board of Directors, Management Conferences, Executive Officers' Committee, and other important meetings.
- Audit and Supervisory Board Members may review important documentation and request submission of that documentation.

- Audit and Supervisory Board Members may receive reports from the Group's officers and employees whenever necessary.
- Audit and Supervisory Board Members audit the management of subsidiaries through on-site audits and day-to-day coordination with audit and supervisory board members for the subsidiaries.
- Directors, the Group's officers and employees, or persons to whom they have reported shall submit reports to the Board of Auditors or to an Audit and Supervisory Board Member ("Special Auditor") designated by the Audit and Supervisory Board under any of the following circumstances:
    1. Significant damages to the Company or grave compliance violations that have either occurred or are likely to occur
    2. Events about which a Special Auditor has requested reports or that otherwise are deemed to warrant an audit (e.g., subsequent events)
    3. 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 an Audit and Supervisory Board Member and explicitly prohibit job dismissals and other adverse actions against whistleblowers solely for submitting such reports.

9) Policy on the processing of expenses incurred from the fulfillment of Audit and Supervisory Board Member duties and responsibilities:
- When Audit and Supervisory Board Members 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 Audit and Supervisory Board Members' duties.

10) Other frameworks to ensure that Audit and Supervisory Board Members are performing audits effectively:
- Directors are familiar with the audit standards that clarify Audit and Supervisory Board Member duties and responsibilities and fully recognize the importance of audits performed by Audit and Supervisory Board Members. Additionally, Directors help cultivate an appropriate environment for audits.
- Audit and Supervisory Board Members 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.
- Through periodic meetings with the Accounting Auditor and participation in on-site audits at the close of the fiscal year, Audit and Supervisory Board Members endeavor to exchange information and develop their understanding of the audit activities of the Accounting Auditor and help improve audit efficiency and quality.

[Overview of content of liability limitation agreement]

The Company has entered into an agreement with each Director (excluding an Executive Director) and Audit and Supervisory Board Member, which limits liability for damages stipulated in Article 423, Paragraph 1 of the Companies Act based on Article 427, Paragraph 1 of the Companies Act and Article 29, Paragraph 2 and Article 39, Paragraph 2 of the Company's Articles of Incorporation. Under these agreements, the limit of liability for damages is the amount stipulated as minimum liability amount in Article 425, Paragraph 1 of the Companies Act.

In addition, said limitation of liability is given only when the Director or Audit and Supervisory Board Member has performed his/her duty, which has brought about the responsibility, in good faith and without gross negligence.

[Overview of content of indemnity agreement]

The Company has entered into indemnity agreements with Directors and Audit and Supervisory Board Members pursuant to the provisions of Article 430-2, Paragraph 1 of the Companies Act, under which the Company will indemnify them for any expenses provided for in item (i) of the same paragraph and losses provided for in item (ii) of the same paragraph, within the scope set forth in laws and regulations.

[Overview of content of directors and officers liability insurance agreement]

The Company has entered into directors and officers liability insurance agreement as prescribed in Article 430-3 Paragraph 1 of the Companies Act with an insurance company, and in the case of a claim for compensation for damages being filed by a shareholder or third party, etc., damages, such as compensation and dispute costs that are to be borne by the insured party shall be covered by the said insurance agreement.

Furthermore, the full amount of the insurance premiums shall be borne by the Company.

[Contents of provisions of the Articles of Incorporation which stipulate the number of Directors and the requirement for a resolution to appoint or dismiss a Director differently from the Companies Act]

The number of Directors is stipulated in the Articles of Incorporation to be 12 or fewer. The Articles of Incorporation stipulate that the resolution at shareholders meeting for election and dismissal of Directors shall be adopted by a majority of votes of shareholders present, when the shareholders who are present at the meeting hold one-third or more of the voting rights of all the shareholders who are entitled to exercise their voting rights.

[Matters made possible to be resolved at the Board of Directors Meeting instead of the Shareholders Meeting, and its reason, as well as description of alteration of requirements of extraordinary resolution at the Shareholders Meeting and its reason]

A. Matters made possible to be resolved at the Board of Directors Meeting instead of the Shareholders Meeting, and its reason

- With respect to purchase of treasury shares, the Articles of Incorporation stipulate that the Company may purchase treasury shares through market transactions, etc., by a resolution at the Board of Directors Meeting in accordance with the provision of Article 165, Paragraph 2 of the Companies Act, in order to make it possible to execute capital policy flexibly.
- The Company distributes dividends twice a year, setting base dates at the end of the first half fiscal and the end of fiscal year as before. With respect to interim dividend, the Articles of Incorporation stipulate that the Company may distribute interim dividends setting base date as September 30 of each year by a resolution at the Board of Directors Meeting in accordance with the provision of Article 454, Paragraph 5 of the Companies Act.
- The Articles of Incorporation stipulate that the Company may exempt Directors (including persons who were Directors) and Audit and Supervisory Board Members (including persons who were Audit and Supervisory Board Members) from liability for damages of Article 423, Paragraph 1 of the Companies Act within the limit provided by laws and regulations by a resolution at the Board of Directors Meeting in accordance with the provision of Article 426, Paragraph 1 of the Companies Act so that Directors and Audit and Supervisory Board Members shall be able to fully fulfill expected roles.
- The Articles of Incorporation stipulate that the Company may enter into an agreement with each Director (excluding an Executive Director) and Audit and Supervisory Board Member, which limits liability for damages provided in Article 423, Paragraph 1 of the Companies Act within the limit provided by laws and regulations, based on Article 427, Paragraph 1 of the Companies Act.

B. Description of alteration of requirements of extraordinary resolution at the Shareholders Meeting and its reason

With respect to resolution method, the Company's Articles of Incorporation stipulate as follows, in order to ensure smooth operations of Shareholders Meetings.

The resolution at Shareholders Meeting shall be adopted by a majority of votes of shareholders present who are entitled to exercise their voting rights, unless otherwise provided for in laws and regulations or the Articles of Incorporation. The resolution provided by Article 309, Paragraph 2 of the Companies Act shall be adopted by two-thirds or more of votes of shareholders present, when the shareholders who are present at the meeting hold one-third or more of the voting rights of all the shareholders who are entitled to exercise their voting rights.

[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.

[Status of activities of the Board of Directors]

The Board of Directors meetings regularly convene on a monthly basis in principle, and extraordinary meetings are held as required. The attendance of each officer, the specific matters discussed by the Board of Directors during the fiscal year under review, and overview of evaluation of effectiveness of the Board of Directors are as follows:

[Attendance at meetings of the Board of Directors]

<table>
<tr><th colspan="2">Title</th><th>Name</th><th>Meetings attended / Meetings held (Attendance rate)</th></tr>
<tr><td>President and Representative Director</td><td rowspan="8">Reappointed in June 2023</td><td>Masato Ishida</td><td>15/15 (100.0%)</td></tr>
<tr><td>Director</td><td>Hiroyuki Sugai</td><td>15/15 (100.0%)</td></tr>
<tr><td>Outside Director</td><td>Katsuya Kashiki</td><td>12/15 (80.0%)</td></tr>
<tr><td>Outside Director</td><td>Toshiya Asaba</td><td>15/15 (100.0%)</td></tr>
<tr><td>Outside Director</td><td>Kyoko Deguchi</td><td>15/15 (100.0%)</td></tr>
<tr><td>Outside Director</td><td>Junichi Kamata</td><td>14/15 (93.3%)</td></tr>
<tr><td>Outside Director</td><td>Toshio Morohoshi</td><td>15/15 (100.0%)</td></tr>
<tr><td>Outside Director</td><td>Yoshisada Takahashi</td><td>15/15 (100.0%)</td></tr>
<tr><td>Director</td><td>Newly appointed in June 2023</td><td>Hiroyoshi Ueji</td><td>12/12 (100.0%)</td></tr>
<tr><td>Director</td><td>Retired in June 2023</td><td>Nobutaka Kanaji</td><td>3/3 (100.0%)</td></tr>
<tr><td>Audit and Supervisory Board Member</td><td rowspan="4">–</td><td>Naoya Okutani</td><td>13/15 (86.7%)</td></tr>
<tr><td>Outside Audit and Supervisory Board Member</td><td>Nobuo Oyama</td><td>13/15 (86.7%)</td></tr>
<tr><td>Outside Audit and Supervisory Board Member</td><td>Toshiro Kaba</td><td>15/15 (100.0%)</td></tr>
<tr><td>Outside Audit and Supervisory Board Member</td><td>Tetsuo Kitagawa</td><td>15/15 (100.0%)</td></tr>
</table>

[Specific matters discussed by the Board of Directors]

・Discussion of growth strategies and the next Medium-Term Management Plan

・Implementation of Board of Directors self-assessment, reporting of assessment results, discussion of action policies, and reporting of action results

・Discussion of sustainability management, materiality KPIs, etc.

・Discussion of financial strategies and determination of financial KPIs, dividend policy, etc.

・Discussion of human resources strategies and determination of personnel policies, etc.

・Discussion of DX strategies and the hiring and development of human resources, and determination of DX investments

・Approval and review of significant investments

In addition, off-site meetings were held to discuss the next Medium-Term Management Plan (including management strategy, materiality, financial strategy, human resources strategy, and DX strategy). Discussions regarding strategies for the Enterprise Solutions Business Segment and the Smart Life Business Segment were also held after the Board of Directors meetings. In this way, the Company utilizes venues other than the Board of Directors meetings.

[Overview of evaluation of effectiveness of the Board of Directors]

The Company conducts self-assessment and analysis of the effectiveness of the Board of Directors in order to enhance the function of the Board of Directors. In this self-assessment and analysis, we conducted a survey of all Directors, and Audit and Supervisory Board Members, the constituent members of the Board of Directors, with the advice of an external organization. To ensure anonymity, the survey method required respondents to provide their answers directly to the external organization.

Based on the survey results, the external organization conducted interviews with the President, the chairman of the Board, and Outside Directors. Given the results of the analysis and evaluation, we concluded that the overall effectiveness of the Board of Directors is ensured, as the composition of the Board of Directors, the Board’s agenda, and the monitoring function of the Board of Directors were generally evaluated positively.

On the other hand, common issues revealed are the need to secure more time for discussion of human resources and DX strategies as well as management strategies, and to further enhance opportunities for communication among Directors. Based on the results of the assessment, we will continue to implement initiatives to resolve these issues and improve the effectiveness of the Board of Directors with the aim of enhancing corporate value.

[Status of activities of the Nominating Advisory Committee and the Compensation Advisory Committee]

The Company has established the Nominating Advisory Committee and the Compensation Advisory Committee as advisory bodies to the Board of Directors in order to enhance the transparency of management. During the fiscal year under review, the Nominating Advisory Committee proposed matters, such as the appointment of Directors and executive officers above Managing Executive Offices to the Board of Directors, while the Compensation Advisory Committee proposed such matters as remuneration of Directors and executive officers above Directors and Managing Executive Officers to the Board of Directors.

[Attendance at meetings of the Nominating Advisory Committee and the Compensation Advisory Committee]

<table>
<tr><th colspan="2" rowspan="2">Title</th><th rowspan="2">Name</th><th colspan="2">Meetings attended / Meetings held (Attendance rate)</th></tr>
<tr><th>Nominating Advisory Committee</th><th>Compensation Advisory Committee</th></tr>
<tr><td>President and Representative Director</td><td rowspan="7">Reappointed in June 2023</td><td>Masato Ishida</td><td>3/3 (100.0%)</td><td>2/2 (100.0%)</td></tr>
<tr><td>Outside Director</td><td>Katsuya Kashiki</td><td>2/3 (66.6%)</td><td>2/2 (100.0%)</td></tr>
<tr><td>Outside Director</td><td>Toshiya Asaba</td><td>3/3 (100.0%)</td><td>2/2 (100.0%)</td></tr>
<tr><td>Outside Director</td><td>Kyoko Deguchi</td><td>3/3 (100.0%)</td><td>2/2 (100.0%)</td></tr>
<tr><td>Outside Director</td><td>Junichi Kamata</td><td>3/3 (100.0%)</td><td>2/2 (100.0%)</td></tr>
<tr><td>Outside Director</td><td>Toshio Morohoshi</td><td>3/3 (100.0%)</td><td>2/2 (100.0%)</td></tr>
<tr><td>Outside Director</td><td>Yoshisada Takahashi</td><td>3/3 (100.0%)</td><td>2/2 (100.0%)</td></tr>
</table>

(2) Information about Officers

(i) List of officers

Male: 11, female: 1 (Ratio of female officers against total officers: 8.3%)

Official title or position	Name	Date of birth	Career summary		Term of office	Number of shares held (shares)
President and Representative Director Chief Executive Officer	Masato Ishida	December 1, 1960	Apr 1983	Joined Sumitomo Corporation	June 2024 - June 2025	10,700
			Apr 2001	President, SMS Construction & Mining Systems Inc. (Canada)		
			Apr 2007	Manager of Construction Equipment Dept. No. 3, Sumitomo Corporation		
			Apr 2011	General Manager of Construction Equipment Division, Sumitomo Corporation		
			Apr 2015	Executive Officer, Assistant General Manager for Europe, Middle East, Africa, and CIS (United Arab Emirates); concurrently General Manager of Middle East, Sumitomo Corporation; and concurrently President of Sumitomo Corporation Middle East FZE		
			Apr 2018	Managing Executive Officer; General Manager for Europe, Middle East, Africa, and CIS (UK), Sumitomo Corporation; and concurrently Chairman of Sumitomo Corporation Europe Holding Limited		
			Apr 2020	Executive Vice President and CSO, in charge of HR and general affairs, legal, management planning, and public relations, T-Gaia Corporation		
			Jun 2020	Director, Executive Vice President and CSO, in charge of HR and general affairs, legal, management planning and public relations, T-Gaia Corporation		
			Apr 2022	President, Representative Director, and Chief Executive Officer, T-Gaia Corporation (current)		
			Apr 2022	Director, QUO CARD Co., Ltd. (current)		
			Jun 2023	Representative Director and Chairman, National Association of Mobile-phone Distributors (current)		

Official title or position	Name	Date of birth	Career summary		Term of office	Number of shares held (shares)
Director Executive Vice President	Hiroyuki Sugai	February 6, 1961	Apr 1984	Joined Sumitomo Corporation	June 2024 - June 2025	4,100
			May 2001	Sumitomo Corporation of Americas (New York)		
			Nov 2009	Head of the Finance and Accounting Group, Sumitomo Corporation China Group (Shanghai)		
			Nov 2013	General Manager of the Accounting Dept., Media, ICT, Lifestyle Related Goods and Services Business Unit, Sumitomo Corporation		
			Apr 2017	General Manager of the Accounting Controlling Dept., Sumitomo Corporation		
			Apr 2019	Executive Officer; Assistant CFO, Accounting; and concurrently General Manager, Accounting Controlling Dept., Sumitomo Corporation		
			Apr 2021	Executive Vice President and CFO, in charge of corporate accounting, finance and settlement, risk management, and logistics, T-Gaia Corporation		
			Jun 2021	Director, Executive Vice President, and CFO, in charge of corporate accounting, finance and settlement, risk management, and logistics, T-Gaia Corporation		
			May 2023	Director, Executive Vice President, and CFO, in charge of corporate accounting, finance, sales accounting settlements, and logistics, T-Gaia Corporation		
			Apr 2024	Director, Executive Vice President, and CFO, General Manager of Corporate Group, in charge of corporate accounting, finance, sales accounting, settlement management, logistics, and digital promotion, T-Gaia Corporation (current)		

Official title or position	Name	Date of birth	Career summary		Term of office	Number of shares held (shares)
Director Executive Vice President	Hiroyoshi Ueji	November 9, 1962	Apr 1985	Joined Ito-Yokado Co., Ltd.	June 2024 - June 2025	12,119
			May 1996	Joined T-Gaia Corporation (formerly, Bussan Telecommunication Co., Ltd.)		
			Nov 2002	General Manager, Sales Department No. 2, Tokai Regional Headquarters, T-Gaia Corporation		
			Apr 2011	Deputy General Manager, Tokai Regional Headquarters, T-Gaia Corporation		
			Apr 2012	Executive Officer and Deputy General Manager of Business Promotion Division, T-Gaia Corporation		
			Apr 2015	Senior Executive Officer and General Manager of Sales Division 1, T-Gaia Corporation		
			Apr 2017	Managing Executive Officer and Managing Head of Enterprise Solutions Business Segment, T-Gaia Corporation		
			Apr 2021	Senior Managing Executive Officer and Managing Head of Enterprise Solutions Business Segment, in deputy charge of CEO Project Department 2, T-Gaia Corporation		
			Apr 2022	Senior Managing Executive Officer and CDO Supervising Enterprise Solutions Business, in charge of BPR promotion and open innovation, T-Gaia Corporation		
			Apr 2023	Executive Vice President and CDO, Supervising Consumer Mobile Business and Enterprise Solutions Business, in charge of Consumer Business promotion, T-Gaia Corporation		
			Jun 2023	Director, Executive Vice President, and CDO, Supervising Consumer Mobile Business and Enterprise Solutions Business, in charge of Consumer Business promotion, T-Gaia Corporation		
			Apr 2024	Director, Executive Vice President, and CDO, General Manager of Consumer Business Group and General Manager of Enterprise Business Group, T-Gaia Corporation (current)		
			Apr 2024	President & CEO, TG Solutions Corporation (current)		
Director	Katsuya Kashiki	June 28, 1966	Apr 1990	Joined Sumitomo Corporation	June 2024 - June 2025	—
			Jan 1994	Assistant to General Manager of Islamabad Office (Pakistan), Sumitomo Corporation		
			Sep 2004	Moscow Office (Russia), IT and Telecom Unit, Sumitomo Corporation		
			Feb 2005	Director, Market and Business Development, ZAO Prestige Internet (Russia)		
			Jun 2012	Director, ICT Business Division, Sumitomo Corporation (Central Eurasia) LLC (Russia)		
			Apr 2018	Manager of Smart Infrastructure Business Dept., Sumitomo Corporation		
			Apr 2020	General Manager of Smart Communications Platform Division, Sumitomo Corporation		
			Jun 2020	Director, T-Gaia Corporation		
			Jun 2022	Outside Director, T-Gaia Corporation (current)		
			Apr 2024	General Manager of Smart Communications Platform SBU, Sumitomo Corporation (current)		

Official title or position	Name	Date of birth	Career summary		Term of office	Number of shares held (shares)
Director	Junichi Kamata	November 28, 1953	Apr 1978	Joined Hitachi Metals, Ltd. (currently, Proterial, Ltd.)	June 2024 - June 2025	3,400
			Jan 1992	CFO, HMT Technology Inc. (US)		
			May 1999	Manager, Corporate Management Department, LET Inc. (Philippines)		
			Nov 2000	Vice President and CFO, Hitachi Metals America, Ltd. (US)		
			Jan 2005	General Manager of Human Resources and General Administration Dept., Hitachi Metals, Ltd.		
			Apr 2008	Managing Officer and General Manager of Corporate Management Planning Office of Hitachi Metals, Ltd.		
			Apr 2011	Managing Officer and President of Piping Components Company of Hitachi Metals, Ltd.		
			Apr 2014	Managing Officer of Hitachi Metals, Ltd.; President and CEO, Hitachi Metals America, Ltd. (US)		
			Jun 2015	Director, Hitachi Metals, Ltd.		
			Jun 2018	Outside Director, T-Gaia Corporation (current)		
Director	Toshio Morohoshi	August 24, 1953	Apr 1976	Joined Fujitsu Limited	June 2024 - June 2025	—
			Jun 1998	President and CEO, Fujitsu PC Corporation (US)		
			Jun 2004	President and CEO, Fujitsu Computer Systems Corporation (currently Fujitsu America Inc.) (US)		
			Oct 2005	Managing Executive Officer, Fujitsu Limited (Retired from this position as of June 2007)		
			Jul 2007	President and CEO of EMC Japan K.K. and concurrently Vice President of EMC Corporation (US)		
			Jan 2012	President and CEO of NCR Japan, Ltd. and concurrently North Asia Representative of NCR Corporation (US) (Retired from this position as of February 2015)		
			May 2015	President and CEO, Yaskawa Information Systems Corporation (currently YE DIGITAL Corporation)		
			Mar 2018	Outside Director of the Board, Nippon Paint Holdings Co., Ltd. (current)		
			Aug 2018	Outside Director, WingArc1st Inc.		
			Jun 2020	Outside Director, T-Gaia Corporation (current)		

Official title or position	Name	Date of birth	Career summary	Term of office	Number of shares held (shares)
Director	Yoshisada Takahashi	December 8, 1955	Apr 1978 Joined Komatsu Ltd. Jun 1995 Plant Manager, Komatsu Brasil International Ltda. (São Paulo) Oct 1999 General Manager, Purchasing Department, Awazu Plant, Production Division, Komatsu Ltd. Apr 2006 Executive Officer and Awazu Plant Manager, Production Division, Komatsu Ltd. Apr 2011 Senior Executive Officer (Jomu); Vice President, Production Division; and Osaka Plant Manager, Komatsu Ltd. Apr 2013 Senior Executive Officer (Senmu); President, Production Division; and Supervising Environment, Komatsu Ltd. Apr 2016 Senior Executive Officer (Senmu); Chief Information and Innovation Officer; President, Information Strategy Division; Supervising Production and Industrial Machinery Business, Komatsu Ltd. Apr 2017 Executive Vice President; Chief Information and Innovation Officer; President, Information Strategy Division; Supervising Industrial Machinery Business, Komatsu Ltd. Jun 2019 Outside Director, T.Rad Co., Ltd. (current) Jul 2019 Consultant, Komatsu Ltd. (current) Sep 2019 Consultant, Ishikawa Prefecture (current) Jun 2022 Outside Director, T-Gaia Corporation (current)	June 2024 - June 2025	—
Director	Ryuichi Ishii	May 31, 1965	Apr 1989 Joined Bridgestone Corporation Jan 1995 Bridgestone Firestone Inc. (US) Jan 2000 Joined Sony Corporation May 2003 Sony Electronics Inc. (US) Aug 2008 CEO, So-net Entertainment Taiwan Limited May 2012 IPS Business/Corporate Solutions Business, Executive Officer, So-net Corporation (currently, Sony Network Communications Inc.) Jan 2014 President and CEO, So-net Corporation Jan 2014 Outside Director, So-net Media Networks Corporation (currently, SMN Corporation) Jun 2016 Director and EVP, Sony Network Communications Inc. (Retired from this position as of March 2017) Jan 2017 President and Representative Director, So-net Media Networks Corporation Jun 2021 Chairman and Representative Director, SMN Corporation Jul 2022 Partner, Quantum Leaps Corporation Jan 2023 Outside Director, Arc System Works Co., Ltd. (current) Mar 2023 Representative Director and President/Co-Founder, Quantum Leaps Growth Initiatives Corporation (current) Jun 2023 Outside Director and Member of the Audit and Supervisory Committee, Net Protections Holdings, Inc. (current) Sep 2023 External Director, BrainPad Inc. (current) Jun 2024 Outside Director, T-Gaia Corporation (current)	June 2024 - June 2025	—

Official title or position	Name	Date of birth	Career summary		Term of office	Number of shares held (shares)
Director	Kumi Nakamura	July 4, 1970	Apr 1993	Joined the Yasuda Fire and Marine Insurance Co., Ltd. (currently, Sompo Japan Insurance Inc.)	June 2024 - June 2025	—
			Nov 2002	Joined KPMG FAS Co., Ltd.		
			Nov 2005	Director of Private Equity Investment Group, Ant Capital Partners Co., Ltd.		
			Jul 2013	Manager of New Business Development Office, LIXIL Group Corporation		
			Aug 2017	Supervising General Manager of M&A, Competitive Intelligence, and System Economics, Coca-Cola (Japan) Company, Limited		
			Sep 2018	Executive Officer, Supervising Corporate Administration Division, UNITED, Inc.		
			Oct 2020	Corporate Officer, General Manager of Business Strategy Department, Corporate Planning, Nippon Sheet Glass Co., Ltd.		
			Jan 2021	Corporate Officer and Chief Corporate Planning Officer (CCPO), Head of Corporate Planning, Nippon Sheet Glass Co., Ltd.		
			Oct 2021	Senior Corporate Officer and CCPO, Head of Corporate Planning, Head of Corporate Strategy, Nippon Sheet Glass Co., Ltd.		
			Apr 2023	Executive Officer and Chief Corporate Development Officer, Supervising General Manager of Corporate Business Development Department, Nippon Sheet Glass Co., Ltd. (current)		
			Mar 2024	Outside Director (Audit and Supervisory Committee Member), Via Mechanics, Ltd. (current)		
			Jun 2024	Outside Director, T-Gaia Corporation (current)		

Official title or position	Name	Date of birth	Career summary		Term of office	Number of shares held (shares)
Audit and Supervisory Board Member (Full-time)	Nobuo Oyama	August 26, 1961	Apr 1985	Joined Sumitomo Corporation	June 2022 - June 2026	—
			Dec 1996	Sumitomo Corporation (Hong Kong) Limited		
			Jun 2005	Sumitomo Corporation (Shanghai) Limited, Huadong Corporate Group, Sumitomo Corporation China Group		
			Apr 2012	General Manager of Investor Relations Dept., Corporate Coordination Group, Sumitomo Corporation		
			Jul 2015	General Manager of Accounting Dept., Mineral Resources, Energy, Chemical & Electronics Business Unit, Corporate Group, Sumitomo Corporation		
			Apr 2017	General Manager of Accounting Dept., Media, ICT, Lifestyle Related Goods & Services Business Unit, Corporate Group, Sumitomo Corporation		
			Jun 2020	Assistant to CFO, Sumitomo Corporation; and concurrently President and Chief Executive Officer, Sumitomo Shoji Financial Management Co., Ltd.		
			Jun 2022	Full-time Outside Audit and Supervisory Board Member, T-Gaia Corporation (current)		
Audit and Supervisory Board Member (Part-time)	Toshiro Kaba	September 10, 1960	Apr 1993	Licensed as an attorney	June 2021 - June 2025	5,000
			Jun 2003	Founder and Representative Attorney, Shiroyama Tower Law Office (current)		
			Apr 2005	Professor, Graduate School of Laws, Toin University of Yokohama		
			Mar 2006	Outside Audit and Supervisory Board Member, GungHo Online Entertainment, Inc. (current)		
			Aug 2007	Outside Auditor, Cave Interactive Co., Ltd.		
			Apr 2010	Dean, Toin Law School		
			Jun 2013	Outside Audit and Supervisory Board Member, T-Gaia Corporation (current)		
			Jun 2014	Director, Toin Gakuen		
			Mar 2015	Outside Audit and Supervisory Board Member, Piala, Inc. (current)		
			Jun 2015	Director, Tokyo-toei Kotsu Kyoryoku-kai (current)		
			Apr 2017	Outside Audit & Supervisory Board Member, J.Score Co., Ltd. (current)		
			Aug 2019	Outside Director (Audit and Supervisory Committee Member), Cave Interactive CO., LTD.		
			Apr 2021	Director, Toin Legal Research Support Center (current)		
			Apr 2021	Visiting Professor, Graduate School of Laws, Toin University of Yokohama (current)		

Official title or position	Name	Date of birth	Career summary		Term of office	Number of shares held (shares)
Audit and Supervisory Board Member (Part-time)	Tetsuo Kitagawa	August 17, 1961	Sep 1985 Mar 1989 Jul 2002 Sep 2006 Jul 2013 Aug 2014 Jun 2016 Jun 2017 Dec 2017 Jun 2019 Jun 2022	Joined Aoyama Audit Corporation Received CPA license Representative employee, Chuo-Aoyama Audit Corporation Representative employee, Aarata Audit Corporation (now PricewaterhouseCoopers Japan LLC), Leader, Chemicals, Medicine, Industrial Materials Audit Division, Aarata Audit Corporation Leader, Independence Management Group, Risk Management and Compliance Office, Aarata Audit Corporation Vice Chair, Ethics Committee, Japanese Institute of Certified Public Accountants Resigned from Aarata Audit Corporation (now PricewaterhouseCoopers Japan LLC) Outside Audit and Supervisory Board Member, T-Gaia Corporation (current) Certified Public Accountant Examination Committee Member, Certified Public Accountants and Auditing Oversight Board, Financial Services Agency Outside Director, Daio Paper Corporation Outside Audit and Supervisory Board Member, PHC Holdings Corporation (current)		June 2021 - June 2025	—
Total	12 persons		—			35,319

(Notes) 1. Directors Katsuya Kashiki, Junichi Kamata, Toshio Morohoshi, Yoshisada Takahashi, Ryuichi Ishii, and Kumi Nakamura are Outside Directors.

2. Audit and Supervisory Board Members Nobuo Oyama, Toshiro Kaba, and Tetsuo Kitagawa are Outside Audit and Supervisory Board Members.

(ii) Information about outside officers

A. Independence judgment criteria

The Company considers an officer is independent when he/she does not fall into any of the following.

(Outside Director)

1. A person who is, or was, an executor of business at the Company, its consolidated subsidiary, or equity-method affiliate (collectively, the “Group”)
2. A person who is, or was, in the past 10 years a director, executive officer, corporate executive officer, or manager or other employee of the Company’s parent company or sister company
3. A person for whom the Group is a principal business partner or a person who is or was in the past three years his/her executor of business (a principal business partner is defined as having business transactions equivalent to 2% or more of the annual total net sales of the partner in its immediately preceding fiscal year)
4. A person who is a principal business partner of the Group, or a person who is or was in the past three years his/her executor of business (a principal business partner is defined as having business transactions equivalent to 2% or more of the consolidated annual total net sales of the Group in the immediately preceding fiscal year)
5. A person who currently provides professional service in the capacity, such as consultant, attorney, or certified public accountant, gaining in return 10 million yen or more cash or other property benefits per year, apart from executive remuneration paid by the Group (if a party that gains such property benefits is an organization, such as corporate body, union or partnership, a person who belongs to such organization that gains property benefits from the Group which is equivalent to 2% or more of annual revenue of such organization), or a person who was in such position in the past three years
6. A person who is a principal provider of loans to the Group or a business executor of such provider (principal provider of loans refers to an entity that provides the Group with loans equivalent to 2% or more of its consolidated total assets as at the end of its immediately preceding fiscal year) or a person who was in such position in the past three years
7. A person who is a major shareholder of the Company, or a business executor of such shareholder, or a person who was in such position in the past five years
8. A person who receives 10 million yen per year or more donation from the Group (if a party that receives such donation is an organization such as a corporate body, union, or partnership, a person who serves as executor of business at such organization gaining property benefits from the Group which is equivalent to 2% or more of the annual revenue of such organization), or a person who was in such position in the past three years

9. A person who is engaged in the audit of the Group as its Accounting Auditor or an employee thereof, or who was engaged in the audit of the Group as an employee of the Accounting Auditor in the past three years
10. A person who is a director, executive officer, corporate executive officer, or manager or other employee of a company for which the Company is a major shareholder
11. A person who is a director, executive officer, or corporate executive officer of a company (or its parent company or subsidiary), for which director or corporate auditor is seconded from the Group
12. A person who is relative in the second degree or closer to someone who serves or served in the past three years as director, executive officer, corporate executive officer, or manager or other employee of the Group
13. A person who is relative in the second degree or closer to someone who falls into any of those listed in 2 through 10 above (insofar as he/she is in an important position)
14. A person who has served as an outside director of the Company for more than eight years
15. A person who has specific circumstance other than those listed above which prevents him/her from carrying out his/her duty as an outside executive officer holding independence, including potential conflicts of interest with the Group

(Outside Audit and Supervisory Board Member)

1. A person who is, or was, an executor of business at the Company's consolidated subsidiary or equity-method affiliate (collectively the "Group")
2. A person who is, or was, in the past 10 years a director, corporate auditor, accounting adviser, executive officer, corporate executive officer, or manager or other employee of the Company's parent company or sister company
3. A person for whom the Group is a principal business partner or a person who is or was in the past three years his/her executor of business (a principal business partner is defined as having business transactions equivalent to 2% or more of the annual total net sales of the partner in its immediately preceding fiscal year)
4. A person who is a principal business partner of the Group, or a person who is or was in the past three years his/her executor of business (a principal business partner is defined as having business transactions equivalent to 2% or more of the consolidated annual total net sales of the Group in the immediately preceding fiscal year)
5. A person who currently provides professional service in the capacity, such as consultant, attorney, or certified public accountant, gaining in return 10 million yen or more cash or other property benefits per year, apart from executive remuneration paid by the Group (if a party that gains such property benefits is an organization, such as corporate body, union or partnership, a person who belongs to such organization that gains property benefits from the Group which is equivalent to 2% or more of annual revenue of such organization), or a person who was in such position in the past three years
6. A person who is a principal provider of loans to the Group or a business executor of such provider (principal provider of loans refers to an entity that provides the Group with loans equivalent to 2% or more of its consolidated total assets as at the end of its immediately preceding fiscal year) or a person who was in such position in the past three years
7. A person who is a major shareholder of the Company, or a business executor of such shareholder, or a person who was in such position in the past five years
8. A person who receives 10 million yen per year or more donation from the Group (if a party that receives such donation is an organization such as a corporate body, union, or partnership, a person who serves as executor of business at such organization gaining property benefits from the Group which is equivalent to 2% or more of the annual revenue of such organization), or a person who was in such position in the past three years
9. A person who is engaged in the audit of the Group as its Accounting Auditor or an employee thereof, or who was engaged in the audit of the Group as an employee of the Accounting Auditor in the past three years
10. A person who is a director, corporate auditor, accounting adviser, executive officer, corporate executive officer, or manager or other employee of a company to which the Company is a major shareholder
11. A person who is a director, corporate auditor, accounting adviser, executive officer, or corporate executive officer of a company (or its parent company or subsidiary), to which director or corporate auditor is seconded from the Group
12. A person who is relative in the second degree or closer to someone who serves or served in the past three years as director, executive officer, corporate executive officer, or manager or other employee of the Group
13. A person who is relative in the second degree or closer to someone who falls into any of those listed in 2 through 10 above (insofar as he/she is in an important position)
14. A person who has specific circumstance other than those listed above which prevents him/her from carrying out his/her duty as an outside executive officer holding independence, including potential conflicts of interest with the Group

B. Overview of relationships of interest such as personal, capital, or business relationships between the Company and Outside Directors/Audit and Supervisory Board Members

There are six Outside Directors (including five independent officers) and three Outside Audit and Supervisory Board Members (including two independent officers) in the Company.

Mr. Katsuya Kashiki, Outside Director, currently serves as General Manager of Smart Communications Platform SBU at Sumitomo Corporation, and possesses expert knowledge and abundant experience mainly in the information communications field, cultivated until now. Because he has a sincere character and a high level of both insight and skill in corporate management, the Company regards him to be suitable as an Outside Director of the Company and has invited him as an Outside Director. In addition, he is an executor of business of Sumitomo Corporation and falls under abovementioned "A. Independence judgment criteria (Outside Director) 7" as of filing date of this report.

Mr. Junichi Kamata, Outside Director, has been involved in the core of management for many years, serving as General Manager of the Human Resources and General Administration Department, General Manager of Corporate Management Planning Office, and Director of Hitachi Metals, Ltd. (currently known as Proterial, Ltd.). He possesses broad knowledge and abundant experience as a corporate management specialist and as an executive manager. Because he has a sincere character and a high level of both insight and skill in corporate management, the Company regards him to be suitable as an Outside Director of the Company and has invited him as an Outside Director. In addition, the Company considers that there is no likelihood of occurrence of conflict of interest between him and general shareholders judging from his career record, and has designated him as an independent officer.

Mr. Toshio Morohoshi, Outside Director, involved in business management at the center of management in Fujitsu Limited as Managing Executive Officer following positions as President of overseas subsidiaries, etc. Also, after that, he spent much of time as Representative Director and President in multiple IT companies, and was involved in promoting the IT business and corporate management for many years. Thus, he has wide-ranging knowledge and experience as an IT business specialist and as a corporate manager. Because he has a sincere character and a high level of both insight and skill in corporate management, the Company regards him to be suitable as an Outside Director of the Company and has invited him as an Outside Director. In addition, the Company considers that there is no likelihood of occurrence of conflict of interest between him and general shareholders judging from his career record, and has designated him as an independent officer.

Mr. Yoshisada Takahashi, Outside Director, has been involved in the core of management for many years, serving as Plant Manager in Japan and at an overseas subsidiary, President of the Production Division, and Executive Vice President, Chief Information & Innovation Officer, and President of the Information Strategy Division at Komatsu Ltd. He possesses knowledge concerning the corporate utilization of ICT, as well as broad knowledge and abundant experience as an executive manager. Because he has a sincere character and a high level of both insight and skill in corporate management, the Company regards him to be suitable as an Outside Director of the Company and has invited him as an Outside Director. In addition, the Company considers that there is no likelihood of occurrence of conflict of interest between him and general shareholders judging from his career record, and has designated him as an independent officer.

Mr. Ryuichi Ishii, Outside Director, has been involved in the management of the listed and global companies for many years, as well as serving as Representative Director in IT-related and telecommunications-related companies, so he possesses broad knowledge and abundant experience as a corporate manager. Because he has a sincere character and a high level of both insight and skill in corporate management, the Company regards him to be suitable as an Outside Director of the Company and has invited him as an Outside Director. In addition, the Company considers that there is no likelihood of occurrence of conflict of interest between him and general shareholders judging from his career record, and has designated him as an independent officer.

Ms. Kumi Nakamura, Outside Director, has been consistently involved in the planning and execution of management and business reforms at a wide variety of business corporations over many years, as well as in M&A, business development, corporate restructuring, and finance operations, so she possesses broad knowledge and abundant experience as a corporate manager. Because she has a sincere character and a high level of both insight and skill in corporate management, the Company regards her to be suitable as an Outside Director of the Company and has invited her as an Outside Director. In addition, the Company considers that there is no likelihood of occurrence of conflict of interest between her and general shareholders judging from her career record, and has designated her as an independent officer.

Mr. Nobuo Oyama, Outside Audit and Supervisory Board Member, has been involved in accounting and finance for many years. At Sumitomo Corporation, he has served as General Manager of Investor Relations Dept., General Manager of Accounting Dept., Mineral Resources, Energy, Chemical & Electronics Business Unit, and General Manager of Accounting Dept., Media, ICT, Lifestyle Related Goods & Services Business Unit. Because Mr. Oyama possesses expert knowledge in accounting and finance and experience in management cultivated by serving in these positions, and has a sincere character and a high level of insight, experience, and skill in corporate management, the Company regards Mr. Oyama to be suitable as an Outside Audit and Supervisory Board Member of the Company and has invited him as an Outside Audit and Supervisory Board Member. In addition, he is an executor of business of Sumitomo Corporation and falls under abovementioned "A. Independence judgment criteria (Outside Audit and Supervisory Board Member) 7" as of filing date of this report.

Mr. Toshiro Kaba, Outside Audit and Supervisory Board Member, is familiar with corporate legal affairs as an attorney, has abundant experience and insight, and has deep insight also in IT and Internet fields. Also, since 2013, he has carried out the audit properly as the Outside Audit and Supervisory Board Member of the Company. From the viewpoint that his experience and insight would be useful to supervise general management and for proper audit activities, the Company has invited him as an Outside Audit and Supervisory Board Member. In addition, the Company considers that there is no likelihood of occurrence of conflict of interest between him and general shareholders judging from his career record, and has designated him as an independent officer.

Mr. Tetsuo Kitagawa, Outside Audit and Supervisory Board Member, is familiar with the finance and accounting field as a certified public accountant, and has abundant experience and insight. From the viewpoint that his experience and insight would be useful to supervise general management and for proper audit activities, the Company has invited him as an Outside Audit and Supervisory Board Member. In addition, the Company considers that there is no likelihood of occurrence of conflict of interest between him and general shareholders judging from his career record, and has designated him as an independent officer.

There is no special relationship between the Company and either of Outside Directors and Outside Audit and Supervisory Board Members. The holding status of the Company's shares by Outside Directors and Outside Audit and Supervisory Board Members is as described in "IV. Information About Reporting Company, 4. Corporate Governance, (2) Information about officers, (i) List of officers, Number of shares held."

(iii) Mutual cooperation of supervision or audit by Outside Directors or Outside Audit and Supervisory Board Members with internal audit, Audit and Supervisory Board Members' audit, and accounting audit as well as the relationship of those supervision or audit with the Internal Control Department

The Company established the framework under which Outside Directors grasp the status of the Internal Control Department through the Board of Directors, etc., and are able to speak from an impartial and professional standpoint.

The Company established the framework for Outside Audit and Supervisory Board Members to audit the status of the execution of Directors' duties, as Outside Audit and Supervisory Board Members share information of matters of Management Conferences, internal audit reports, status of execution of duties, and other information related to the Internal Control Department through the Audit and Supervisory Board, etc., as well as attending regular meetings between the Representative Director, Outside Directors, and Audit and Supervisory Board Members. Among Outside Audit and Supervisory Board Members, one of them is an attorney and has expertise in legal affairs, and another is qualified as a certified public accountant and has expertise in finance and accounting. They speak at Board of Directors meetings utilizing their expertise and strengths to supervise corporate management as well as exchange views and information. The Company established the framework under which Outside Audit and Supervisory Board Members timely receive a report of audit plan and accounting audit results from accounting auditors, exchange views, and aim to cooperate appropriately.

(3) Audits

(i) Audits by Audit and Supervisory Board Members

A. Organization, personnel, and procedures of audits by Audit and Supervisory Board Members

The outline of the framework of the Company's Audit and Supervisory Board is as described in "4. Corporate Governance, (1) Overview of corporate governance, (ii) Overview of corporate governance framework and its reason to adopt said framework." Two employees who assist the duties of Audit and Supervisory Board Members work as staff members for Audit and Supervisory Board Members.

Audit and Supervisory Board Members formulate audit plans at the start of the fiscal year and report it to the Board of Directors. They strive to grasp and monitor the execution of duties, as well as audit the process of decision-making and execution of duties by Directors and other personnel by attending important meetings, such as Management Conference meetings, holding hearings with Directors and key officers and employees of the Company, conducting on-site audits of the Company's head office, regional headquarters, branches, directly managed shops, and subsidiaries, receiving audit reports of subsidiaries from corporate auditors of subsidiaries, and reviewing important documentation. Audit and Supervisory Board Members also hold meetings, etc., with the President and Representative Director and with Outside Directors to check their execution of duties. Furthermore, Audit and Supervisory Board Members seek collaboration with the Internal Audit Department and the Accounting Auditor as appropriate and contribute to audit activities through the exchange of opinions and information with them.

The career summaries of the Audit and Supervisory Board Members are as described in "4. Corporate Governance, (2) Information about Officers, (i) List of officers." Of the Audit and Supervisory Board Members, Full-time Audit and Supervisory Board Member Nobuo Oyama and Audit and Supervisory Board Members Toshiro Kaba and Tetsuo Kitagawa possess considerable expertise in the fields of finance and accounting or legal affairs, as detailed below.

- Full-Time Audit and Supervisory Board Member, Nobuo Oyama, has many years of experience in financial and accounting operations.
- Audit and Supervisory Board Member, Toshiro Kaba, is licensed as an attorney.
- Audit and Supervisory Board Member, Tetsuo Kitagawa, is licensed as a certified public accountant.

B. Activities of Audit and Supervisory Board Members and the Audit and Supervisory Board during the fiscal year under review

(Frequency of Audit and Supervisory Board meetings and each Audit and Supervisory Board Member's attendance)

The Audit and Supervisory Board convenes on a monthly basis in principle and on other occasions when necessary. 13 meetings of the Audit and Supervisory Board were held during the fiscal year under review. The attendance of each Audit and Supervisory Board Member was as shown below.

	Name	Meetings attended / Meetings held
Full-Time Audit and Supervisory Board Member	Naoya Okutani	13/13 (Attendance rate: 100%)
	◎ Nobuo Oyama	13/13 (Attendance rate: 100%)
Audit and Supervisory Board Member	Toshiro Kaba	13/13 (Attendance rate: 100%)
	Tetsuo Kitagawa	13/13 (Attendance rate: 100%)

◎: Chair of the Audit and Supervisory Board
(Note) Full-time Audit and Supervisory Board Member Mr. Nobuo Oyama, and Audit and Supervisory Board Members Mr. Toshiro Kaba and Mr. Tetsuo Kitagawa are Outside Audit and Supervisory Board Members.

(Specific matters considered by the Audit and Supervisory Board)

The specific matters considered by the Audit and Supervisory Board during the fiscal year under review were as follows:

- Consideration, formulation, and approval of audit policies and audit plans
- Examination of the development and operation of the internal control framework
- Examination of key audit items

(Examination of effectiveness of the corporate governance framework, examination of the compliance promotion framework, examination of sophistication of the risk management framework, examination of the governance frameworks of the Group's operating companies)

- Key audit matters by Accounting Auditor
- Reasonableness of audit by Accounting Auditor; evaluation, appointment, and remuneration of Accounting Auditor
- Existence of transactions involving conflict of interest and details of the transactions, if any
- Examination of BCP formulation

(Activities of Full-time Audit and Supervisory Board Members and Part-time Audit and Supervisory Board Members)

During the fiscal year under review, Audit and Supervisory Board Members carried out audit activities as detailed below. The Full-time Audit and Supervisory Board Members share the responsibility of holding hearings with officers and employees of the Company, conducting on-site audits, attending important meetings other than the meetings of advisory committees, and holding information liaison meetings with auditors of the subsidiaries. Part-time Audit and Supervisory Board Members are shared information and materials from Full-time Audit and Supervisory Board Members and provide advice and recommendations from their respective professional viewpoints.

Item	Activities and status
Meetings with the President and Representative Director	Full-time Audit and Supervisory Board Members held meetings with the President and Representative Director as needed. Meetings between all members of the Audit and Supervisory Board and the President and Representative Director were held two times during the fiscal year under review. The Audit and Supervisory Board Members confirmed the president's claims and policies on matters, such as management strategy issues, matters to be addressed, strengthening of the business structure, and internal control issues. They also exchanged opinions with the President and Representative Director to promote mutual understanding.
Meetings with Outside Directors	Three meetings were held during the fiscal year under review. The Audit and Supervisory Board Members received advice from the Independent Outside Directors' professional viewpoints and exchanged opinions on matters, such as management strategy issues and concerns, matters to be addressed, and internal control issues.
Hearings with key officers and employees of the Company	The Audit and Supervisory Board Members heard explanations, asked questions, and confirmed the situation of important matters and concerns related to the interviewee's duties at the hearings held individually.
On-site audits of the head office, regional headquarters, branches, directly managed shops, and confirmation of control situation of subsidiaries	The Audit and Supervisory Board Members examined and confirmed the situation of important matters and concerns related to the subject's duties while performing on-site audits, etc., as needed. With respect to subsidiaries, the Audit and Supervisory Board Members received audit reports from subsidiaries' Audit and Supervisory Board Members and confirmed their situation.
Attendance at important meetings other than the meetings of the Board of Directors	The Audit and Supervisory Board Members attended meetings of the Management Conference, the Information Disclosure Committee, the Internal Controls Committee, the Executive Officers' Committee, the Human Resources Committee, the Budget Conference, and other multiple meetings to confirm the

Item	Activities and status
	proceedings, results, and progress of the agenda concerning key matters in management strategy. With respect to Nominating Advisory Committee and Compensation Advisory Committee, the Audit and Supervisory Board Members received report from the executive officers in charge and confirmed the result.
Receiving audit reports from and convening information liaison meetings with auditors of the subsidiaries	Audit reports by auditors of subsidiaries were received and two information liaison meetings were held during the fiscal year under review. At information liaison meetings, opinions were exchanged on the status of audits of subsidiaries and on important matters and shared matters.
Collaboration with the Internal Audit Department	Opinions and information were exchanged following explanations from the Internal Audit Department on its internal audit plans and the reporting on the results to the President and Representative Director.
Collaboration with the Accounting Auditor	Through the seven meetings held during the year to receive the Accounting Auditor's briefing on its audit plans and report on the results of the quarterly review, as well as the report on the year-end audit results, the Audit and Supervisory Board Members asked questions and confirmed the situation of important matters and matters considered, and exchanged opinions on key audit matters.

(ii) Internal audits

A. Outline of organization, personnel, and procedures

The Company has established the independent Internal Audit Department, which reports directly to the President. It performs risk-based business audits (e.g., site audits, store audits, subsidiary audits, personal data protection audits) for the purpose of contributing to management.

In order to contribute to the effective achievement of management goals, the Internal Audit Department conducts business audits from a fair and independent standpoint from the viewpoint of legal compliance and management rationality, and evaluates the appropriateness and effectiveness of management activities relating to each process of governance, risk management, and control.

Audit policies and plans are approved by the President and Representative Director and reported to the Board of Directors. In addition, the audit results are reported to the President and Representative Director and Audit and Supervisory Board Members on a case-by-case basis, and the audit results for the fiscal year are reported to the Board of Directors.

With regard to any issues identified in an internal audit, the audited division promptly prepares a follow-up report and reflects it in business improvements.

B. Quality enhancement

In order to enhance the effectiveness of internal audits, since fiscal year 2020, we have been conducting internal evaluations to strengthen the quality of internal audits required by the International Professional Practices Framework (IPPF). Furthermore, in fiscal year 2021, we conducted external evaluations by external experts to strengthen the quality of internal audits.

C. Mutual cooperation between internal audits, audits by Audit and Supervisory Board Members, and accounting audits, and the relationship between such audits and the Internal Control Department

Internal audits involve evaluations of independent internal control departments in accordance with internal audit plans and the Internal Audit Regulations. The Accounting Auditor cooperates with the Internal Audit Department as appropriate and utilizes the content and results of internal audits in its audit results as needed.

The Audit and Supervisory Board Members and the Internal Audit Department cooperates to enhance the quality and efficiency of audits by Audit and Supervisory Board Members, by exchanging opinions and information as needed concerning the Internal Audit Department's audit plans and audit implementation, among other matters.

The Internal Control Department functions to ensure the adequateness of finance, accounting, and other business operations related to corporate activities. Receiving these audits contributes not only to the strengthening of internal control functions on financial reporting, but also to the development of a governance framework with a greater awareness of compliance.

(iii) Accounting audits

A. Name of audit firm

Deloitte Touche Tohmatsu LLC

B. Consecutive period of audit

23 years

C. Certified public accountants performing the audit

Designated Limited Liability Partner and Engagement Partner Tokio Suzuki

Designated Limited Liability Partner and Engagement Partner Koji Hara

(Note) The consecutive period of audit of the certified public accountants who performed the audit is not stated, since it is less than seven accounting periods.

D. Composition of assistants of audit operations

Assistants of accounting audit operations consist of a total of 28 persons comprising 10 CPAs from Deloitte Touche Tohmatsu LLC and 18 other persons.

E. Policy and reason for selecting the Primary Auditor

The Company selects the Accounting Auditor based on a comprehensive review of the following matters, among others, to ensure appropriate accounting audits are performed. It has reappointed Deloitte Touche Tohmatsu LLC during the fiscal year under review.

- The dismissal causes provided by Article 340 of the Companies Act are not applicable to the Accounting Auditor.
- A proper quality management framework is in place.
- Independence is ensured.
- The framework for audit implementation (the establishment of an audit team and the execution of duties thereof) is appropriate.
- The amount of remuneration paid for audits is appropriate.

F. Evaluation of Primary Auditor by Audit and Supervisory Board Members and the Audit and Supervisory Board

The Company's Audit and Supervisory Board Members and the Audit and Supervisory Board evaluate the Accounting Auditor each year. The Audit and Supervisory Board Members and the Audit and Supervisory Board have evaluated that audits are properly performed, based on a report by the Audit and Supervisory Board Members and the Audit and Supervisory Board on the execution of duties by the Accounting Auditor received directly from the Accounting Auditor and on questions asked to the executive divisions as well as a comprehensive review including audit quality.

(iv) Details of remuneration paid for audits

A. Remuneration for Primary Auditor

Category	Previous fiscal year		Fiscal year under review	
	Audit fees (millions of yen)	Non-audit fees (millions of yen)	Audit fees (millions of yen)	Non-audit fees (millions of yen)
Reporting company	68	–	68	–
Consolidated subsidiaries	17	–	17	–
Total	86	–	85	–

(Previous fiscal year)

Audit fees for the Company's Primary Auditor include remuneration of 1 million yen based on the consolidation package of other affiliated companies and remuneration of 6 million yen based on the audit of consolidated financial statements in English.

(Fiscal year under review)

Audit fees for the Company's Primary Auditor include remuneration of 1 million yen based on the consolidation package of other affiliated companies and remuneration of 5 million yen based on the audit of consolidated financial statements in English.

B. Remuneration for organizations belonging to the same network (Deloitte) as the Primary Auditor (excluding A)

Category	Previous fiscal year		Fiscal year under review	
	Audit fees (millions of yen)	Non-audit fees (millions of yen)	Audit fees (millions of yen)	Non-audit fees (millions of yen)
Reporting company	–	–	–	–
Consolidated subsidiaries	–	–	3	–
Total	–	–	3	–

C. Other material audit fees

Not applicable.

D. Policy for determining remuneration paid for audits

The Company has not established a policy for determining the remuneration paid for audits.

E. Reasons for the Audit and Supervisory Board to have agreed to the remuneration, etc., for the Primary Auditor

In regard to the remuneration, etc., for the Accounting Auditor proposed by the Board of Directors, the Company's Audit and Supervisory Board has decided to approve the amount of remuneration, etc., for the Accounting Auditor after verifying the content of the Accounting Auditor's audit plans, the status of accounting audit services performed, and the basis for the remuneration calculations.

(4) Remuneration, etc., for Officers

(i) Matters relating to the policy on the decision of the amount of remuneration, etc., for officers or the calculation method thereof

A. Matters relating to the policy for decisions on individual remuneration for directors

The Company has determined the policy for decisions on individual remuneration for directors at the meeting of the Board of Directors. In regard to individual remuneration for directors for the current fiscal year, the Board of Directors has confirmed that the method for determining remuneration and the details of the determined remuneration are consistent with the decision-making policy determined by the Board of Directors and that the reports from the Compensation Advisory Committee have been respected, and has determined that such individual remuneration is in compliance with said decision-making policy.

The content of the decision-making policy for the individual remuneration of directors is as shown below:

a. Policy for basic remuneration

A fixed amount based on the expectations for the role, in accordance with the position.

b. Performance-linked remuneration

As a short-term incentive to raise awareness of improving performance in a single fiscal year, etc., a comprehensive evaluation is conducted that comprises both a quantitative evaluation of profit attributable to owners of parent and the profit of the department in charge, as well as a qualitative evaluation of the contribution of role in accordance with position and contribution to the Company as a whole, and the amount of remuneration is determined in accordance with the level of achievement.

c. Policy on non-monetary remuneration

As a long-term incentive to raise awareness of management from the perspective of shareholders, a certain number of shares will be granted for each position based on the expectations for the role in accordance with the position (restricted stock remuneration).

d. Policy on remuneration ratio

A standard table has been formulated for each position; the ratio of fixed remuneration against the total remuneration for each position is approximately 60%, the performance-based remuneration is approximately 30%, and share remuneration (restricted stock remuneration) is approximately 10%. It should be noted that the remuneration for Directors seconded from the parent company will be fixed remuneration and performance-based remuneration, and the remuneration for Outside Directors shall be fixed remuneration only.

e. Policy on timing and conditions for the granting of remuneration

A meeting of the Compensation Advisory Committee is held in June of each year, during which an evaluation is conducted on each individual, proposed remuneration is formulated, and is submitted for resolution to a meeting of the Board of Directors held in that same month. It should be noted that fixed remuneration and performance-linked remuneration are paid monthly as a fixed monthly amount, and share remuneration is paid in July of each year.

f. Matters relating to decisions on remuneration other than the above

A Compensation Advisory Committee composed of Outside Directors and the Representative Director, as well as Directors nominated by the President and Representative Director, has been established as a discretionary advisory body of the Board of Directors. The Compensation Advisory Committee engages in deliberations on the determination of remuneration policy, performance evaluations, and establishment of a plan on individual remuneration amounts, as well as the issues relating to the evaluation system and countermeasures thereto, and then proposes the results of this to the Board of Directors. The Board of Directors, in response to reports from the Compensation Advisory Committee, determines officer remuneration within the range of the content and amount approved by the General Meeting of Shareholders.

B. Matters relating to the policy for decisions on remuneration for corporate auditors

With regard to remuneration for Audit and Supervisory Board Members, from the perspective of them having an independent position to monitor the execution of duties of Directors, monthly remuneration comprising fixed remuneration has been put in place. The amount, calculation method, allocation, etc., are determined within the range approved at the General Meeting of Shareholders, upon discussions by the Audit and Supervisory Board Members.

C. Details of the resolution of the general meeting of shareholders on the remuneration for officers

Annual remuneration for Directors was limited to no more than 270 million yen by resolution of the 28th Ordinary General Meeting of Shareholders that met on June 19, 2019. (Of that total, no more than 30 million yen per year was to be paid to Outside Directors; these limits do not include employee salaries).

It should be noted that, at the 30th Ordinary General Meeting of Shareholders that met on June 18, 2021, it was resolved to increase the annual remuneration for Outside Directors, which is included in the total remuneration for Directors, bringing the annual remuneration for Directors to no more than 270 million yen, of which no more than 60 million yen per year is for Outside Directors (not including employee salaries).

In addition, separate from monetary remuneration, the remuneration to be paid for the purpose of granting restricted stocks to Directors (excluding Outside Directors and Directors seconded by the parent company) was limited to an amount not exceeding 30 million yen per annum (not including employee salaries) by resolution at the 28th Ordinary General Meeting of Shareholders that met on June 19, 2019.

Annual remuneration for Audit and Supervisory Board Members was limited to no more than 70 million yen by resolution of the 17th Ordinary General Meeting of Shareholders that met on June 26, 2008.

(ii) Total amount of remuneration, etc., by category of officers, total amount of remuneration, etc., by type, and number of eligible officers

Category of officers	Total amount of remuneration, etc. (millions of yen)	Total amount of remuneration, etc., by type (millions of yen)			Number of eligible officers (persons)
		Fixed remuneration	Performance-based remuneration	Non-monetary remuneration	
Director (Excluding Outside Director)	112	75	26	11	4
Audit and Supervisory Board Member (Excluding Outside Audit and Supervisory Board Members)	20	20	–	–	1
Outside Officer	74	74	–	–	8

(5) Stockholdings

(i) Standard and concept of classification of investment shares

With regard to the classification of investment shares into those held for pure investment and those held for purposes other than pure investment, the Company classifies shares to be invested in for the purpose of, at the time of investment decision, gaining profit through fluctuation of the value of the shares and dividends on the shares as investment shares held for pure investment, and those to be invested in for other purposes as investment shares held for purposes other than pure investment (strategic stockholdings).

(ii) Investment shares held for purposes other than pure investment

A. Stockholding policy, method of examining stockholding rationality, and content of examination by the Board of Directors, etc., on the rationality of each stockholding

a. Stockholding policy

The Company's business is categorized primarily into the Consumer Mobile Business Segment, Enterprise Solutions Business Segment, and Smart Life & QUO Card Business Segment. The Company holds shares of other companies if it deems it necessary to establish, maintain, or strengthen relationships with business partners in each business segment. With respect to strategic stockholdings, the Company considers a range of issues, such as the scale, growth potential, and profitability of business with the relevant company, to examine the continuance and economic rationality of the stockholding. If the stockholding is deemed to have no rationality due to reasons such as a contraction in the scale of business, the shares will be sold.

b. Method of examining stockholding rationality

The Company examines the rationality of its strategic stockholdings by confirming whether the benefits of the stockholdings, such as the annual scale and profitability of business for each stock, outweighs the Company's capital cost standard. In addition, the appropriateness and rationality of the stockholdings are verified at each business segment based on the results of qualitative evaluations by the department in charge of the relevant stock.

c. Content of examination by the Board of Directors

The results of the examination of the rationality of each stockholding as of the date of record of March 31, 2024, and the judgment of whether the stock should be sold or continue to be held were reported to the Board of Directors. As a result of the examination as of March 31, 2024, it is confirmed that all stocks currently held as strategic stockholdings are held for the purpose in accordance with the stockholding policy.

B. Number of stocks and total carrying amount

	Number of stocks (stocks)	Total carrying amount (millions of yen)
Unlisted shares	18	1,922
Shares other than those not listed	6	363

(Stocks whose number of shares increased during the fiscal year under review)

	Number of stocks (stocks)	Total acquisition cost for increased shares (millions of yen)	Reason for increase in number of shares
Unlisted shares	2	50	Acquisition through new investment
Shares other than those not listed	1	–	Due to new listing of unlisted shares held

(Note) The increase in shares other than those not listed is due to a new listing and no acquisition costs were incurred.

(Stocks whose number of shares decreased during the fiscal year under review)

	Number of stocks (stocks)	Total sale value for decreased shares (millions of yen)
Unlisted shares	1	–
Shares other than those not listed	1	171

(Note) The decrease in unlisted shares is due to a new listing and there were sale values.

C. Information on the number of shares and carrying amount, etc., of each specific investment shares and deemed stockholding

The Company conducts examinations of the quantitative stockholding effects in relation to each business segment. However, we are not disclosing the results here, in consideration of the impact they would have on the counterparty of the stockholding and other sales channels.

Specific investment shares

Stock	Fiscal year under review	Previous fiscal year	Purpose of stockholding, outline of business collaboration, quantitative effects of stockholding, and reason for increase in number of shares	Whether the counterparty holds Company shares
	Number of shares (shares) or number of investment units (units)	Number of shares (shares) or number of investment units (units)		
	Carrying amount (millions of yen)	Carrying amount (millions of yen)		
Yamada Holdings Co., Ltd.	300,000	300,000	Yamada Holdings is a major business partner in the mass retailer sales channel of mainly the Consumer Mobile Business Segment, with a long history of doing business with the Company. The purpose of holding shares of Yamada Holdings is to maintain and develop good business relations and strengthen business transactions.	No
	132	136		
IID, Inc.	250,000	250,000	As we deepen our current business and develop new businesses in the Smart Life & QUO Card Business Segment, shares in IID are held for the purpose of collecting information in various fields through regular communication between the two companies.	No
	192	211		
Safie Inc.	40,000	40,000	The Company has signed a sales agency agreement to purchase and sell Safie products. Shares of Safie are held for the purpose of development of solutions to improve productivity of the Group’s directly managed shops.	No
	26	30		
HiroHoldings Co., ltd.	200	200	Shares of the company are held to strengthen synergies and the relationship with the company as a strategic partner mainly in the Smart Life & QUO Card Business Segment.	No
	0	0		

Stock	Fiscal year under review	Previous fiscal year	Purpose of stockholding, outline of business collaboration, quantitative effects of stockholding, and reason for increase in number of shares	Whether the counterparty holds Company shares
	Number of shares (shares) or number of investment units (units)	Number of shares (shares) or number of investment units (units)		
	Carrying amount (millions of yen)	Carrying amount (millions of yen)		
Kyoritsu Computer & Communication Co., Ltd.	1,500	1,500	The Company has signed a sales agency agreement with Kyoritsu Computer & Communication mainly in the Consumer Mobile Business Segment with a long history of doing business. The purpose of holding shares of Kyoritsu Computer & Communication is to maintain and develop good business relations and strengthen business transactions.	Yes
	2	2		
NETSTARS Co., Ltd.	7,600	–	Shares of the company were held as unlisted shares in the previous fiscal year and were reclassified to specific investment shares after the company went public in the fiscal year under review. Shares are held to maintain good relationships for the expansion of the Company's business mainly in the Smart Life Business Segment.	No
	10	–		
Paycloud Holdings, Inc.	–	213,440	Shares of the company were held to maintain collaborative relationships and strengthen synergies. However, all shares were sold during the fiscal year under review.	No
	–	78		

(Note) arara, inc. changed its name to Paycloud Holdings, Inc. on March 1, 2024.

(iii) Investment shares held for pure investment

The Company does not hold investment shares for pure investment.

V. Financial Information

1. Method of preparation of consolidated financial statements and non-consolidated financial statements

(1) The Company has prepared the consolidated financial statements in accordance with the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ministry of Finance Order No. 28, 1976, the "Consolidated Financial Statements Regulation").

(2) The Company has prepared the non-consolidated financial statements in accordance with the Regulation on Terminology, Forms, and Preparation Methods of Financial Statements (Ministry of Finance Order No. 59, 1963; the "Financial Statements Regulation").

In addition, the Company falls under the category of a special company submitting financial statements and has prepared the non-consolidated financial statements in accordance with Article 127 of the Financial Statements Regulation.

2. Note on independent audit

In accordance with Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, the consolidated financial statements for the fiscal year (from April 1, 2023 to March 31, 2024) and the non-consolidated financial statements for the fiscal year (from April 1, 2023 to March 31, 2024) were audited by Deloitte Touche Tohmatsu LLC.

3. Particular efforts to ensure fair presentation of consolidated financial statements, etc.

The Company makes particular efforts to ensure the fair presentation of consolidated financial statements, etc. Specifically, in order to properly comprehend accounting standards and develop a system to make timely disclosure, the Company has joined the Financial Accounting Standards Foundation (FASF) to attend its training programs, etc., and gather information about newly established and/or changed accounting standards and others.

1. Consolidated financial statements and other information

(1) Consolidated financial statements

(i) Consolidated balance sheets

(Millions of yen)

		As of March 31, 2023		As of March 31, 2024
Assets				
Current assets				
Cash and deposits	*1	47,652		45,022
Notes and accounts receivable - trade	*2, *3	19,687	*2, *3	27,094
Operational investment securities		–	*1	15,500
Inventories	*4	25,855	*4	24,260
Accounts receivable - other	*3	11,258	*3	11,945
Guarantee deposits	*1	93,219	*1	79,170
Others		2,765		2,673
Allowance for doubtful accounts		(18)		(22)
Total current assets		200,420		205,644
Non-current assets				
Property, plant and equipment				
Buildings and structures		10,762		10,456
Accumulated depreciation	*5	(9,157)	*5	(8,939)
Buildings and structures, net		1,604		1,517
Machinery, equipment and vehicles		1,435		2,689
Accumulated depreciation		(167)		(283)
Machinery, equipment and vehicles, net		1,268		2,406
Furniture and fixtures		5,555		5,103
Accumulated depreciation	*5	(5,072)	*5	(4,512)
Furniture and fixtures, net		482		591
Land		304		304
Leased assets		246		601
Accumulated depreciation		(145)		(197)
Leased assets, net		101		403
Construction in progress		465		110
Total property, plant and equipment		4,227		5,334
Intangible assets				
Goodwill		16,502		14,868
Software		5,238		4,321
Contract-related intangible assets		1,193		1,125
Others		246		1,029
Total intangible assets		23,179		21,345
Investments and other assets				
Investment securities	*6	3,648		2,307
Deferred tax assets		8,748		8,168
Retirement benefit asset		–		37
Leasehold deposits		4,542		4,309
Others		1,316		1,163
Allowance for doubtful accounts		(15)		(51)
Total investments and other assets		18,240		15,936
Total non-current assets		45,648		42,615
Total assets		246,068		248,260

(Millions of yen)

		As of March 31, 2023		As of March 31, 2024
Liabilities				
Current liabilities				
Accounts payable - trade	*3	10,104	*3	10,569
Current portion of long-term borrowings		3,751		1,875
Accounts payable - other	*1, *3	16,723	*3	16,662
Income taxes payable		971		2,087
Refund liability		87		104
Provision for bonuses		2,486		2,631
Provision for loss on business liquidation		–		248
Card deposits		131,028		131,665
Others		1,046		1,606
Total current liabilities		166,199		167,451
Non-current liabilities				
Long-term borrowings		1,871		–
Years of service gratuity reserve provisions		187		194
Retirement benefit liability		369		580
Asset retirement obligations		1,991		2,071
Others		561		557
Total non-current liabilities		4,981		3,403
Total liabilities		171,181		170,855
Net assets				
Shareholders' equity				
Share capital		3,154		3,154
Capital surplus		5,141		5,165
Retained earnings		65,892		68,720
Treasury shares		(260)		(233)
Total shareholders' equity		73,927		76,805
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities		318		350
Foreign currency translation adjustment		139		178
Total accumulated other comprehensive income		458		529
Non-controlling interests		501		69
Total net assets		74,887		77,404
Total liabilities and net assets		246,068		248,260

(ii) Consolidated statements of income and consolidated statements of comprehensive income
(Consolidated statements of income)

(Millions of yen)

		Fiscal year ended March 31, 2023		Fiscal year ended March 31, 2024
Net sales	*1	453,604	*1	448,954
Cost of sales		382,839		374,206
Gross profit		70,765		74,747
Selling, general and administrative expenses	*2	63,770	*2	66,696
Operating profit		6,994		8,051
Non-operating income				
Share of profit of entities accounted for using equity method		14		–
Delay damages income		362		–
Hoard profit of prepaid card		4,140		4,186
Others		410		443
Total non-operating income		4,928		4,630
Non-operating expenses				
Interest expenses		32		23
Share of loss of entities accounted for using equity method		–		31
Delay damages		171		–
Store lease termination penalties		20		70
Compensation for damage		32		70
Others		27		95
Total non-operating expenses		284		291
Ordinary profit		11,637		12,390
Extraordinary income				
Gain on sale of investment securities		–		163
Gain on bargain purchase		249		–
Gain on step acquisitions		305		–
Others		20		10
Total extraordinary income		575		173
Extraordinary losses				
Loss on retirement of non-current assets	*3	124	*3	123
Impairment losses	*4	43	*4	1,775
Provision for loss on business liquidation		–	*5	248
Others		9		29
Total extraordinary losses		178		2,177
Profit before income taxes		12,034		10,387
Income taxes - current		2,902		3,207
Income taxes - deferred		1,312		631
Total income taxes		4,215		3,839
Profit		7,819		6,548
Loss attributable to non-controlling interests		(119)		(465)
Profit attributable to owners of parent		7,938		7,013

(Consolidated statements of comprehensive income)

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Profit	7,819	6,548
Other comprehensive income		
Valuation difference on available-for-sale securities	55	32
Foreign currency translation adjustment	85	36
Share of other comprehensive income of entities accounted for using equity method	(0)	2
Total other comprehensive income	* 139	* 71
Comprehensive income	7,959	6,619
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	8,045	7,073
Comprehensive income attributable to non-controlling interests	(85)	(454)

(iii) Consolidated statements of changes in shareholders' equity
Consolidated Fiscal Year 2023 (from April 1, 2022 to March 31, 2023)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	3,154	5,123	62,137	(284)	70,129
Changes during period					
Dividends of surplus			(4,183)		(4,183)
Profit attributable to owners of parent			7,938		7,938
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		18		24	42
Net changes in items other than shareholders' equity					
Total changes during period	–	18	3,755	24	3,797
Balance at end of period	3,154	5,141	65,892	(260)	73,927

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	263	55	318	35	70,483
Changes during period					
Dividends of surplus					(4,183)
Profit attributable to owners of parent					7,938
Purchase of treasury shares					(0)
Disposal of treasury shares					42
Net changes in items other than shareholders' equity	55	84	139	466	606
Total changes during period	55	84	139	466	4,404
Balance at end of period	318	139	458	501	74,887

Consolidated Fiscal Year 2024 (from April 1, 2023 to March 31, 2024)

(Millions of yen)

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

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	318	139	458	501	74,887
Changes during period					
Dividends of surplus					(4,185)
Profit attributable to owners of parent					7,013
Disposal of treasury shares					50
Net changes in items other than shareholders' equity	32	38	71	(432)	(360)
Total changes during period	32	38	71	(432)	2,517
Balance at end of period	350	178	529	69	77,404

(iv) Consolidated statements of cash flows

(Millions of yen)

		Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Cash flows from operating activities			
Profit before income taxes		12,034	10,387
Depreciation		2,393	2,630
Impairment losses		43	1,775
Amortization of goodwill		1,298	1,281
Increase (decrease) in refund liability		87	17
Increase (decrease) in provision for bonuses		(241)	34
Increase (decrease) in retirement benefit liability		35	(10)
Loss (gain) on step acquisitions		(305)	–
Gain on bargain purchase		(249)	–
Delay damages income		(362)	–
Delay damages		171	–
Share of loss (profit) of entities accounted for using equity method		(14)	31
Loss (gain) on sale of investment securities		–	(163)
Decrease (increase) in trade receivables		(1,768)	(6,091)
Decrease (increase) in accounts receivable - other		1,394	(493)
Decrease (increase) in inventories		(3,324)	1,680
Decrease (increase) in operational investment securities		–	(15,485)
Decrease (increase) in guarantee deposits		(11,170)	13,400
Increase (decrease) in trade payables		(137)	(141)
Increase (decrease) in accounts payable - other		(39)	(251)
Increase (decrease) in card deposits		12,686	636
Other, net		147	1,300
Subtotal		12,678	10,538
Interest and dividends received		135	13
Delay damages received, net		191	–
Interest paid		(49)	(21)
Income taxes refund (paid)		(2,959)	(2,119)
Net cash provided by (used in) operating activities		9,996	8,411
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,592)	(2,979)
Purchase of intangible assets		(1,289)	(2,063)
Purchase of investment securities		(209)	(50)
Proceeds from sale of investment securities		–	171
Purchase of shares of subsidiaries resulting in change in scope of consolidation	*2	(375)	–
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation		351	–
Payments of guarantee deposits		(655)	(17)
Proceeds from refund of guarantee deposits		7	668
Other, net		205	127
Net cash provided by (used in) investing activities		(3,558)	(4,143)

(Millions of yen)

		Fiscal year ended March 31, 2023		Fiscal year ended March 31, 2024
Cash flows from financing activities				
Net increase (decrease) in short-term borrowings		(280)		–
Repayments of long-term borrowings		(12,751)		(3,838)
Proceeds from sale and leaseback transactions		71		296
Repayments of lease liabilities		(22)		(83)
Dividends paid		(4,183)		(4,185)
Dividends paid to non-controlling interests		–		(5)
Other, net		(0)		(10)
Net cash provided by (used in) financing activities		(17,165)		(7,826)
Effect of exchange rate change on cash and cash equivalents		43		49
Net increase (decrease) in cash and cash equivalents		(10,683)		(3,510)
Cash and cash equivalents at beginning of period		56,162		45,652
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation		172		789
Increase in cash and cash equivalents resulting from merger		–		91
Cash and cash equivalents at end of period	*1	45,652	*1	43,022

Notes to consolidated financial statements

(Significant accounting policies for the preparation of consolidated financial statements)

1. Matters concerning the scope of consolidation

(1) Number of consolidated subsidiaries: 14

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

(Change in the scope of consolidation)

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

(2) Names of primary non-consolidated subsidiaries

Primary non-consolidated subsidiaries TG Farm 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

Number of non-consolidated subsidiaries accounted for using the equity method: 1

Names of primary companies TG Farm Inc.

(Changes in scope of application of the equity method)

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

3. Fiscal year of consolidated subsidiaries

Of the consolidated subsidiaries, Relay2, Inc. and T-Gaia Asia Pacific Pte. Ltd. have an account settlement date of December 31. When preparing consolidated financial statements, the Company uses financial statements as of that date and makes adjustments, required for consolidation, for material transactions with consolidated subsidiaries during the period between the year-end date and consolidated account settlement date. The account settlement date of other consolidated subsidiaries is the same as the consolidated account settlement date.

4. Matters concerning significant accounting policies

(1) Assets valuation basis and valuation method

(i) Securities

Other securities

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

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

Equity shares, etc., without market quotations

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

(ii) Inventories

(A) Merchandise

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

(B) Supplies

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

(2) Depreciation and amortization method of principal depreciable assets

(i) Property, plant, and equipment (excluding leased assets)

Property, plant, and equipment are depreciated according to the straight-line method and the declining-balance method. Building equipment, structures, and furniture and fixtures of directly managed shops are depreciated using the straight-line method over a useful life of three years.

Useful life of principal assets is as follows:

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

(ii) Intangible assets (excluding leased assets)

Calculated by the straight-line method.

Depreciable life of principal assets is as follows:

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

Software for sale:

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

(iii) Leased assets

Leased assets related to finance lease transactions in which ownership is transferred are amortized by the same method as that applied to owned non-current assets.

Leased assets related to finance lease transactions in which ownership is not transferred are amortized by the straight-line method assuming the lease period as the useful life and no residual value.

(3) Recognition of significant allowances

(i) Allowance for doubtful accounts

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

(ii) Provision for bonuses

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

(iii) Refund liability

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

(iv) Years of service gratuity reserve provisions

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

(v) Provision for loss on business liquidation

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

(4) Accounting policy for liabilities relating to retirement benefits

With respect to the retirement lump-sum payment plan, the Company and some of its consolidated subsidiaries apply a simplified method to the calculations of retirement benefit liability and retirement benefit expenses, whereby an amount required for voluntary resignations at the end of the term relating to retirement benefits is treated as liabilities relating to retirement benefits. At certain consolidated subsidiaries, the defined benefit corporation plan is accounted for, according to the description of the plan, by the simplified method, whereby the most recent year's actuarial pension obligations based on the pension financial calculation are treated as retirement benefit obligations when the amount of the plan assets corresponding to the Company's own contributions can be reasonably calculated, and by a method similar to the defined contribution plans when such amount cannot be reasonably calculated.

(5) Standards for the yen conversion of material foreign denominated assets and liabilities

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

(6) Recognition of significant revenue and expenses

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

(Consumer Mobile Business Segment)

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

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

(Enterprise Solutions Business Segment)

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

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

(Smart Life & QUO Card Business Segment)

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

When selling these products or providing services, revenue is recognized when the product is delivered to the customer or when the seller, etc., delivers the product to the end customer based on a consignment arrangement. Furthermore, for product sales where it is judged that the Company and its consolidated subsidiaries fall under the classification of agent, the net amount is recorded as revenue after deducting any payments to other parties involved from the amount received in exchange for products provided by those other parties involved.

(7) Amortization method and period of goodwill

Goodwill is equally amortized by the straight-line method over the period (5–20 years) during which the effects could make a difference. However, goodwill with slight value and less significance is subject to one-off amortization at the time it accrues.

(8) Scope of cash and cash equivalents in consolidated statements of cash flows

Cash and cash equivalents in the consolidated statements of cash flows are composed of cash on hand, deposits that can be withdrawn anytime, and short-term investments with maturity of three months or less from the acquisition date that are easily cashable and exposed to only minimal risk of fluctuations in value.

(9) Other significant matters for the preparation of consolidated financial statements

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

(Accounting treatment of third-party card issuance)

The accounting treatment of third-party card issuance is to record the face value of the issued card in card deposit with the used amount corresponding to use reduced from card deposits. The amounts are classified and managed by card type and issuance year, and the amounts for which the probability of future use is considered to be extremely low are estimated based on a record of past usage before being transferred from card deposits to non-operating income.

(Significant accounting estimates)

Previous fiscal year (From April 1, 2022 to March 31, 2023)

1. Estimates of hoard profit of prepaid card

(1) Amount recorded in the consolidated financial statements for the fiscal year under review

	Fiscal year under review (millions of yen)
Hoard profit of prepaid card	4,140

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

(i) Method of calculation for the amount recorded in the consolidated financial statements for the fiscal year under review

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

(ii) Effects on the consolidated financial statements for the following fiscal year

Hoard profit of prepaid card, as noted in (i), is premised on the best estimate, but if the actual usage varies from the estimate, it could have some impact on the following fiscal year’s consolidated financial statements.

Recognizing no change in the treatment of financial liabilities under laws, ordinances, and regulations as of the end of the fiscal year under review, the Company deems there to be no impact on the following fiscal year’s consolidated financial statements.

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

(1) Amount recorded in the consolidated financial statements for the fiscal year under review

	Fiscal year under review (millions of yen)
Goodwill	15,015
Contract-related intangible assets	1,193
Impairment losses	–

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

(i) Method of calculation for the amount recorded in the consolidated financial statements for the fiscal year under review

For goodwill incurred as a result of the acquisition of TF Mobile Solutions Corporation (absorbed by the Company through an absorption-type merger on February 1, 2021) and identified contract-related intangible assets, the Company reasonably estimates future cash flows for the payback period based on the profit and loss plans which are formulated given the excess revenue generating power that, at the time of acquisition, is expected to be exercised over future periods.

(ii) Effects on the consolidated financial statements for the following fiscal year

If uncertain events, which cannot be assessed at the time of valuation, emerge due to considerable changes in the management environment or significant divergence of actual performance from the projected business plans, the assumptions used for estimating future cash flows may change. This could affect the consolidated financial statements for the following fiscal year.

Fiscal year under review (From April 1, 2023 to March 31, 2024)

1. Estimates of hoard profit of prepaid card

(1) Amount recorded in the consolidated financial statements for the fiscal year under review

	Fiscal year under review (millions of yen)
Hoard profit of prepaid card	4,186

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

(i) Method of calculation for the amount recorded in the consolidated financial statements for the fiscal year under review

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

(ii) Effects on the consolidated financial statements for the following fiscal year

Hoard profit of prepaid card, as noted in (i), is premised on the best estimate, but if the actual usage varies from the estimate, it could have some impact on the following fiscal year's consolidated financial statements.

Recognizing no change in the treatment of financial liabilities under laws, ordinances, and regulations as of the end of the fiscal year under review, the Company deems there to be no impact on the following fiscal year's consolidated financial statements.

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

(1) Amount recorded in the consolidated financial statements for the fiscal year under review

	Fiscal year under review (millions of yen)
Goodwill	14,161
Contract-related intangible assets	1,125
Impairment losses	–

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

(i) Method of calculation for the amount recorded in the consolidated financial statements for the fiscal year under review

For goodwill incurred as a result of the acquisition of TF Mobile Solutions Corporation (absorbed by the Company through an absorption-type merger on February 1, 2021) and identified contract-related intangible assets, the Company reasonably estimates future cash flows for the payback period based on the profit and loss plans which are formulated given the excess revenue generating power that, at the time of acquisition, is expected to be exercised over future periods.

(ii) Effects on the consolidated financial statements for the following fiscal year

If uncertain events, which cannot be assessed at the time of valuation, emerge due to considerable changes in the management environment or significant divergence of actual performance from the projected business plans, the assumptions used for estimating future cash flows may change. This could affect the consolidated financial statements for the following fiscal year.

(Changes in the method of presentation)

(Consolidated statements of income)

"Interest income" and "dividend income" under non-operating income, which were separately presented until the previous fiscal year, are included in "other" under non-operating income from the fiscal year under review because they became immaterial in terms of amount. To reflect the change in the presentation method, the consolidated statements of income for the previous fiscal year have been reclassified.

As a result, 5 million yen in "interest income" and 10 million yen in "dividend income" under non-operating income in the consolidated statements of income for the previous fiscal year have been reclassified as 410 million yen in "other."

"Store lease termination penalties" and "compensation for damage" that were included in "other" under non-operating expenses until the previous fiscal year are separately presented from the fiscal year under review due to their increased importance in terms of amount. To reflect the change in the presentation method, the consolidated statements of income for the previous fiscal year have been reclassified.

As a result, 80 million yen included in "other" under non-operating expenses in the consolidated statements of income for the previous fiscal year has been reclassified as 20 million yen in "store lease termination penalties," 32 million yen in "compensation for damage," and 27 million yen in "other."

"Gain on sale of non-current assets" under extraordinary income, which was separately presented until the previous fiscal year, is included in "other" under extraordinary income from the fiscal year under review because it became immaterial in terms of amount. To reflect the change in the presentation method, the consolidated statements of income for the previous fiscal year have been reclassified.

As a result, 20 million yen in "gain on sale of non-current assets" under extraordinary income in the consolidated statements of income for the previous fiscal year has been reclassified as 20 million yen in "other."

(Consolidated statements of cash flows)

"Increase (decrease) in years of service gratuity reserve provisions," "interest and dividend income," and "interest expenses on borrowings and bonds" in cash flows from operating activities, which were presented separately in the previous fiscal year, are included in "other" in the fiscal year under review because they became immaterial in terms of amount. To reflect the change in the presentation method, the consolidated statements of cash flows for the previous fiscal year have been reclassified.

As a result, in the consolidated statements of cash flows for the previous fiscal year, "increase (decrease) in years of service gratuity reserve provisions" of 41 million yen, "interest and dividend income" of -15 million yen, and "interest expenses on borrowings and bonds" of 32 million yen under cash flows from operating activities have been reclassified as 147 million yen in "other" under cash flows from operating activities.

"Proceeds from sale of property, plant and equipment," "purchase of shares of subsidiaries and associates," and "net increase (decrease) in loans to affiliates" under cash flows from investing activities, which were presented separately in the previous fiscal year, are included in "other, net" in the fiscal year under review because they became immaterial in terms of amount. To reflect the change in the presentation method, the consolidated statements of cash flows for the previous fiscal year have been reclassified.

As a result, in the consolidated statements of cash flows for the previous fiscal year, 26 million yen in "proceeds from sale of property, plant and equipment," -60 million yen in "purchase of shares of subsidiaries and associates," and -70 million yen in "net increase (decrease) in loans to affiliates" under cash flows from investing activities have been reclassified as 205 million yen in "other, net" under "cash flows from investing activities."

"Proceeds from refund of guarantee deposits," which was included in "other, net" under cash flows from investing activities in the previous fiscal year, is presented as an independent item from the fiscal year under review due to its increased importance in terms of amount. To reflect the change in the presentation method, the consolidated statements of cash flows for the previous fiscal year have been reclassified.

As a result, the amount of 316 million yen presented as "other, net" of "cash flows from investing activities" in the consolidated statements of cash flows of the previous fiscal year is reclassified to 7 million yen in "proceeds from refund of guarantee deposits" and 309 million yen in "other, net."

(Unapplied accounting standards, etc.)

・ "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022, Accounting Standards Board of Japan)
・ "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, October 28, 2022, Accounting Standards Board of Japan)
・ "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022, Accounting Standards Board of Japan)

(1) Overview

In February 2018, the Accounting Standards Board of Japan issued ASBJ Statement No. 28, "Partial Amendments to Accounting Standard for Tax Effect Accounting," etc. ("ASBJ Statement No. 28, etc."), which completed the transfer of practical guidelines on tax effect accounting at the Japanese Institute of Certified Public Accountants to the Accounting Standards Board of Japan, and in the course of the deliberations, the following two issues, which were to be discussed again after the release of ASBJ Statement No. 28, etc., were discussed and published:

・ Classification of tax expenses (taxation on other comprehensive income)
・ Tax effects on the sale of shares of subsidiaries, etc. (shares of subsidiaries or affiliates), in the case where group income taxes are applied.

(2) Scheduled effective date

It will be applied from the beginning of the fiscal year ending March 31, 2025.

(3) Effect of application of the accounting standard

The impact of the application of the "Accounting Standard for Current Income Taxes" and other related standards on consolidated financial statements is currently under evaluation.

(Notes to consolidated balance sheets)

*1. Pledged assets and secured liabilities

Assets pledged as collateral are as follows:

(Millions of yen)

	Previous fiscal year (March 31, 2023)	Fiscal year under review (March 31, 2024)
Cash and deposits	2,000	–

Secured liabilities are as follows:

(Millions of yen)

	Previous fiscal year (March 31, 2023)	Fiscal year under review (March 31, 2024)
Accounts payable - other	2,285	–

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

(Millions of yen)

	Previous fiscal year (March 31, 2023)	Fiscal year under review (March 31, 2024)
Guarantee deposits	93,219	79,170
Operational investment securities	–	15,500

*2. Among notes and accounts receivable - trade, receivables arising from contracts with customers are as follows:

(Millions of yen)

	Previous fiscal year (March 31, 2023)	Fiscal year under review (March 31, 2024)
Notes receivable - trade	7	7
Accounts receivable - trade	19,679	27,086

*3. Presentation of setoff of trade receivables and trade payables

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

Amounts prior to setoff were as follows:

(Millions of yen)

	Previous fiscal year (March 31, 2023)	Fiscal year under review (March 31, 2024)
Notes and accounts receivable – trade	58,914	62,877
Accounts receivable - other	26,898	29,308
Accounts payable – trade	47,835	44,250
Accounts payable - other	33,859	36,294

*4. Breakdown of inventories was as follows:

(Millions of yen)

	Previous fiscal year (March 31, 2023)	Fiscal year under review (March 31, 2024)
Merchandise	25,779	24,220
Work in process	0	–
Supplies	75	40

*5. The figure of accumulated depreciation includes accumulated impairment losses.

*6. Investment securities invested in non-consolidated subsidiaries and affiliates are as follows:

(Millions of yen)

	Previous fiscal year (March 31, 2023)	Fiscal year under review (March 31, 2024)
Investment securities (equity securities)	1,425	–

(Notes to consolidated statements of income)

*1. Revenue from contracts with customers

For net sales, revenues are not separately presented for revenues from contracts with customers and other revenues. The amount of revenue from contracts with customers is described in "1. Breakdown of revenue from contracts with customers" in "Revenue recognition" in Notes to consolidated financial statements.

*2. Major items and figures among selling, general and administrative expenses are as follows:

(Millions of yen)

	Previous fiscal year (From April 1, 2022 to March 31, 2023)	Fiscal year under review (From April 1, 2023 to March 31, 2024)
Remuneration for directors (and other officers)	209	202
Employees' salaries	19,845	20,275
Temporary staff wages	1,302	1,260
Provision for bonuses	2,441	2,475
Retirement benefit expenses	358	309
Years of service gratuity reserve provisions	90	53
Dispatched staff wages	3,751	4,280
Promotion expenses	8,422	10,275
Rent expenses on real estate	5,613	5,385
Depreciation	2,147	2,312
Amortization of goodwill	1,298	1,281
Allowance for doubtful accounts carried forward	(19)	3

*3. Details of loss on retirement of non-current assets are as follows:

(Millions of yen)

	Previous fiscal year (From April 1, 2022 to March 31, 2023)	Fiscal year under review (From April 1, 2023 to March 31, 2024)
Buildings and structures	34	74
Machinery, equipment, and vehicles	17	28
Furniture and fixtures	28	14
Software	39	3
Others	4	2
Total	124	123

*4. Impairment losses

The Group classifies business assets into asset groups under the following policy. Idle assets and other assets are classified into groups, by individual asset, in principle.

- The Company classifies shared assets into groups by branch and office that carry shared assets, with a directly managed shop as the smallest identifiable unit generating cash flows, in principle.
- The consolidated subsidiaries and equity-method affiliates classify assets into groups, with each company as the smallest identifiable unit generating cash flows, in principle.

Among the above asset groups, for a business asset for which earnings from operating activities are continually negative, the necessity of its impairment is examined and the amount of the reduction in the carrying amount to the recoverable amount is recorded as an impairment loss.

Previous fiscal year (From April 1, 2022 to March 31, 2023)

The Group recorded impairment losses on the following asset groups:

Location	Used for	Type	Impairment losses (millions of yen)
Shops (in Minoh City, Osaka Prefecture and other locations)	Business asset of the Company	Buildings and structures, furniture and fixtures, other	43
		Total	43

The recoverable amount of assets associated with directly managed shops and branches and offices is measured based on value in use (net realizable value for available-for-sale asset groups). The discount rate for calculation of the value in use is omitted because the total amount of undiscounted future cash flows was negative. Furthermore, net sales value is set as zero due to the difficulty of sale.

Fiscal year under review (From April 1, 2023 to March 31, 2024)

The Group recorded impairment losses on the following asset groups:

Company/location	Used for	Type	Impairment losses (millions of yen)
Consolidated subsidiary Relay2, Inc.	–	Goodwill (Note 1)	1,098
Shops (in Kumamoto City, Kumamoto Prefecture and other locations)	Business asset of the Company	Buildings and structures, furniture and fixtures, goodwill, other (Note 2)	27
California, the U.S.A.	Business asset of consolidated subsidiary Relay2, Inc.	Furniture and fixtures, software (Note 1)	611
Chiyoda-ku, Tokyo	Business asset of consolidated subsidiary Infinity Communication Co. Ltd.	Software, other (Note 3)	37
		Total	1,775

(Note 1) Impairment losses on goodwill and business assets are related to consolidated subsidiary Relay2, Inc. As a result of consideration of the prospects for future earnings and the recoverability of investments, the carrying value was reduced to the recoverable amount and the amount of the reduction was recorded as impairment losses. The recoverable amount is measured by value in use, but the discount rate for calculation of the value in use is omitted because the total amount of undiscounted future cash flows was negative.

(Note 2) The recoverable amount of assets associated with directly managed shops and branches and offices is measured based on value in use (net realizable value for available-for-sale asset groups). The discount rate for calculation of the value in use is omitted because the total amount of undiscounted future cash flows was negative when recognizing impairment losses. Furthermore, net sales value is set as zero due to the difficulty of sale.

(Note 3) Impairment losses on business assets held by the consolidated subsidiary Infinity Communication Co. Ltd. There are indications of impairment because a change is expected to occur in the business related to the consolidated subsidiary Relay2, Inc. that would significantly reduce the recoverable amount. As a result of consideration of the recoverability of investments, the carrying value was reduced to the recoverable amount and the amount of the reduction was recorded as impairment losses. The recoverable amount is measured by value in use, but the discount rate for calculation of the value in use is omitted because the total amount of undiscounted future cash flows was negative.

*5. Provision for loss on business liquidation

Previous fiscal year (From April 1, 2022 to March 31, 2023)

Not applicable.

Fiscal year under review (From April 1, 2023 to March 31, 2024)

A provision for loss on business liquidation of 248 million yen was recorded due to the withdrawal from business related to Relay2, Inc.

(Notes to consolidated statements of comprehensive income)

* Reclassification adjustments and tax effects relating to other comprehensive income

(Millions of yen)

	Previous fiscal year (From April 1, 2022 to March 31, 2023)	Fiscal year under review (From April 1, 2023 to March 31, 2024)
Valuation difference on available-for-sale securities		
Amount arising during the period	80	156
Reclassification adjustments	–	(70)
Before tax effects	80	86
Tax effects	(25)	(54)
Valuation difference on available-for-sale securities	55	32
Foreign currency translation adjustment		
Amount arising during the period	85	93
Before tax effects	85	93
Tax effects	–	(56)
Foreign currency translation adjustment	85	36
Share of other comprehensive income of equity-method affiliate		
Amount arising during the period	(0)	–
Reclassification adjustments	–	2
Share of other comprehensive income of equity-method affiliate	(0)	2
Total other comprehensive income	139	71

(Notes to consolidated statements of changes in shareholders' equity)

Previous fiscal year (From April 1, 2022 to March 31, 2023)

1. Type and total number of outstanding shares, and class and number of treasury shares

	Number of shares at beginning of the fiscal year under review (shares)	Increase (shares)	Decrease (shares)	Number of shares at end of the fiscal year under review (shares)
Outstanding shares				
Common shares	56,074,000	–	–	56,074,000
Total	56,074,000	–	–	56,074,000
Treasury shares				
Common shares (Note)	308,866	43	26,600	282,309
Total	308,866	43	26,600	282,309

(Notes) 1. The increase in common shares under treasury shares is due to 43 shares acquired through purchases of shares less than one unit.

2. The decrease in common shares under treasury shares is due to the disposal of treasury shares (26,600 shares) for restricted stock remuneration.

2. Dividends

(1) Dividends paid

(Resolution)	Type of shares	Total dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 22, 2022	Common shares	2,091	37.50	March 31, 2022	June 23, 2022
Board of Directors' meeting on November 4, 2022	Common shares	2,092	37.50	September 30, 2022	December 6, 2022

(2) Dividends with a record date in the fiscal year under review and an effective date in the following fiscal year

(Resolution)	Type of shares	Total dividends (millions of yen)	Source of dividends	Dividend per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 22, 2023	Common shares	2,092	Retained earnings	37.50	March 31, 2023	June 23, 2023

Fiscal year under review (From April 1, 2023 to March 31, 2024)

1. Type and total number of outstanding shares, and type and number of treasury shares

	Number of shares at beginning of the fiscal year under review (shares)	Increase (shares)	Decrease (shares)	Number of shares at end of the fiscal year under review (shares)
Outstanding shares				
Common shares	56,074,000	–	–	56,074,000
Total	56,074,000	–	–	56,074,000
Treasury shares				
Common shares (Note)	282,309	–	28,600	253,709
Total	282,309	–	28,600	253,709

(Note) 1. The decrease in common shares under treasury shares is due to the disposal of treasury shares (28,600 shares) for restricted stock remuneration.

2. Dividends

(1) Dividends paid

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

(2) Dividends with a record date in the fiscal year under review and an effective date in the following fiscal year

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

(Notes to consolidated statements of cash flows)

*1. Reconciliation of the closing balance of cash and cash equivalents and related accounts on the consolidated balance sheets

(Millions of yen)

	Previous fiscal year (From April 1, 2022 to March 31, 2023)	Fiscal year under review (From April 1, 2023 to March 31, 2024)
Cash and deposits	47,652	45,022
Time deposits with maturity over 3 months	(2,000)	(2,000)
Cash and cash equivalents	45,652	43,022

*2. Major components of assets and liabilities of newly consolidated subsidiaries acquired by purchase of shares

Previous fiscal year (From April 1, 2022 to March 31, 2023)

The components of assets and liabilities of Relay2, Inc., a newly consolidated subsidiary acquired by purchase of shares in the fiscal year under review, at the start of its consolidation and the relationship between the acquisition cost of its shares and the related payments (net amount) were as follows:

Current assets	831 million yen
Non-current assets	384
Goodwill	1,137
Current liabilities	(99)
Gain on step acquisitions	(305)
Non-controlling interests	(552)
Acquisition cost before obtaining control	(578)
Appraisal value by equity method before obtaining control	225
Foreign currency translation adjustment	46
Acquisition cost of shares	1,089
Cash and cash equivalents	(714)
Net acquisition-related payments	(375)

Fiscal year under review (From April 1, 2023 to March 31, 2024)

Not applicable.

(Leases)

(As lessee)

1. Finance lease transactions

(1) Finance lease transactions in which ownership is transferred

(i) Components of leased assets

Property, plant, and equipment

Solar power generation facilities of consolidated subsidiaries

(ii) Method of accounting for depreciation of leased assets

The method of accounting for depreciation of leased assets is as described in “4. Accounting policies, (2) Depreciation and amortization method of principal depreciable assets” of “Significant accounting policies for the preparation of consolidated financial statements.”

(2) Finance lease transactions in which ownership is not transferred

(i) Components of leased assets

Property, plant, and equipment

Facilities, etc., for the production bases of consolidated subsidiaries and solar power generation facilities

(ii) Method of accounting for depreciation of leased assets

The method of accounting for depreciation of leased assets is as described in “4. Accounting policies, (2) Depreciation and amortization method of principal depreciable assets” of “Significant accounting policies for the preparation of consolidated financial statements.”

2. Operating lease transactions

Future lease payments to be received under non-cancellable leases of operating lease transactions

(Millions of yen)

	Previous fiscal year (March 31, 2023)	Fiscal year under review (March 31, 2024)
Due within 1 year	32	45
Due after 1 year	85	64
Total	117	110

(Financial instruments)

1. Matters concerning the status of financial instruments

(1) Policies for financial instruments

The Company and its consolidated subsidiaries limit their fund management to short-term deposits, etc., and operational investment securities 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.

(2) Overview of financial instruments and associated risks

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

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

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

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

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

(3) System for managing risks associated with financial instruments

(i) 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.

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

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

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

(iii) 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.

(4) Supplementary explanation on fair values of financial instruments

In measuring the fair values of financial instruments, variable factors are discounted and thus the fair value may change depending on different assumptions, etc., employed.

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

Carrying amounts on the consolidated balance sheets, fair values, and the differences between them are as follows:

Previous fiscal year (As of March 31, 2023)

(Millions of yen)

	Carrying amount	Fair value	Differential
(i) Investment securities (Note 1)			
Available-for-sale securities	459	459	–
(ii) Leasehold deposits	4,542	4,369	(172)
(iii) Long-term borrowings (Note 2)	(5,622)	(5,622)	(0)

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

Fiscal year under review (As of March 31, 2024)

(Millions of yen)

	Carrying amount	Fair value	Differential
(i) Operational investment securities (Note 1)			
Available-for-sale securities	15,500	15,500	–
(ii) Investment securities (Note 1)			
Available-for-sale securities	393	393	–
(iii) Leasehold deposits	4,309	3,999	(310)

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

(Note 1) Equity shares, etc., without market quotations

(Millions of yen)

Category	Previous fiscal year (March 31, 2023)	Fiscal year under review (March 31, 2024)
Unlisted shares	3,189	1,914

The above are not included in “Investment securities” or “Operational investment securities.”

(Note 2) This includes current portion of long-term borrowings.

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

- Cash and deposits, notes and accounts receivable - trade, and accounts receivable - other

  Due to the short-term maturities of these items, the carrying values approximate fair value. They are therefore omitted.

- Guarantee deposits

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

- Accounts payable – trade, accounts payable – other, current portion of long-term borrowings, and income taxes payable

  Due to the short-term maturities of these items, the carrying values approximate fair values. They are therefore omitted.

- Card deposits

  The usage fee should be mandatorily paid in proportion to the card usage track record stated in the notice sent from member stores. The amount for which payment is expected to be demanded in the future as of the account settlement date is deemed as the fair value. The carrying value approximates fair value. They are therefore omitted.

3. Expected redemption amounts of monetary claims and securities with maturity after the consolidated balance sheet date

Previous fiscal year (As of March 31, 2023)

(Millions of yen)

	Due within 1 year	Due after 1 year but within 5 years	Due after 5 years but within 10 years	Due after 10 years
Cash and deposits	47,652	–	–	–
Notes and accounts receivable – trade	19,687	–	–	–
Accounts receivable - other	11,258	–	–	–
Total	78,598	–	–	–

(Note) Guarantee deposits are not included in the above table as their maturity cannot be determined.

Fiscal year under review (As of March 31, 2024)

(Millions of yen)

	Due within 1 year	Due after 1 year but within 5 years	Due after 5 years but within 10 years	Due after 10 years
Cash and deposits	45,022	–	–	–
Notes and accounts receivable – trade	27,094	–	–	–
Accounts receivable - other	11,945	–	–	–
Operational investment securities				
Available-for-sale securities with maturity dates				
National/local government bonds, etc.	–	15,500	–	–
Total	84,062	15,500	–	–

(Note) Guarantee deposits are not included in the above table as their maturity cannot be determined.

4. Repayment schedule of long-term borrowings and lease liabilities after the consolidated balance sheet date

Previous fiscal year (As of March 31, 2023) and fiscal year under review (As of March 31, 2024)

As stated in "Detailed schedule of borrowings" of Annexed consolidated detailed schedules.

5. Matters concerning the breakdown of each level of fair value of financial instruments, etc.

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

Level 1 fair values:

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

Level 2 fair values:

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

Level 3 fair values:

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

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

(1) Financial instruments recorded in the consolidated balance sheets at fair value

Previous fiscal year (As of March 31, 2023)

(Millions of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Equity securities	459	–	–	459

Fiscal year under review (As of March 31, 2024)

(Millions of yen)

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

(2) Financial instruments other than financial instruments recorded in the consolidated balance sheets at fair value

Previous fiscal year (As of March 31, 2023)

(Millions of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Leasehold deposits	–	4,369	–	4,369
Long-term borrowings	–	5,622	–	5,622

Fiscal year under review (As of March 31, 2024)

(Millions of yen)

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

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

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

(Investment securities)
The Company holds listed shares which are valued using market prices. As listed shares are traded on active markets, their fair values are categorized as Level 1 fair values. Furthermore, the Company also holds conversion price-adjusted subscription rights to shares (unlisted) whose values are classified as Level 3 fair values because of the close proximity between the time of investment and the end of the fiscal year and because fair value is assumed to approximate carrying value, which is an unobservable input.

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

(Long-term borrowings (including current portion of long-term borrowings))
The fair values of long-term borrowings are calculated using the discounted present value method based on the total amount of principal and interest and interest rates adjusted for the remaining term of the obligation and credit risk and are categorized as Level 2 fair values.

(Securities)

1. Available-for-sale securities

Previous fiscal year (As of March 31, 2023)

(Millions of yen)

	Type	Carrying amount	Acquisition cost	Differential
Items whose carrying amount exceeds acquisition cost	(1) Equity securities	247	33	213
	(2) National/local government bonds	–	–	–
	Subtotal	247	33	213
Items whose carrying amount does not exceed acquisition cost	(1) Equity securities	211	237	(25)
	(2) National/local government bonds	–	–	–
	Subtotal	211	237	(25)
Total		459	270	188

Fiscal year under review (As of March 31, 2024)

(Millions of yen)

	Type	Carrying amount	Acquisition cost	Differential
Items whose carrying amount exceeds acquisition cost	(1) Equity securities	139	25	113
	(2) National/local government bonds	15,500	15,485	14
	(3) Others	–	–	–
	Subtotal	15,639	15,511	128
Items whose carrying amount does not exceed acquisition cost	(1) Equity securities	202	248	(46)
	(2) National/local government bonds	–	–	–
	(3) Others	30	30	–
	Subtotal	232	278	(46)
Total		15,872	15,790	82

2. Available-for-sale securities sold

Previous fiscal year (From April 1, 2022 to March 31, 2023)

Not applicable.

Fiscal year under review (From April 1, 2023 to March 31, 2024)

(Millions of yen)

Type	Sale proceeds	Total gain on sale	Total loss on sale
Equity securities	171	163	–

3. Impaired securities

Previous fiscal year (From April 1, 2022 to March 31, 2023)

Not applicable.

Fiscal year under review (From April 1, 2023 to March 31, 2024)

The information is omitted as it is immaterial.

(Derivatives)

Not applicable as the Group does not use any derivatives.

(Retirement benefits)

1. Overview of retirement benefit plans adopted

Previous fiscal year (From April 1, 2022 to March 31, 2023)

The Company has adopted a prepaid retirement allowance plan and a defined contribution pension plan as a defined contribution plan, as well as a lump-sum retirement benefit plan as a defined benefit plan. The lump-sum retirement benefit plan is calculated by the 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.

In addition, some consolidated subsidiaries have adopted defined contribution pension plans as defined contribution plans and defined benefit corporation plans as defined benefit plans. A defined benefit corporation plan for which the amount of plan assets corresponding to the Company's own contributions can be reasonably calculated is calculated by the simplified method, whereby the most recent year's actuarial pension obligations based on the pension financial calculation are treated as retirement benefit obligations, while a plan for which such amount cannot be reasonably calculated is accounted for in the same manner as the defined contribution plan.

Fiscal year under review (From April 1, 2023 to March 31, 2024)

The Company has adopted a prepaid retirement allowance plan and a defined contribution pension plan as a defined contribution plan, as well as a lump-sum retirement benefit plan as a defined benefit plan. The lump-sum retirement benefit plan is calculated by the 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.

In addition, some consolidated subsidiaries have adopted defined contribution pension plans as defined contribution plans, and lump-sum retirement benefit plans and defined benefit corporation plans as defined benefit plans. A defined benefit corporation plan for which the amount of plan assets corresponding to the Company's own contributions can be reasonably calculated is calculated by the simplified method, whereby the most recent year's actuarial pension obligations based on the pension financial calculation are treated as retirement benefit obligations, while a plan for which such amount cannot be reasonably calculated is accounted for in the same manner as the defined contribution plan.

2. Defined benefit plans

(1) Changes in retirement benefit liabilities/assets of plans to which the simplified method is applied

(Millions of yen)

	Previous fiscal year (From April 1, 2022 to March 31, 2023)	Fiscal year under review (From April 1, 2023 to March 31, 2024)
Balance of retirement benefit liabilities at beginning of period	349	369
Balance of retirement benefit assets at beginning of period	(14)	–
Increase due to new consolidation	–	183
Retirement benefit expenses	66	36
Retirement benefits paid	(18)	(34)
Contributions to plans	(12)	(13)
Balance of retirement benefit liabilities at end of period	369	580
Balance of retirement benefit assets at end of period	–	(37)

(2) Reconciliation between the ending balance of retirement benefit obligations and plan assets and the retirement benefit liabilities/assets recorded on the consolidated balance sheets

(Millions of yen)

	Previous fiscal year (March 31, 2023)	Fiscal year under review (March 31, 2024)
Retirement benefit obligations of funded plans	481	489
Plan assets	(475)	(526)
	5	(37)
Retirement benefit obligations of unfunded plans	363	580
Net amount of assets and liabilities recorded on the consolidated balance sheets	369	542
Retirement benefit liability	369	580
Retirement benefit asset	–	(37)
Net amount of assets and liabilities recorded on the consolidated balance sheets	369	542

(3) Retirement benefit expenses

(Millions of yen)

	Previous fiscal year (From April 1, 2022 to March 31, 2023)	Fiscal year under review (From April 1, 2023 to March 31, 2024)
Retirement benefit expenses calculated by the simplified method	66	36

3. Defined contribution plans

Previous fiscal year (From April 1, 2022 to March 31, 2023)

The amount of required contributions to defined contribution plans (including multi-employer defined benefit corporation plans that are accounted for in a similar manner) of the Company and consolidated subsidiaries is 299 million yen.

The matters relating to multi-employer plans for which required contributions are treated as retirement benefit expenses are as follows:

(1) Most recent status of multi-employer plans (As of March 31, 2022)

(Millions of yen)

	Nihon IT Software Pension Fund	Sumitomo Corporation Pension Plan
Plan assets	–	55,035
Total amount of actuarial pension obligations and minimum liability reserve	–	46,368
Net	–	8,667

(2) Contributions paid by the Group for multi-employer plans (against total)

	Nihon IT Software Pension Fund	Sumitomo Corporation Pension Plan
From April 1, 2021 to March 31, 2022	–%	0.69%

(3) Supplementary explanation

The major factors for the net amount in (1) include unappropriated surplus of 8,667 million yen.

The percentage in (2) and the actual share of the Group are different.

Fiscal year under review (From April 1, 2023 to March 31, 2024)

The amount of required contributions to defined contribution plans (including multi-employer defined benefit corporation plans that are accounted for in a similar manner) of the Company and consolidated subsidiaries is 306 million yen.

The matters relating to multi-employer plans for which required contributions are treated as retirement benefit expenses are as follows:

(1) Most recent status of multi-employer plans (As of March 31, 2023)

(Millions of yen)

	Nihon IT Software Pension Fund	Sumitomo Corporation Pension Plan
Plan assets	55,007	55,765
Total amount of actuarial pension obligations and minimum liability reserve	52,959	49,100
Net	2,048	6,665

(2) Contributions paid by the Group for multi-employer plans (against total)

	Nihon IT Software Pension Fund	Sumitomo Corporation Pension Plan
From April 1, 2022 to March 31, 2023	0.41%	0.72%

(3) Supplementary explanation

The net amount in (1) above is mainly due to the following factors:

・ Unappropriated surplus of 2,048 million yen for Nihon IT Software Pension Fund.

・ Unappropriated surplus of 6,665 million yen for Sumitomo Corporation Pension Plan.
The percentage in (2) and the actual share of the Group are different.

(Tax effect accounting)

1. Main reasons for deferred tax assets and deferred tax liabilities

(Millions of yen)

	Previous fiscal year (March 31, 2023)	Fiscal year under review (March 31, 2024)
Deferred tax assets		
Tax loss carryforwards (Note)	2,313	2,755
Provision for bonuses	769	819
Allowance for doubtful accounts	10	22
Inventory valuation loss	144	146
Accrued business tax and business office tax	125	180
Excessive depreciation	917	973
Asset retirement obligations	576	576
Retirement benefit liability	113	186
Loss on valuation of investment securities	186	165
Asset adjustment	4,099	2,511
Hoard profit of prepaid card	1,894	2,272
Temporary differences related to investments in subsidiaries	–	662
Others	1,017	919
Deferred tax assets subtotal	12,169	12,191
Valuation allowance for tax loss carryforwards (Note)	(2,313)	(2,716)
Valuation allowance for the total of deductible temporary difference, etc.	(465)	(614)
Valuation allowance subtotal	(2,778)	(3,331)
Total deferred tax assets	9,390	8,860
Deferred tax liabilities		
Asset retirement obligations	(157)	(159)
Valuation difference on available-for-sale securities	(119)	(173)
Contract-related intangible assets	(365)	(344)
Retirement benefit asset	–	(11)
Others	(2)	(2)
Total deferred tax liabilities	(644)	(691)
Net deferred tax assets	8,748	8,168
Net deferred tax liabilities	(2)	–

(Note) Amounts of tax loss carryforwards and related deferred tax assets by expiration of carryforward.

Previous fiscal year (As of March 31, 2023)

(Millions of yen)

	Due within 1 year	Due after 1 year but within 2 years	Due after 2 years but within 3 years	Due after 3 years but within 4 years	Due after 4 years but within 5 years	Due after 5 years	Total
Tax loss carryforwards (*1)	–	–	–	–	–	2,313	2,313
Valuation allowance	–	–	–	–	–	(2,313)	(2,313)
Deferred tax assets	–	–	–	–	–	–	–

(*1) The tax loss carryforwards are calculated by multiplying the statutory effective tax rate.

Fiscal year under review (As of March 31, 2024)

(Millions of yen)

	Due within 1 year	Due after 1 year but within 2 years	Due after 2 years but within 3 years	Due after 3 years but within 4 years	Due after 4 years but within 5 years	Due after 5 years	Total
Tax loss carryforwards (*1)	28	10	–	–	–	2,716	2,755
Valuation allowance	–	–	–	–	–	(2,716)	(2,716)
Deferred tax assets	28	10	–	–	–	–	39

(*1) The tax loss carryforwards are calculated by multiplying the statutory effective tax rate.

2. Reconciliation of significant differences between the statutory effective tax rate and the actual effective rate of income taxes after application of deferred tax accounting

	Previous fiscal year (March 31, 2023)	Fiscal year under review (March 31, 2024)
Statutory effective tax rate	30.6%	30.6%
(Adjustments)		
Expenses not deductible permanently, such as entertainment expenses	0.3	0.4
Amortization of goodwill	3.3	3.8
Impairment loss on goodwill	–	3.2
Gain on bargain purchase	(0.6)	–
Gain on step acquisitions	(0.8)	–
Changes in valuation allowance	0.4	3.2
Temporary differences related to investments in subsidiaries	–	(6.4)
Inhabitant per capita taxes	1.5	1.8
Others	0.3	0.3
Effective rate of income taxes after application of deferred tax accounting	35.0	36.9

(Business combinations)

Not applicable.

(Asset retirement obligations)

Asset retirement obligations stated on the consolidated balance sheets

A. Overview of the asset retirement obligations

Restoration obligations associated with real estate rent contracts for buildings, disposal costs for solar power generation equipment, etc.

B. Method of calculating the amount of the asset retirement obligations

With the period of use estimated at 1 year-20 years from acquisition and using the discount rate of 0.00%-2.159% based on the government bond yield, the Company calculates the amount of the asset retirement obligations.

C. Changes in the total amount of the asset retirement obligations

(Millions of yen)

	Previous fiscal year (From April 1, 2022 to March 31, 2023)	Fiscal year under review (From April 1, 2023 to March 31, 2024)
Balance at beginning of period	1,979	1,991
Increase due to new consolidation	25	50
Increase due to purchase of property, plant and equipment	102	171
Adjustments due to lapse of time	16	16
Decrease due to payments for asset retirement obligations	(131)	(158)
Balance at end of period	1,991	2,071

D. Changes in the estimated amount of the asset retirement obligations

Not applicable.

(Revenue recognition)

1. Information from an analysis of revenue from contracts with customers

   Breakdown of revenue from contracts with customers is as described in "Segment Information, etc." in Notes to consolidated financial statements.

2. Basic information for understanding revenue from contracts with customers

   Information providing a basis for understanding revenue from contracts with customers is as described in "4. Accounting policies, (6) Recognition of significant revenues and expenses" of "Significant accounting policies for the preparation of consolidated financial statements" in Notes to consolidated financial statements.

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

3. Information about the relationship between the satisfaction of performance obligations under contracts with customers and cash flows from said contracts, and the amount and timing of revenue from contracts with customers that existed at the end of the fiscal year under review expected to be recognized in the following fiscal year

(1) Balance of contract assets and contract liabilities

(Millions of yen)

	Previous fiscal year	Fiscal year under review
Receivables from contracts with customers		
Balance at beginning of period	17,660	19,687
Balance at end of period	19,687	27,094
Contract assets		
Balance at beginning of period	–	–
Balance at end of period	–	–
Contract liabilities		
Balance at beginning of period	64	73
Balance at end of period	73	66

Contract liabilities are recorded in "Others" under current liabilities on the consolidated balance sheets. Contract liabilities are mainly, of service contracts provided by consolidated subsidiaries, those received from customers as advances received equivalent to the contract period and for which performance obligations had not been satisfied as of the end of the fiscal year under review. Contract liabilities are reversed upon recognition of revenue.

Of the revenue recognized in the previous fiscal year, 64 million yen was included in the balance of contract liabilities at the beginning of the period. Of revenue recognized in the fiscal year under review, the amount included in the balance of contract liabilities at the beginning of the previous period is 73 million yen.

There were no significant changes to contract assets and contract liabilities in the previous fiscal year and the fiscal year under review.

In addition, the amount of revenue recognized from performance obligations for the previous fiscal year and the fiscal year under review that were satisfied (or partially satisfied) in the prior fiscal years was immaterial.

(2) Transaction prices allocated to remaining performance obligations

In the previous fiscal year and the fiscal year under review, there were no significant contracts with an initially anticipated contract period exceeding one year. Therefore, descriptions in regard thereto are omitted for practical expediency.

(Segment information, etc.)

Segment information

1. Overview of reportable segments

   Reportable segments of the Group are structural units of the Company for which segregated financial information is available and which are periodically reviewed to enable the Board of Directors to make decisions on the allocation of management resources and assess operating performance.

   The Group has three reportable segments — Consumer Mobile Business Segment, Enterprise Solutions Business Segment, and Smart Life & QUO Card Business Segment — which are structured by industry segmentation.

   Consumer Mobile Business Segment engages in contract mediation for mobile and other telecommunications services and sells mobile phone handsets and related products.

   Enterprise Solutions Business Segment engages in contract agency and vendor operations for mobile handsets and enterprise solution services, etc., for enterprise clients, as well as network management service operations, etc., and contract agency and provider operations mainly for FTTH fixed-line telecommunications services for enterprise and individual customers.

   Smart Life & QUO Card Business Segment engages through major nationwide convenience store chains in sales of e-money related products and gift card sales using PIN sales systems, the business related to prepaid cards, and overseas business operations.

2. Method of computation of net sales, income or loss, assets, liabilities, and other items by reportable segment

   The accounting treatment applicable to reported business segment information is largely consistent with the descriptions in "Significant accounting policies for the preparation of consolidated financial statements," and income of each reportable segment indicates profit attributable to owners of parent. Intersegment sales or transfers are recognized based on market prices.

(Changes in reportable segments, etc.)

Starting from the beginning of the fiscal year under review, the name of the reportable segment previously referred to as "Payment Service Business and Other Business Segment" has been changed to "Smart Life & QUO Card Business Segment" in light of the nature of its business. Accordingly, the segment information for the previous fiscal year is also presented under the new name.

Starting from the beginning of the fiscal year under review, the accessories business, which was included in the Consumer Mobile Business Segment, has been reclassified into the Smart Life & QUO Card Business Segment. Note that the segment information for previous fiscal year has not been prepared based on segment classifications reflecting this change, as its impact on net sales and segment profit is immaterial.

3. Information on net sales, income or loss, assets, liabilities, and other items by reportable segment and information on disaggregation of revenue

Previous fiscal year (From April 1, 2022 to March 31, 2023)

(Millions of yen)

	Reportable segments				Others (Note)	Total
	Consumer Mobile Business Segment	Enterprise Solutions Business Segment	Smart Life & QUO Card Business Segment	Total		
Net sales						
Smart device	227,299	11,884	–	239,183	–	239,183
Prepaid cards, etc.	–	–	8,927	8,927	–	8,927
Fees related to smart device	148,150	11,402	–	159,553	–	159,553
Sales commissions of prepaid card, etc.	–	–	16,854	16,854	–	16,854
Own solution services	–	6,709	–	6,709	–	6,709
TG Hikari & NW related	–	7,304	–	7,304	–	7,304
Others	6,065	350	8,236	14,652	262	14,915
Revenue from contracts with customers	381,515	37,651	34,017	453,185	262	453,447
Other revenue	–	–	156	156	–	156
Sales to external customers	381,515	37,651	34,174	453,341	262	453,604
Intersegment sales or transfers	678	109	115	903	1,700	2,603
Total	382,194	37,760	34,289	454,244	1,963	456,207
Segment profit	2,583	2,032	2,999	7,615	322	7,938
Segment assets	119,414	22,427	226,222	368,064	490	368,554
Other items						
Depreciation	845	366	342	1,554	838	2,393
Amortization of goodwill	818	342	137	1,298	–	1,298
Interest income	9	4	161	176	0	176
Interest expenses	225	66	117	410	1	411
Equity-method investment gain (loss)	–	34	(20)	14	–	14
Hoard profit of prepaid card	–	–	4,140	4,140	–	4,140
Extraordinary income	268	305	0	575	0	575
Gain on bargain purchase	249	–	–	249	–	249
Extraordinary losses	85	50	28	164	14	178
Impairment losses	43	–	–	43	–	43
Tax expenses	1,672	961	1,409	4,043	171	4,215
Investments in equity-method affiliates	–	1,256	169	1,425	–	1,425
Increase in property, plant and equipment and intangible assets	293	1,835	1,423	3,551	6	3,558

(Note) The "Others" segment is a segment for businesses that do not fall under reportable segments and includes the Company's systems development, operation, and maintenance operations.

Fiscal year under review (From April 1, 2023 to March 31, 2024)

(Millions of yen)

	Reportable segments				Others (Note)	Total
	Consumer Mobile Business Segment	Enterprise Solutions Business Segment	Smart Life & QUO Card Business Segment	Total		
Net sales						
Smart device	238,906	11,555	–	250,462	–	250,462
Prepaid cards, etc.	–	–	9,091	9,091	–	9,091
Fees related to smart device	133,149	10,672	–	143,821	–	143,821
Sales commissions of prepaid card, etc.	–	–	12,689	12,689	–	12,689
Own solution services	–	10,616	–	10,616	–	10,616
TG Hikari & NW related	–	8,161	–	8,161	–	8,161
Others	5,836	397	7,389	13,623	18	13,642
Revenue from contracts with customers	377,892	41,403	29,170	448,466	18	448,485
Other revenue	–	–	468	468	–	468
Sales to external customers	377,892	41,403	29,639	448,935	18	448,954
Intersegment sales or transfers	1,925	2,019	161	4,106	3,700	7,806
Total	379,817	43,423	29,801	453,041	3,719	456,761
Segment profit (loss)	4,300	(95)	2,716	6,921	91	7,013
Segment assets	108,226	24,554	233,017	365,797	484	366,282
Other items						
Depreciation	787	576	441	1,805	825	2,630
Amortization of goodwill	818	462	–	1,281	–	1,281
Interest income	3	10	159	173	0	173
Interest expenses	186	79	145	411	0	411
Equity-method investment gain (loss)	–	–	(31)	(31)	–	(31)
Hoard profit of prepaid card	–	–	4,186	4,186	–	4,186
Extraordinary income	0	–	173	173	–	173
Extraordinary losses	93	2,009	70	2,173	3	2,177
Impairment losses	27	1,747	–	1,775	–	1,775
Tax expenses	2,473	108	1,250	3,832	6	3,839
Increase in property, plant and equipment and intangible assets	784	1,240	2,039	4,065	1	4,066

(Note) The “Others” segment is a segment for businesses that do not fall under reportable segments and includes the Company’s systems development, operation, and maintenance operations.

4. Reconciliation of variance between total amount of reportable segments and the amount recorded on the consolidated financial statements

Previous fiscal year (From April 1, 2022 to March 31, 2023)

(Millions of yen)

Net sales	Amount
Reportable segments total	454,244
Net sales categorized as “Others”	1,963
Elimination of intersegment transactions	(2,603)
Net sales on consolidated financial statements	453,604

(Millions of yen)

Profit	Amount
Reportable segments total	7,615
Profit categorized as “Others”	322
Profit attributable to owners of parent on consolidated financial statements	7,938

(Millions of yen)

Assets	Amount
Reportable segments total	368,064
Assets categorized as “Others”	490
Company-wide assets and other adjustments (Note)	(122,485)
Total assets on consolidated financial statements	246,068

(Note) Company-wide assets are mostly assets under head office management, which do not belong to reportable segments. Other adjustments comprise mostly elimination by offsetting intersegment receivables/payables and elimination by offsetting the Company’s trade receivables/payables.

(Millions of yen)

Other items	Reportable segments total	Others	Adjustments	Amount recorded on consolidated financial statements
Depreciation	1,554	838	–	2,393
Amortization of goodwill	1,298	–	–	1,298
Interest income (Note)	176	0	(170)	5
Interest expenses (Note)	410	1	(379)	32
Equity-method investment gain (loss)	14	–	–	14
Hoard profit of prepaid card	4,140	–	–	4,140
Extraordinary income	575	0	–	575
(Gain on bargain purchase)	249	–	–	249
Extraordinary losses	164	14	–	178
(Impairment losses)	43	–	–	43
Tax expenses	4,043	171	–	4,215
Investments in equity-method affiliates	1,425	–	–	1,425
Increase in property, plant and equipment and intangible assets (Note)	3,551	6	321	3,879

(Note) Adjustment amounts of interest income comprise mostly elimination of intersegment transactions. Adjustment amounts of interest expense comprise mostly elimination of intersegment transactions. Adjustment amounts of increase in property, plant and equipment and intangible assets comprise mostly capital investment amount of head office.

Fiscal year under review (From April 1, 2023 to March 31, 2024)

(Millions of yen)

Net sales	Amount
Reportable segments total	453,041
Net sales categorized as “Others”	3,719
Elimination of intersegment transactions	(7,806)
Net sales on consolidated financial statements	448,954

(Millions of yen)

Profit	Amount
Reportable segments total	6,921
Profit categorized as “Others”	91
Profit attributable to owners of parent on consolidated financial statements	7,013

(Millions of yen)

Assets	Amount
Reportable segments total	365,797
Assets categorized as “Others”	484
Company-wide assets and other adjustments (Note)	(118,022)
Total assets on consolidated financial statements	248,260

(Note) Company-wide assets are mostly assets under head office management, which do not belong to reportable segments. Other adjustments comprise mostly elimination by offsetting intersegment receivables/payables and elimination by offsetting the Company’s trade receivables/payables.

(Millions of yen)

Other items	Reportable segments total	Others	Adjustments	Amount recorded on consolidated financial statements
Depreciation	1,805	825	–	2,630
Amortization of goodwill	1,281	–	–	1,281
Interest income (Note)	173	0	(171)	1
Interest expenses (Note)	411	0	(388)	23
Equity-method investment gain (loss)	(31)	–	–	(31)
Hoard profit of prepaid card	4,186	–	–	4,186
Extraordinary income	173	–	–	173
Extraordinary losses	2,173	3	–	2,177
(Impairment losses)	1,775	–	–	1,775
Tax expenses	3,832	6	–	3,839
Increase in property, plant and equipment and intangible assets (Note)	4,065	1	336	4,402

(Note) Adjustment amounts of interest income comprise mostly elimination of intersegment transactions. Adjustment amounts of interest expense comprise mostly elimination of intersegment transactions. Adjustment amounts of increase in property, plant and equipment and intangible assets comprise mostly capital investment amount of head office.

Related information

Previous fiscal year (From April 1, 2022 to March 31, 2023)

1. Information by product and service

Similar information is disclosed as segment information, so the description is omitted.

2. Information by region

(1) Net sales

Omitted as the Company's sales to external customers in Japan exceed 90% of net sales stated in the consolidated statements of income.

(2) Property, plant, and equipment

Omitted as the amount of property, plant and equipment located in Japan exceeds 90% of the amount of total property, plant and equipment in the consolidated balance sheets.

3. Information by major client

(Millions of yen)

Name of client	Net sales	Related segment
KDDI CORPORATION	61,092	Consumer Mobile Business Segment and Enterprise Solutions Business Segment
NTT DOCOMO, INC.	60,183	Consumer Mobile Business Segment and Enterprise Solutions Business Segment

Fiscal year under review (From April 1, 2023 to March 31, 2024)

1. Information by product and service

Similar information is disclosed as segment information, so the description is omitted.

2. Information by region

(1) Net sales

Omitted as the Company's sales to external customers in Japan exceed 90% of net sales stated in the consolidated statements of income.

(2) Property, plant, and equipment

Omitted as the amount of property, plant and equipment located in Japan exceeds 90% of the amount of total property, plant and equipment in the consolidated balance sheets.

3. Information by major client

(Millions of yen)

Name of client	Net sales	Related segment
KDDI CORPORATION	53,557	Consumer Mobile Business Segment and Enterprise Solutions Business Segment
NTT DOCOMO, INC.	52,553	Consumer Mobile Business Segment and Enterprise Solutions Business Segment

Information concerning the impairment loss from non-current assets by reportable segment

Previous fiscal year (From April 1, 2022 to March 31, 2023)

Similar information is disclosed in "Segment information," so the impairment loss from non-current assets for each reportable segment is omitted.

Fiscal year under review (From April 1, 2023 to March 31, 2024)

Similar information is disclosed in "Segment information," so the impairment loss from non-current assets for each reportable segment is omitted.

Information concerning unamortized goodwill balances by reportable segment

Previous fiscal year (From April 1, 2022 to March 31, 2023)

(Millions of yen)

	Consumer Mobile Business Segment	Enterprise Solutions Business Segment	Smart Life & QUO Card Business Segment	Others	Total
Balance at end of period	12,693	3,809	–	–	16,502

Fiscal year under review (From April 1, 2023 to March 31, 2024)

(Millions of yen)

	Consumer Mobile Business Segment	Enterprise Solutions Business Segment	Smart Life & QUO Card Business Segment	Others	Total
Balance at end of period	11,858	3,010	–	–	14,868

Information concerning gain on bargain purchase by reportable segment

Previous fiscal year (From April 1, 2022 to March 31, 2023)

In the Consumer Mobile Business Segment, we recognized a gain on bargain purchase associated with the acquisition of shares of CCC FRONTIER Inc. (name changed to UNiCASE Corporation on October 1, 2022) and its conversion into a consolidated subsidiary in the fiscal year under review. This gain on bargain purchase amounted to 244 million yen.

Fiscal year under review (From April 1, 2023 to March 31, 2024)

Not applicable.

(Related party information)

1. Transactions with related parties

The information is omitted as it is immaterial.

2. Notes on parent company or significant affiliates

(1) Parent company information

Not applicable.

(2) Summary of financial information on significant affiliates

The information is omitted as the Company does not have significant affiliates.

(Per share information)

(yen)

	Previous fiscal year (From April 1, 2022 to March 31, 2023)	Fiscal year under review (From April 1, 2023 to March 31, 2024)
Net assets per share	1,333.28	1,385.42
Earnings per share	142.31	125.66

(Notes) 1. Information on diluted earnings per share is omitted as there are no dilutive shares.

2. The calculation basis for earnings per share is as follows:

	Previous fiscal year (From April 1, 2022 to March 31, 2023)	Fiscal year under review (From April 1, 2023 to March 31, 2024)
Profit attributable to owners of parent (millions of yen)	7,938	7,013
Net income not attributable to common shareholders (millions of yen)	–	–
Net income attributable to common owners of parent company (millions of yen)	7,938	7,013
Average number of shares outstanding during the period (shares)	55,783,632	55,811,617

(Significant subsequent events)

(Change of reporting segments)

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

(1) Reasons for Change of Reporting Segments

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

(2) Overview of the Change of Segments

In order to execute the aforementioned growth strategies from the customer's perspective, the reporting segments have been changed from the Consumer Mobile Business Segment, the Enterprise Solutions Business Segment, and the Smart Life & QUO Card Business Segment to "Consumer Business Segment," "Enterprise Business Segment," and "Social Innovation & QUO Card Business Segment," respectively. The lines of business after the change are as follows:

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

(3) Impact of the Change of Segments

Information on net sales, profit or loss, assets, and other items by reportable segment for the fiscal year under review based on the new segment classifications is currently being calculated.

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

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

(1) Reasons for the Share Transfer

In November 2019, the Company entered into a capital and business alliance with Relay2 and made Relay2 a consolidated subsidiary in April 2022 for the purpose of expanding its business domains utilizing edge computing and other technologies in the Enterprise Solutions Business Segment. However, in the fiscal year ended March 31, 2024, Relay2’s edge computing business, one of its core areas, has fallen short of the initially anticipated business plan, and as a result of examining the possibility of future recovery and other factors, the Company recorded an impairment loss on goodwill and other assets for the fiscal year ended March 31, 2024. After discussions with Relay2 and its major shareholders, etc., the Company has decided to sell its shares to Relay2 Investment LLC, a major shareholder of Relay2, and withdraw from the Relay2 business. The Company’s policy is to continue to expand its products and services in business for enterprise clients.

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

Relay2 Investment LLC

(3) Timing of Sale

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

(4) Overview of the Company Being Transferred

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

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

Number of shares transferred: Portion transferred: 3,176,473 (number of voting rights: 3,176,473)

Transfer price: Not disclosed due to an agreement between the parties

Gain/loss on transfer: Currently being calculated

Number of shares held after the transfer: 0 (Ratio of voting rights: 0.0%)

(Call for Voluntary Retirement)

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

(1) Reasons for Call for Voluntary Retirement

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

(2) Overview of the Call for Voluntary Retirement

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

(3) Estimated loss on voluntary retirement

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

(v) Annexed consolidated detailed schedules

Detailed schedule of corporate bonds

Company name	Stock	Date of issuance	Balance at end of previous period (millions of yen)	Balance at end of period (millions of yen)	Interest rate (%)	Collateral	Date of maturity
Infinity Communication Co. Ltd. (Note)	First series private placement bond with bank guarantee	March 25, 2020	– (–)	10 (10)	0.25	None	March 25, 2025
Total		–	–	10 (10)	–	–	–

(Note) Figures within parentheses in the “Balance at end of previous period” and “Balance at end of period” columns represent the current portion.

Detailed schedule of borrowings

Category	Balance at beginning of period (millions of yen)	Balance at end of period (millions of yen)	Average interest rate (%)	Payment due
Current portion of long-term borrowings	3,751	1,875	0.36	–
Long-term borrowings (excluding current portion)	1,871	–	–	–
Current portion of lease liabilities	7	109	4.1	–
Lease liabilities (excluding current portion)	80	254	4.1	2025 to 2034
Total	5,710	2,239	–	–

(Notes) 1. The average interest rate represents primarily a weighted-average interest rate with respect to the ending balance of borrowings and lease liabilities.

2. Because the amounts are not significant, the current portion of lease liabilities is included in “Others” under “Current liabilities,” while lease liabilities (excluding current portion) are included in “Others” under “Non-current liabilities” in the consolidated balance sheets.

3. The repayment schedule of lease liabilities (excluding current potion) within five years after the consolidated balance sheet date is as follows:

(Millions of yen)

Category	Due after 1 year but within 2 years	Due after 2 years but within 3 years	Due after 3 years but within 4 years	Due after 4 years but within 5 years
Lease liabilities	62	31	31	31

Detailed schedule of asset retirement obligations

Omitted as the matters to be listed in the schedule are stated as notes as set forth in Article 15-23 of the Consolidated Financial Statements Regulation.

(2) Others

Quarterly information for the fiscal year under review

(Cumulative period)	First quarter	Second quarter	Third quarter	Fiscal year under review
Net sales (millions of yen)	96,431	202,850	328,984	448,954
Profit before income taxes (millions of yen)	1,845	4,480	6,390	10,387
Profit attributable to owners of parent (millions of yen)	1,117	2,840	3,810	7,013
Earnings per share (yen)	20.02	50.91	68.28	125.66

(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Earnings per share (yen)	20.02	30.87	17.37	57.37

VI. Outline of Stock-Related Administration of Reporting Company

<table>
<tr><td>Fiscal year</td><td>From April 1 to March 31</td></tr>
<tr><td>Ordinary General Meeting of Shareholders</td><td>June</td></tr>
<tr><td>Record date</td><td>March 31</td></tr>
<tr><td>Record date for distribution of surplus</td><td>September 30 / March 31</td></tr>
<tr><td>Number of shares constituting one unit</td><td>100 shares</td></tr>
<tr><td>Purchase of shares less than one unit
Handling office

Shareholder registry administrator

Forward office
Purchasing fee</td><td>
(Special account) Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Business Planning Department, 4-1 Marunouchi 1-chome, Chiyoda-ku, Tokyo
(Special account) Sumitomo Mitsui Trust Bank, Limited, 4-1 Marunouchi 1-chome, Chiyoda-ku, Tokyo
—
Free of charge</td></tr>
<tr><td>Method of public notice</td><td>Electronic public notice. However, if the Company cannot give notice by means of electronic public notice due to an accident or other inevitable reason, public notice will be published in Nihon Keizai Shimbun.
URL for public notice: https://www.t-gaia.co.jp/ir/stock/notice.html</td></tr>
<tr><td>Special benefit for shareholders</td><td>Eligible shareholders and details of the benefit plan
The Company gives a QUO CARD or QUO CARD Pay twice a year to shareholders who are listed or recorded in the shareholder registry as of September 30 and March 31 and own 100 shares (one unit) or more, as outlined below:
<table>
<tr><td colspan="2" rowspan="3"></td><td colspan="4">Holding period</td></tr>
<tr><td colspan="2">Base date: End of September, end of March</td><td colspan="2">(Reference) Annual total</td></tr>
<tr><td>Six months or longer but less than three years</td><td>Three years or longer</td><td>Six months or longer, but less than three years</td><td>Three years or longer</td></tr>
<tr><td rowspan="2">Number of shares held</td><td>100 shares or more, but less than 300 shares</td><td rowspan="2">Worth 1,000 yen</td><td>Worth 2,000 yen</td><td rowspan="2">Worth 2,000 yen</td><td>Worth 4,000 yen</td></tr>
<tr><td>300 shares or more</td><td>Worth 3,000 yen</td><td>Worth 6,000 yen</td></tr>
</table>
</td></tr>
</table>

(Note) Shareholders of the Company may not exercise any rights other than the following rights with respect to shares less than one unit that they hold:

(i) Rights as stipulated in the items in Article 189, Paragraph 2 of the Companies Act

(ii) Right to make a claim under Article 166, Paragraph 1 of the Companies Act

(iii) Right to allotment of shares and acquisition rights in proportion to the number of shares held

VII. Reference Information on Reporting Company

1. Information on the Parent Company, etc., of Reporting Company

The Company does not have a parent company, etc., as set forth in Article 24-7, Paragraph 1 of the Financial Instruments and Exchange Act.

2. Other Reference Information

The Company filed the following documents during the period from the beginning date of the fiscal year under review to the filing date of the Annual Securities Report:

(1) Annual Securities Report and attached documents, and Confirmation Letter

Fiscal year (32nd) (from April 1, 2022 to March 31, 2023), filed on June 22, 2023 with the Director-General of the Kanto Local Finance Bureau

(2) Internal Control Report and attached documents

Fiscal year (32nd) (from April 1, 2022 to March 31, 2023), filed on June 22, 2023 with the Director-General of the Kanto Local Finance Bureau

(3) Quarterly Report and Confirmation Letter

(First Quarter of the 33rd fiscal year) (from April 1, 2023 to June 30, 2023), filed on August 2, 2023 with the Director-General of the Kanto Local Finance Bureau

(Second Quarter of the 33rd fiscal year) (from July 1, 2023 to September 30, 2023), filed on November 2, 2023 with the Director-General of the Kanto Local Finance Bureau

(Third Quarter of the 33rd fiscal year) (from October 1, 2023 to December 31, 2023), filed on February 5, 2024 with the Director-General of the Kanto Local Finance Bureau

(4) Extraordinary Report

(i) Filed on June 23, 2023 with the Director-General of the Kanto Local Finance Bureau

An extraordinary report pursuant to Article 19, Paragraph 2, Item (ix)-2 “Results of exercise of voting rights at general meeting of shareholders” of the Cabinet Office Order on Disclosure of Corporate Affairs.

(ii) Filed on May 8, 2024 with the Director-General of the Kanto Local Finance Bureau

An extraordinary report pursuant to Article 19, Paragraph 2, Item (iii) “A change to a specified subsidiary company” of the Cabinet Office Order on Disclosure of Corporate Affairs.

Part Two Information on Guarantee Companies, etc., for Reporting Company

Not applicable.

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

June 21, 2024

To the Board of Directors of
T-Gaia Corporation:

Deloitte Touche Tohmatsu LLC
Tokyo office

Designated Engagement Partner,
Certified Public Accountant:

Tokio Suzuki

Designated Engagement Partner,
Certified Public Accountant:

Koji Hara

<Audit of Consolidated Financial Statements>

Opinion

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements of T-Gaia Corporation and its consolidated subsidiaries (the "Group") included in the Financial Section, namely, the consolidated balance sheet as of March 31, 2024, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the fiscal year from April 1, 2023 to March 31, 2024, and a summary of significant accounting policies and other explanatory information, and the consolidated supplementary schedules.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th colspan="2">Estimate of Hoard Profit of Prepaid Card</th></tr>
<tr><th>Key Audit Matter Description</th><th>How the Key Audit Matter Was Addressed in the Audit</th></tr>
<tr><td>As described in the Notes "Significant accounting policies for the preparation of consolidated financial statements" and "Significant accounting estimates," QUO CARD Co., Ltd., a consolidated subsidiary, accounts for the third-party card issuance by recording the face value of the issued card in card deposits and reversing card deposits for the amount used by customers. In addition, although the card does not have an expiration date, the amount that is judged to be extremely unlikely to be used in the future in light of past usage results is transferred from card deposits to hoard profit of prepaid card in non-operating income.

As stated in the consolidated statement of income, the amount of hoard profit of prepaid card for the year was ¥4,186 million, which accounted for 33.7% of ordinary profit ¥12,390 million and had a significant impact on the consolidated financial statements.

In the above accounting process, the card deposits system, core system related to card issuance information ("the core system") and payment system mainly related to card usage information ("the payment system") are used. Specifically, changes in card deposits due to the issuance and use of cards are recorded and aggregated by card type and by year of the issuance, and hoard profit of prepaid card is estimated based on the usage results according to the passage of years after the card is issued. Thus, it is important to ensure the reliability of the information recorded and processed by these information technology ("IT") systems for estimating of hoard profit of prepaid card.

In addition, the significant assumption in estimating hoard profit of prepaid card is the expected future use of cards. Management assumes that cards that have been outstanding for a certain period of time are extremely unlikely to be used in the future. Therefore, this assumption may have a significant impact on the estimate of hoard profit of prepaid card.

Based on the above, we identified the estimate of hoard profit of prepaid card as a key audit matter.</td><td>To address the key audit matter, we performed the following audit procedures:

(1) We obtained an understanding of the business processes and internal controls related to the issuance and use of cards and the estimate of hoard profit of prepaid card by QUO CARD Co., Ltd., and evaluated the design and operating effectiveness of those internal controls.

(2) We inspected related administrative documents such as confirmation records of basic data for the calculation of hoard profit of prepaid card, i.e., card issuance information for each year of card issuance and card usage information for each year since card issuance ("the basic data") and examined the accuracy of the basic data by verifying the evidence with samples.

(3) Regarding internal controls related to the card deposits system, the core system and the payment system, with the assistance of our IT specialists, we evaluated the design and operating effectiveness of general IT controls related to development, change, operation, and security, and the following automated application controls:

• Interface into the card deposits system of the card issuance and usage data recorded in the core system and the payment system,

• Aggregation of the card issuance and usage data by year in the card deposits system, and

• Calculation of hoard profit of prepaid card in the card deposits system.

(4) For substantive procedures related to hoard profit of prepaid card, we performed inspection of the output from the card deposits system and recalculating to test the aggregation of the amount of card issuance by year of the issuance, the estimate of the hoard rate of prepaid card, the appropriateness of the calculation logic and the estimation process of hoard profit of prepaid card.

(5) In order to assess the reasonableness of the assumptions made by management, we inquired of management and involved our specialists in financial engineering to assist us in testing the expected future use of cards which was assumed to be extremely low by management.</td></tr>
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Valuation of Goodwill and Contract-Related Intangible Assets	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
As described in the Notes "Significant accounting policies for the preparation of consolidated financial statements" and "Significant accounting estimates," the Group recorded goodwill and contract-related intangible assets (hereinafter referred to as "Goodwill, etc.") of ¥14,161 million and ¥1,125 million, respectively, on the consolidated balance sheet at the end of the year. These assets were related to TF Mobile Solutions Corporation, which became a consolidated subsidiary upon acquisition of all of its shares on November 2, 2020, and merged with T-Gaia Corporation on February 1, 2021. The operating profit, which was expected in the business plan at the time of acquiring TF Mobile Solutions Corporation, has fallen short. This is mainly due to a decrease in the number of new smartphone line subscriptions, caused by extended replacement cycles due to rising smartphone prices. As a result of the impairment analysis for the valuation of Goodwill, etc., the Group identified an indication of impairment due to significant deterioration of the business environment. Accordingly, the Group is evaluating whether to recognize an impairment loss. The Group assessed whether to recognize an impairment loss based on the undiscounted future cash flows, and determined that no impairment loss was necessary to be recognized. The future cash flows are estimated based on the business plan approved by management considering uncertainties in the future periods. Significant assumptions in estimating the future cash flows are sales growth rates and profit margins used in the business plan. Goodwill, etc. accounts for a large portion of the consolidated financial statements, and the appropriateness of the valuation of Goodwill, etc. is significant for our audit. In addition, the estimate of the future cash flows involves uncertainty and requires management's judgment. Based on the above, we identified the valuation of Goodwill, etc. as a key audit matter.	To address the key audit matter, we performed the following audit procedures: (1) We obtained an understanding of the business processes and internal controls related to the valuation of Goodwill, etc., and evaluated the design and operating effectiveness of those internal controls. (2) In order to evaluate the appropriateness of management's judgment of whether there is any indication of impairment, we analyzed financial performance trends, discussed the changes in the business environment with management, compared the business plan at the time of acquisition of TF Mobile Solutions Corporation with the actual results, and inspected related documents. (3) We examined the consistency of the undiscounted future cash flows with the business plan approved by management. (4) Regarding the sales growth rates and profit margins used in the business plan, which are significant assumptions in the estimate of the undiscounted future cash flows, we discussed with management and inspected related documents. Regarding the sales growth rates, we inspected the documents related to the forecast of sales volume of products such as mobile phones and communication services (hereinafter referred to as "Products, etc.") and commission received from telecommunications carriers (hereinafter referred to as "Commission"). Regarding profit margins, we inspected the documents related to the forecast of gross profit per unit of Products, etc. and Commission, and the prospect of various cost reductions. (5) In order to assess the uncertainty of the estimate of the undiscounted future cash flows, we conducted the sensitivity analysis by applying certain stress at the judgment of the auditor to sales growth rates and profit margins, which are significant assumptions in the business plan.

Other Information

Management is responsible for the other information. Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the other information. The other information comprises the information included in the Annual Securities Report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with Audit & Supervisory Board members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

<Audit of Internal Control>

Opinion

Pursuant to the second paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited Internal Control Report over financial reporting of T-Gaia Corporation as of March 31, 2024.

In our opinion, Internal Control Report over financial reporting referred to above, which represents that the internal control over financial reporting of T-Gaia Corporation as of March 31, 2024, is effectively maintained, presents fairly, in all material respects, the results of the assessment of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Basis for Opinion

We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Internal Control Audit section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for Report on Internal Control

Management is responsible for designing and operating effective internal control over financial reporting and for the preparation and fair presentation of its report on internal control in accordance with assessment standards for internal control over financial reporting generally accepted in Japan. Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing and verifying the design and operating effectiveness of internal control over financial reporting. There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

Auditor's Responsibilities for the Internal Control Audit

Our objectives are to obtain reasonable assurance about whether Internal Control Report over financial reporting is free from material misstatement and to issue an auditor's report that includes our opinion.

As part of an audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Perform audit procedures to obtain audit evidence regarding the results of the assessment of internal control over financial reporting in Internal Control Report. The procedures selected depend on the auditor's judgment, including the significance of effects on reliability of financial reporting.

- Examine representations on the scope, procedures and results of the assessment of internal control over financial reporting made by management, as well as evaluating the overall presentation of Internal Control Report.

- Obtain sufficient appropriate audit evidence regarding the results of the assessment of internal control over financial reporting. We are responsible for the direction, supervision and performance of the internal control audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the internal control audit, result of the internal control audit, including any identified material weakness which should be disclosed and the result of remediation.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

<Fee-Related Information>

Fees for audit and other services for the year ended March 31, 2024, which were charged by us and our network firms to T-Gaia Corporation and its subsidiaries are disclosed in (3) Audits, "Corporate Governance" included in "Information About Reporting Company" of the Annual Securities Report.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Readers of Independent Auditor's Report

This is an English translation of the independent auditor's report as required by the Financial Instruments and Exchange Act of Japan for the conveniences of the reader.

Cover

Document Filed	Confirmation Letter
Applicable Law	Article 24-4-2, Paragraph 1 of the Financial Instruments and Exchange Act
Filed to	Director-General, Kanto Local Finance Bureau
Filing Date	June 21, 2024
Company Name	株式会社ティーガイア (Kabushiki Kaisha T-Gaia)
Company Name in English	T-Gaia Corporation
Title and Name of Representative	Masato Ishida, President and Representative Director
Title and Name of Chief Financial Officer	Hiroyuki Sugai, Director, Executive Vice President, and CFO
Address of Head Office	1-18 Ebisu 4-chome, Shibuya-ku, Tokyo
Place Where Available for Public Inspection	T-Gaia Corporation, Tokai Regional Headquarters (11-11 Nishiki 1-chome, Naka-ku, Nagoya City, Aichi Prefecture) T-Gaia Corporation, West Japan Regional Headquarters (6-20 Dojima 1-chome, Kita-ku, Osaka City, Osaka Prefecture) Tokyo Stock Exchange, Inc. (2-1 Nihombashi Kabuto-cho, Chuo-ku, Tokyo)

1 Matters Related to Adequacy of Statements Contained in the Annual Securities Report

Masato Ishida, President and Representative Director of the Company, and Hiroyuki Sugai, Chief Financial Officer, confirmed that the statements contained in the Annual Securities Report for the 33rd fiscal year (from April 1, 2023 to March 31, 2024) were adequate under the Financial Instruments and Exchange Act.

2 Special Notes

None.

Cover

Document Filed	Internal Control Report
Applicable Law	Article 24-4-4, Paragraph 1 of the Financial Instruments and Exchange Act
Filed to	Director-General, Kanto Local Finance Bureau
Filing Date	June 21, 2024
Company Name	株式会社ティーガイア (Kabushiki Kaisha T-Gaia)
Company Name in English	T-Gaia Corporation
Title and Name of Representative	Masato Ishida, President and Representative Director
Title and Name of Chief Financial Officer	Hiroyuki Sugai, Director, Executive Vice President, and CFO
Address of Head Office	1-18 Ebisu 4-chome, Shibuya-ku, Tokyo
Place Where Available for Public Inspection	T-Gaia Corporation, Tokai Regional Headquarters (11-11 Nishiki 1-chome, Naka-ku, Nagoya City, Aichi Prefecture) T-Gaia Corporation, West Japan Regional Headquarters (6-20 Dojima 1-chome, Kita-ku, Osaka City, Osaka Prefecture) Tokyo Stock Exchange, Inc. (2-1 Nihombashi Kabuto-cho, Chuo-ku, Tokyo)

1 Matters Related to Basic Framework of Internal Control over Financial Reporting

Masato Ishida, President and Representative Director, and Hiroyuki Sugai, Director, Executive Vice President, and CFO, are responsible for establishing and managing the Company's internal control over financial reporting and have established and managed internal control over financial reporting in accordance with the "Standards for Management Assessment and Audit concerning Internal Control over Financial Reporting" and its "Practice Standards."

However, due to limitations specific to internal control over financial reporting, such as misjudgments or carelessness by the internal control officer and collusion among officers, there is a possibility that internal control over financial reporting may not prevent or detect misstatements. There also is a possibility that internal control over financial reporting may not prevent or detect financial misstatements resulting from changes in the internal and external environment of the Company and exceptional transactions, which were not initially expected, as they cannot be addressed.

2 Matters Related to Scope, Record Date, and Procedures for Evaluation

We evaluated our internal control over financial reporting on the record date of March 31, 2024, which is the end of the fiscal year under review, in accordance with evaluation standards for internal control over financial reporting generally accepted in Japan.

In this evaluation, we assessed the status of establishing and managing internal control that may have a material effect on the overall financial reporting on a consolidated basis (company-level controls). Based on the results, we selected business processes and analyzed them, and identified the risk of misstatements that may have a material impact on the reliability of our financial reporting and key controls that reduce such risk to a reasonable level to evaluate the effectiveness of establishing and operating these key controls.

For the scope of evaluation of internal control over financial reporting, we determined the necessary scope from the perspective of the significance of the quantitative and qualitative impact on the financial reporting of the Group (the Company, its consolidated subsidiaries and equity-method affiliates). For the procedure and method of determining the scope of evaluation, we rationally determined the scope of evaluation of internal control associated with business processes based on the assessment results of company-wide internal controls by taking into account the significance of the quantitative and qualitative impact on financial reporting.

For the scope of evaluation of internal control associated with business processes, we used consolidated net sales as a benchmark and selected business bases that account for about two-thirds of such as key business bases. At these key business bases, we set as the subjects of evaluation the business process leading to the accounts closely associated with the Group's business objectives, namely, "net sales," "accounts receivable-trade," and "inventories." Further, in light of the quantitative and qualitative impact on financial reporting, we added to the subjects of evaluation specific business processes that are judged as important.

3 Matters Related to Evaluation Results

As a result of the evaluation above, we concluded that our internal control over the Group's financial reporting was effective as of March 31, 2024.

4 Supplementary Matters

None.

5 Special Notes

None.