

## **Matters Disclosed on the Internet in Accordance with Laws and Regulations and the Articles of Incorporation**

**21<sup>st</sup> Fiscal Year** (January 1, 2021-December 31, 2021)

① **Notes to Consolidated Financial Statements...1**

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### **Vision Inc.**

In accordance with laws and regulations as well as Article 16 of the Company's Articles of Incorporation, the Company provides this information to shareholders by posting it on the Company's website (<https://www.vision-net.co.jp/>).

## Notes on Consolidated Financial Statements

(Notes to Basis of Presenting Consolidated Financial Statements, etc.)

### 1. Scope of Consolidation

Number of consolidated subsidiaries: 19

Names of consolidated subsidiaries

Members Net Inc.

Best Link Inc.

Alpha Techno Inc.

BOS Inc.

Vision Ad Inc.

Vision Digital Marketing Inc.

Adval Corp.

Vision Mobile Korea Inc.

Vision Mobile Hawaii Inc.

Vision Mobile Hong Kong Limited

無限全球通移動通信股份有限公司

GLOBAL WIFI.COM PTE.LTD.

GLOBAL WIFI.UK LTD

VISION VIETNAM ONE MEMBER LIMITED LIABILITY COMPANY

上海高效通信科技有限公司

Global WiFi France SAS

Vision Mobile Italia S.r.l.

VISION MOBILE USA CORP.

Vision Mobile New Caledonia SAS

Adval Corp. became a consolidated subsidiary in the current fiscal year following the share delivery on December 1, 2021.

### 2. Application of Equity Method

Number of companies accounted for by the equity method: 1 company

Affiliated company to which the equity method is applied:

eeeats Inc.

eeeats Inc. became an affiliate accounted for by the equity method from the current consolidated fiscal year due to the acquisition of its equity interest.

### 3. Fiscal Year of Consolidated Subsidiaries and Equity Method Affiliates

Among the consolidated subsidiaries, Adval Corp. has a fiscal year ending May 31. In preparing the financial statements, a provisional settlement of accounts was made as of November 30, and adjustments necessary for consolidation were made for significant transactions that occurred during the period up to the consolidated fiscal year end. Additionally, Vision Mobile Hong Kong Limited and six other subsidiary companies have a fiscal year ending September 30, and in preparing the consolidated financial statements, the financial statements of the consolidated subsidiaries as of their fiscal year end are used, and necessary adjustments are made for important transactions that occurred during the period up to the consolidated fiscal year end.

Although the fiscal year end of equity-method affiliates differs from the consolidated fiscal year end, the financial statements of the fiscal year of the equity-method affiliates are used.

### 4. Matters Relating to Accounting Policies

#### (1) Valuation standards and methods for important assets

##### ① Marketable securities

###### Available-for-sale securities

Securities with market quotations ... Market value method based on market prices, etc. as of the end of the fiscal year (Unrealized gains and losses are included directly in net assets and cost of sales is calculated using the moving-average method.)

Securities without market quotations ... Cost method based on moving average cost method

##### ② Derivatives

###### Market value method

##### ③ Inventories

Merchandise ... Stated at cost determined by the first-in, first-out method (Method of devaluation of book value based on decline in profitability)

Supplies ... Stated at cost, cost being determined by the first-in, first-out method. (Method of devaluation of book value based on decline in profitability)

#### (2) Depreciation and amortization methods for fixed assets

##### ① Tangible fixed assets

###### (a) Property, plants, and equipment other than leased assets

The declining-balance method is used. However, the straight-line method is used for buildings (excluding building fixtures), rental assets, and building fixtures and structures acquired on or after April 1, 2016.

The durable lives of major assets are as follows.

Buildings and structures	2-50 years
Machinery, equipment, and vehicles	2-17 years
Tools, furniture, and fixtures	2-16 years
Rental assets	2 years

(b) Leased assets

Leased assets related to finance leases that do not transfer ownership

The straight-line method, where the lease period is deemed as the durable life and the residual value is set as zero, is used.

② Intangible fixed assets

The straight-line method is used.

Software for internal use is amortized over the estimated durable life (5 years).

(3) Basis for significant reserves

① Allowance for doubtful accounts

The allowance for doubtful accounts is provided for possible losses on receivables based on the historical write-off ratio for general receivables and on the estimated amount of uncollectible receivables based on a case-by-case determination of collectability for specific doubtful receivables.

② Allowance for bonuses

To provide for bonuses payable to employees, an allowance is provided based on the estimated amount of payment.

③ Allowance for short-term cancellation refunds

Estimated fee refunds related to short-term cancellations by infrastructure service subscribers and cell phone subscribers are recorded as an allowance for short-term cancellation refunds.

(4) Conversion of significant assets and liabilities denominated in foreign currencies into Japanese currency

Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the spot exchange rates prevailing on the consolidated balance sheet date, with translation differences recognized as gains or losses. Assets and liabilities of overseas subsidiaries are translated into yen at the spot exchange rate on

the balance sheet date, and revenues and expenses are translated into yen at the average exchange rate during the period.

(5) Significant hedge accounting methods

① Hedge accounting method

Deferred hedge accounting is adopted. Forward exchange contracts that meet the requirements for the allocation method are accounted for using the allocation method.

② Hedging instruments and hedged items

Hedging instruments: Forward exchange contracts

Hedged items: Receivables and payables denominated in foreign currencies and forecasted transactions denominated in foreign currencies

③ Hedging policy

The Company enters forward foreign exchange contracts to hedge risks arising from fluctuations in foreign exchange rates.

④ Method of evaluating hedge effectiveness

The Company compares the cumulative cash flow fluctuations of the hedged item or market fluctuations with the cumulative cash flow fluctuations of the hedging instrument or market fluctuations and evaluates the effectiveness of the hedge based on the amount of fluctuation in both cases. However, the assessment of effectiveness is omitted for forward exchange contracts accounted for using the allocation method.

(6) Amortization method and period of goodwill

Goodwill is amortized by the straight-line method over a reasonable amortization period not exceeding 20 years.

(7) Other important matters for the preparation of consolidated financial statements

Accounting method for consumption taxes

Consumption tax and local consumption tax are accounted for by the tax exclusion method.

(Notes on Changes in Presentation Method)

#### Consolidated Balance Sheet

“Guarantee deposits” (514,765 thousand yen in the previous fiscal year), which was included in “Other” under “Investments and other assets” in the previous fiscal year, has become significant in terms of amount and is therefore presented separately in the current fiscal year.

#### Consolidated Statements of Income

“Exchange gains” (6,878 thousand yen in the previous consolidated fiscal year), which was included in “Other” under “Non-operating income” in the previous consolidated fiscal year, is stated separately from the current consolidated fiscal year due to its increased importance in terms of amount.

#### Application of “Accounting Standard for Disclosures about Accounting Estimates”

The “Accounting Standard for Disclosures about Accounting Estimates” (ASBJ Statement No. 31, March 31, 2020) is applied from the consolidated financial statements for the fiscal year ending March 31, 2020, and Notes Regarding Accounting Estimates are presented in the Notes to the Consolidated Financial Statements.

#### (Notes on Accounting Estimates)

The following is a list of items for which an accounting estimate has been recorded in the consolidated financial statements for the current fiscal year and which may have a material effect on the consolidated financial statements for the following fiscal year.

#### 1. Valuation of goodwill recognized at the time of the acquisition of shares of Adval Corp.

##### (1) Amount recorded in the consolidated financial statements for the current fiscal year

(Unit : thousand yen)

	Current fiscal year
Goodwill	1,332,425

##### (2) Information on significant accounting estimates related to identified items

As a result of the conversion of Adval Corp. into a subsidiary in the current fiscal year, the Group recorded an unamortized balance of 1,234,494 thousand yen of goodwill identified as excess earning capacity on the consolidated balance sheet. The Group determines whether there is any indication of impairment of the asset group, including the recognized goodwill, mainly by monitoring the business plan achievement. When an indication of impairment of goodwill is detected, an impairment loss is recognized for the asset group if the total undiscounted future cash flows from the asset group including goodwill are less than the carrying amount of the asset group.

Future cash flows are estimated based on business plans, which are based on key

assumptions of various indicators, and these key assumptions are subject to uncertainty.

If the key assumptions used in these estimates need to be revised due to changes in the economic environment or other factors, the amount of goodwill may be materially affected in the next consolidated fiscal year.

## 2. Recoverability of deferred tax assets

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

(Unit: thousand yen)

	Current fiscal year
Deferred tax assets	621,201

(2) Information on significant accounting estimates related to identified items

Deferred tax assets are recognized to the extent that the tax loss carryforwards and deductible temporary differences are expected to reduce the future tax burden. In determining the likelihood that taxable income will be earned, the Company makes a reasonable estimate of the timing and amount of taxable income that may be earned in the future based on its plans.

Estimates of future taxable income are based on the Group's plans, which incorporate key assumptions such as the timing of the cessation of new coronavirus infection.

If the major assumptions used in the estimation need to be revised due to changes in the economic environment or other factors, a reversal of deferred tax assets may occur in the next consolidated fiscal year, which may affect the financial position and operating results of our group.

## (Notes to Consolidated Balance Sheets)

Accumulated depreciation directly deducted from assets

Tangible fixed assets	1,844,404	thousand yen
Buildings and structures	142,665	''
Machinery, equipment, and vehicles	6,220	''
Tools, furniture, and fixtures	203,819	''
Rental assets	1,449,182	''
Leased assets	42,515	''

(Notes to Consolidated Statement of Changes in Net Assets)

1. Class and total number of shares issued and outstanding as of the end of the current fiscal year

Ordinary stock            49,091,100 shares

2. Class and total number of shares to be issued or transferred upon exercise of stock acquisition rights (excluding those for which the first day of the exercise period has not yet arrived) as of the end of the current fiscal year.

Ordinary stock            2,385,300 shares

(Notes on Financial Instruments)

1. Matters Concerning the Status of Financial Instruments

(1) Policy on financial instruments

The Group's policy is to limit fund management to deposits and to procure funds mainly through bank loans. Derivative transactions are used to avoid foreign exchange fluctuation risks, and the Group's policy is not to engage in speculative transactions.

(2) Description of financial instruments and their risks

Trade notes and accounts receivable and lease investment assets are exposed to customer credit risk.

Investment securities are stocks of companies with which the Company has business relationships and are exposed to the risk of fluctuations in the market prices and financial conditions of the counterparty companies.

Long-term loans receivable are loans to companies with which the Company has business relationships and are exposed to the credit risk of the counterparty companies. The department in charge is responsible for monitoring the credit status of the counterparties as necessary.

Most of trade payables, such as trade notes and accounts payable and accounts payable-other, are due within three months. Lease obligations are for the purpose of procuring funds necessary for capital investment.

Short-term loans payable and long-term loans payable are intended to procure funds necessary for working capital and capital investment and are exposed to interest rate risk and liquidity risk related to fund procurement.

(3) Risk Management System for Financial Instruments

① Credit risk management (risk related to nonperformance of contract by counterparties)

The Company has established a dedicated credit management department for operating receivables to manage due dates and outstanding balances for each counterparty and to early identify and mitigate concerns about collection due to deterioration of financial conditions and other factors. Consolidated subsidiaries also



manage their receivables in the same manner.

② Management of market risk (market value fluctuation risk)

Regarding investment securities, the Company periodically monitors the market prices and financial conditions of the counterparty companies and continuously reviews its holdings, taking into consideration market conditions and the relationship with the counterparty companies.

③ Liquidity risk management (risk of not being able to make payments on due dates) related to fundraising

The Company manages liquidity risk by preparing and updating cash management plans in a timely manner based on reports from each department and maintaining liquidity on hand. Consolidated subsidiaries also manage liquidity risk in the same manner.

(4) Supplementary Explanation on Fair Value of Financial Instruments

The fair value of financial instruments includes prices based on market prices and, in the absence of market prices, reasonably calculated values. Since variable factors are incorporated in the calculation of such values, such values may vary due to the adoption of different assumptions, etc.

## 2. Matters related to the fair value of financial instruments

Carrying amount on the consolidated balance sheet as of December 31, 2021 (consolidated closing date for the current fiscal year), market value, and the difference between the two are as follows. Items for which it is extremely difficult to determine the fair value are not included in the following table (please refer to Note 2.) The following table does not include items for which fair value is extremely difficult to determine.

	Consolidated Balance Sheet Recorded Amount (thousand yen)	Market Value (thousand yen)	Difference (thousand yen)
(1) Cash and deposits	7,602,426	7,602,426	—
(2) Notes and accounts receivable-trade	2,183,816	2,183,816	—
(3) Investment securities	136,757	136,757	—
(4) Long-term loans receivable (*1)	324,945	324,100	-845
(5) Lease investment assets (*1)	29,382	28,775	-607
<b>Total Assets</b>	<b>10,277,328</b>	<b>10,275,875</b>	<b>-1,453</b>
(6) Notes and accounts payable trade	914,551	914,551	—
(7) Short-term loans payable	50,000	50,000	—
(8) Accounts payable-other	1,425,023	1,425,023	—
(9) Long-term debt (*1)	822,906	808,849	-14,056
(10) Lease obligations (*1)	29,382	28,775	-607
<b>Total Liabilities</b>	<b>3,241,864</b>	<b>3,227,200</b>	<b>-14,663</b>

\*1. Long-term loans receivable, lease investment assets, long-term debt and lease obligations include current portion of long-term loans receivable, lease investment assets, current portion of long-term debt, and current portion of lease obligations.

### (Notes) 1. Calculation method of fair value of financial instruments

#### Assets

#### (1) Cash and deposits, (2) Notes and accounts receivable - trade

Since these items are settled in a short period of time, their fair value approximates their book value.

#### (3) Investment securities

The fair value of investment securities is based on the price on the stock exchange.

#### (4) Long-term loans receivable

The fair value of long-term loans receivable is calculated by discounting the total amount of principal and interest at an interest rate that would be applicable to a similar new loan.

#### (5) Lease investment assets

The fair value of lease investment assets is calculated based on the present value of the total principal and interest discounted at an interest rate that would be applicable to a new similar lease transaction.

### Liabilities

(6) Notes and accounts payable-trade, (7) Short-term loans payable, (8) Accounts payable-other

Since these items are settled in a short period of time, their fair value approximates their book value.

(9) Long-term loans payable

The fair value of long-term loans payable is calculated by discounting the total amount of principal and interest by the interest rate that would be applicable to a similar new loan.

(10) Lease obligations

The fair value of lease obligations is calculated based on the present value of the total principal and interest discounted at the interest rate that would be applicable to a new similar lease transaction.

2. Carrying amount on consolidated balance sheets of financial instruments whose fair value is extremely difficult to determine

(Unit: thousand yen)

Segment	December 31, 2021
Unlisted stocks (*1)	115,670
Guarantee deposits (*2)	759,881

\*1. Unlisted stocks are not subject to fair value disclosure because they do not have market prices and it is extremely difficult to determine their fair value.

\*2. Guarantee deposits are not stated at fair value because there is no market price, the timing of repayment cannot be reasonably estimated, and it is extremely difficult to determine the fair value.

(Business Combinations, etc.)

(Business combination through share delivery)

At a meeting of the Board of Directors held on October 18, 2021, the Board of Directors of the Company resolved that the Company would become the parent company of the share issue and Adval Corp. (hereinafter referred to as "Adval") as the share delivery subsidiary, and the share delivery became effective on December 1, 2021.

1. Outline of the Share Delivery

(1) Name and Business of the Subsidiary to Which Shares will be Issued

Name of the subsidiary to which shares will be issued: Adval

Business description: Space management business

(2) Purpose of the Share Issuance

We have decided to make Adval a subsidiary because we believe that the issuance of shares will lead to medium- and long-term improvements in the corporate value of both companies, including an expansion of our group's information and telecommunications services business and Adval's customer base, higher sales using its know-how, more efficient procurement, and lower costs.

(3) Effective date of the Share Delivery

December 1, 2021

(4) Method of the Share Delivery

Share delivery with the Company as the share-delivering parent company and Adval as the share-delivering subsidiary

(5) Name of company after combination

There is no change.

(6) Percentage of voting rights acquired

Percentage of voting rights held immediately before the share issuance: 0.78%

Percentage of voting rights additionally acquired on the date of business combination:  
49.32%

Ratio of voting rights after acquisition: 50.10%

(7) Main basis for determining the acquiring company

Adval became a consolidated subsidiary of the Company based on the acquisition of 50.1% of its voting rights through the additional acquisition of its shares.

2. Period of performance of the acquired company included in the consolidated financial statements

Since the deemed acquisition date is November 30, 2021, and the difference with the consolidated closing date has not exceeded three months, only the balance sheet is consolidated in the current fiscal year and the results of the acquired company are not included.

3. Matters related to the acquisition of additional shares of a subsidiary

(1) Acquisition cost of acquired company and its breakdown

Market value on the date of business combination of the acquired company held immediately before the delivery of shares	9,277	Thousand yen
Shares delivered upon additional acquisition	587,594	//
Acquisition cost	596,871	Thousand yen

(2) Details of allotments of shares

	Vision (Share delivery parent company)	Adval (Subsidiary company to which shares will be issued)
Allotment Ratio for the Share Issuance	1	4.7
Number of shares to be delivered because of the Share Delivery	Company common stock: 446,500 shares	

(Note) 1. To ensure the fairness and appropriateness of the calculation of the share delivery ratio for this share delivery, the Company has requested a third party independent of the Company and Adval to calculate the share delivery ratio.

(Note) 2. Number of shares to be delivered upon share delivery

Upon the share delivery, 446,500 shares of common stock of the Company were allocated to the shareholders of Adval who applied for the Share Delivery as of the time immediately preceding the time when the Company acquired the outstanding shares of Adval, and the shares of common stock held by the Company were used for the share delivery.

(3) Description and amount of major acquisition-related expenses

Advisory fees: 6,500 thousand yen

(4) Difference between the acquisition cost of the acquired company and the total acquisition

cost for each transaction that led to the acquisition

A marginal gain of 9,197 thousand yen related to acquisitions has been generated.

(5) Amount of incurred goodwill, reason for incurrence, amortization method and period

① Amount of incurred goodwill

1,234,494 thousand yen

② Reason for incurrence

It was generated from the excess earning power expected in the future.

③ Amortization method and period

Equal amortization over 8 years

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

Current assets	198,084	thousand yen
Fixed assets	529,861	''
Total assets	727,946	''
Current liabilities	409,666	''
Long-term liabilities	915,177	''
Total liabilities	1,324,844	''

(Notes to Per Share Information)

Net assets per share	212.52 yen
Net income per share	15.47 yen

(Notes on Significant Subsequent Events)

(Business combination through acquisition)

At the Board of Directors meeting held on November 17, 2021, the Company resolved to acquire 100% of the outstanding shares of Koshikano Onsen to make it a subsidiary and acquired all shares as of January 1, 2022.

(1) Outline of Business Combination

① Name of acquired company and description of its business

Name of acquired company: Koshikano Onsen

Business description: Glamping lodging, hot spring lodging business

② Main reason for business combination

We are preparing for the "glamping business" as a new core business of our group. Koshikano Onsen is a glamping company in Kirishima City, Kagoshima Prefecture that operates a glamping business with stand-alone tents that emphasize privacy, and by acquiring its shares, the Company plans to grow this business.

③ Date of business combination

January 1, 2022

④ Legal form of business combination

Share acquisition

⑤ Name of company after combination

There is no name change.

⑥ Percentage of acquired voting rights

100%

⑦ Main basis for deciding the acquisition company

This is due to the acquisition of shares in consideration of cash by the Company.

(2) Acquisition cost of acquired company and breakdown by type of consideration  
Not determined at this time.

(3) Details and Amounts of Major Acquisition-Related Expenses  
Advisory fees, etc. 3 million yen

(4) Amount of goodwill incurred, reasons for incurring goodwill, amortization method and amortization period  
Not determined at this time.

(5) Amount of assets acquired, and liabilities assumed on the date of business combination and their major breakdown  
Not determined at this time.

(Note) Amounts shown in the consolidated financial statements are rounded down to the indicated unit.

## Notes to Non-Consolidated Financial Statements

(Notes on Matters Related to Significant Accounting Policies)

### 1. Valuation Standards and Methods for Assets

#### (1) Valuation standards and methods for assets

##### ① Stocks of subsidiaries and affiliates

Moving average cost method

##### ② Available-for-sale securities

Securities with ... Market value method based on market prices, etc. as of market quotations the end of the fiscal year (Unrealized gains and losses are included directly in net assets and cost of sales is calculated using the moving-average method)

Securities without ... Moving average cost method market quotations

#### (2) Valuation standards and methods for derivatives

Market value method

#### (3) Valuation standards and methods for inventories

Merchandise: Stated at cost determined by the first-in, first-out method

(Method of devaluation of book value based on decline in profitability)

Supplies: Stated at cost, cost being determined by the first-in, first-out method.

(Method of devaluation of book value based on decline in profitability)

### 2. Depreciation and Amortization Methods for Fixed Assets

#### (1) Tangible fixed assets

##### ① Property, plants, and equipment other than leased assets

The declining-balance method is used. However, the straight-line method is used for buildings (excluding building fixtures), rental assets, and building fixtures and structures acquired on or after April 1, 2016.

The durable lives of major assets are as follows.

Buildings	3 – 50 years
Buildings and structures	10 – 20 years
Machinery and equipment	17 years
Vehicles	2 years
Tools, furniture, and fixtures	2 – 16 years
Rental assets	2 years

##### ② Leased assets



Leased assets related to finance leases that do not transfer ownership

The straight-line method, where the lease period is deemed as the useful life and the residual value is set as zero, is used.

(2) Intangible assets

The straight-line method is used.

Software for internal use is amortized over the estimated durable life (5 years).

3. Accounting for Allowances and Reserves

(1) Allowance for doubtful accounts

To provide for losses due to bad debt, an allowance is provided for general receivables based on historical bad debt ratios, and for specific doubtful receivables based on the estimated uncollectible amounts determined by examining the collectability of individual receivables.

(2) Reserve for bonuses

To provide for bonuses payable to employees, an allowance is provided based on the estimated amount of payment.

(3) Allowance for short-term cancellation refunds

The estimated amount of fees to be returned for short-term cancellations of infrastructure service subscribers and cell phone subscribers is recorded as an allowance for short-term cancellation refunds.

4. Other Basis of Presenting Financial Statements

(1) Standards for translating assets and liabilities denominated in foreign currencies into Japanese currency

Monetary receivables and payables denominated in foreign currencies are translated into yen at the spot exchange rates prevailing on the balance sheet date, with translation differences recognized as gains or losses.

(2) Hedge accounting methods

① Hedge accounting methods

Deferred hedge accounting is adopted. Forward exchange contracts that meet the requirements of the allocation method are accounted for as if they were forward exchange contracts.

② Hedging instruments and hedged items

Hedging instruments: Forward exchange contracts

Hedged items: Monetary receivables and payables denominated in foreign currencies

and forecasted transactions denominated in foreign currencies

③ Hedging policy

The Company enters forward foreign exchange contracts to hedge risks arising from fluctuations in foreign exchange rates.

④ Method of evaluating hedge effectiveness

The Company compares the cumulative cash flow fluctuations of the hedged item or market fluctuations with the cumulative cash flow fluctuations of the hedging instrument or market fluctuations and evaluates the effectiveness of the hedge based on the amount of fluctuation in both cases. However, the assessment of effectiveness is omitted for forward exchange contracts accounted for using the allocation method.

(3) Accounting for consumption taxes

Consumption tax and local consumption tax are accounted for by the tax exclusion method.

(Notes on Changes in Presentation Methods)

Income Statement

"Exchange gains" (5,486 thousand yen in the previous fiscal year), which was included in "Other" under "Non-operating income" in the previous fiscal year, is independently presented in the current fiscal year due to its increased importance in terms of amount.

(Application of "Accounting Standard for Disclosures about Accounting Estimates")

The "Accounting Standard for Disclosures about Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020) is applied from the financial statements for the current fiscal year end, and notes regarding accounting estimates are included.

(Notes on Accounting Estimates)

The following is a list of items for which an accounting estimate has been made and the amount recorded in the financial statements for the current fiscal year that may have a material effect on the financial statements for the following fiscal year.

1. Valuation of stocks of subsidiaries and affiliates (Adval Corp.)

(1) Amount recorded in the financial statements for the current fiscal year

(Unit: thousand yen)

	Current fiscal year
Shares of subsidiaries and affiliates	863,584

(2) Information on significant accounting estimates related to identified items

The Company acquired shares of Adval Corp. in the current fiscal year and recorded 594,174 thousand yen of stocks of affiliated companies on the balance sheet, and the acquisition price includes the portion of excess earning capacity evaluated.

The necessity of impairment of stocks of subsidiaries and affiliates is determined by comparing the acquisition cost with the actual value, and in the event of a significant decline in the actual value, impairment is recognized unless the possibility of recovery can be supported by sufficient evidence.

Significant estimates in the valuation of stocks of subsidiaries and affiliates include excess earning capacity based on the issuing company's business plan, etc. The key assumptions are described in the consolidated financial statements under "(Notes to Accounting Estimates) 1. Valuation of Goodwill Recognized upon the Acquisition of Shares of Adval Corp."

If the major assumptions used in the estimates need to be revised due to changes in the economic environment or other factors, it may have a significant impact on the number of shares of affiliated companies in the next fiscal year.

2. Recoverability of deferred tax assets

(1) Amount recorded in the financial statements for the current fiscal year

(Unit: thousand yen)

	Current Fiscal Year
Deferred tax assets	558,826

(2) Information on significant accounting estimates related to identified items

Notes to Consolidated Financial Statements "(Notes to Accounting Estimates)

2. Recoverability of Deferred Tax Assets"

(Notes to Balance Sheet)

1. Accumulated depreciation directly deducted from assets

Tangible fixed assets	1,735,366	thousand yen
Buildings	100,440	''
Buildings and structures	2,160	''
Machinery and equipment	4,241	''
Vehicles	1,391	''
Tools, furniture, and fixtures	188,575	''
Rental assets	1,438,555	''

2. Receivables and payables to subsidiaries and affiliates

Monetary receivables and monetary payables from and payable to such affiliates other than those shown separately are as follows.

Short-term monetary claims	336,261	thousand yen
Long-term monetary claims	4,800	''
Short-term monetary liabilities	352,985	''

(Notes to Statements of Income)

Transactions with subsidiaries and affiliates

Transactions by operating  
transactions

Net sales	3,250,837	thousand yen
Purchases	546,090	''
Other operating transactions	225,188	''
Non-operating transactions	51,370	''

(Notes to Non-consolidated Statement of Changes in Net Assets)

Number of treasury stock at the end of the fiscal year

Ordinary stock 1,501,590 shares

(Notes on Tax Effect Accounting)

Significant components of deferred tax assets and liabilities

Deferred tax assets	
Allowance for bonuses	76,981 thousand yen
Accrued enterprise taxes	15,809 "
Accrued social insurance premiums	9,580 "
Loss on valuation of investment securities	134,856 "
Loss on valuation of stocks of subsidiaries and affiliates	17,605 "
Allowance for doubtful accounts	40,564 "
Allowance for short-term cancellation refunds	13,314 "
Accrued salaries and wages	19,406 "
Asset retirement obligations	11,779 "
Excess depreciation	3,709 "
Excess amortization of deferred assets	6,397 "
Net operating loss carried forward	286,839 "
Loss on valuation of goods	3,894 "
Impairment loss	145,847 "
Other	11,349 "
Subtotal deferred tax assets	<u>797,936 thousand yen</u>
Valuation allowance	<u>-217,709 "</u>
Total deferred tax assets	<u>580,227 thousand yen</u>

Deferred tax liabilities

Valuation difference on available-for-sale securities	-3,738 thousand yen
Reserve for advanced depreciation of fixed assets	-17,662 "
Total deferred tax liabilities	<u>-21,400 thousand yen</u>
Net deferred tax assets	<u>558,826 thousand yen</u>

(Business Combinations, etc.)

Notes are omitted because the same information is presented in (Business Combinations) of the consolidated financial statements.

(Notes on Transactions with Related Parties)

Subsidiaries and affiliates, etc.

Type	Company name	Location	Capital or funds (thousand yen)	Business description or occupation	Voting Rights Held Percentage (%)	Relationship with related parties	Transaction details	Transaction amount (Thousand yen)	Account	End of year balance (thousand yen)
Subsidiary	Best Link Inc.	Shinjuku, Tokyo	10,000	GLOBAL WiFi Business, Information and Communication Services Business	Direct Ownership 100.0	Outsourcing of operations in the GLOBAL WiFi Business, fixed line telecommunications business, several concurrent directives, etc.	Wholesale of telecommunication lines, charging of service fees	3,248,118	Accounts receivable	270,256
									Deposits received	266,119
Subsidiary	Vision Ad Inc.	Shinjuku, Tokyo	10,000	Advertising Business	Direct Ownership 60.0	Loan of funds	Receipt of interest	1,874	Long-term loans receivable from subsidiaries and affiliates (Note 3)	125,000
Subsidiary	Adval Corp.	Shibuya, Tokyo	10,000	Information and Communication Services Business	Direct Ownership 50.1	Loan of funds	Loan of funds Interest income	150,000 189	Long-term loans receivable from subsidiaries and affiliates	150,000
Unconsolidated Subsidiary	Koshikano Onsen	Kirishima City, Kagoshima	53,880	Glamping Business	None	Loan of funds	Loan of funds Interest income	300,000 552	Long-term loans receivable from subsidiaries and affiliates	300,000

(Note) 1. The transaction amounts in the above table do not include consumption taxes, while the ending balances include consumption taxes.

2. Transaction terms and policies for determining transaction terms

Transaction terms such as prices and applicable interest rates for loans are determined through negotiations on a case-by-case basis, referring to prevailing market prices and market interest rates.

3. Allowance for doubtful accounts of 54,376 thousand yen is provided for loans to Vision Ad Inc. In addition, a provision for allowance for doubtful accounts of 3,342 thousand yen was recorded in the current fiscal year.

(Notes to Per Share Information)

Net assets per share	184.18 yen
Net income per share	11.63 yen

(Notes to Significant Subsequent Events)

(Business combination through acquisition)

The same information is provided in (Notes to Significant Subsequent Events) of the Notes to Consolidated Financial Statements and has therefore been omitted.

(Note) Amounts shown in the financial statements are rounded down to the indicated unit.