

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the Japanese original shall prevail.

DIGITAL HOLDINGS, Inc. assumes no responsibility for actions taken based on this translation.

(Securities code: 2389)

March 3, 2022

**To our shareholders:**

Atsushi Nouchi  
President and Group CEO  
DIGITAL HOLDINGS, Inc.  
6, Yonbancho, Chiyoda-ku, Tokyo

### **Convocation Notice of the 28<sup>th</sup> Annual General Meeting of Shareholders**

We would like to inform you that the 28th Annual General Meeting of Shareholders (the “Meeting”) of DIGITAL HOLDINGS, Inc. (the “Company”) will be held as described below.

**In holding the General Meeting of Shareholders, from the viewpoint of preventing the spread of COVID-19, we would like to ask those who are not feeling well on the day of the Meeting, especially those who would be greatly affected by infection, such as the elderly, those with underlying medical conditions, and those who are pregnant, to refrain from attending the Meeting and to exercise your voting rights in advance. If the date of the Meeting falls within the period for which a state of emergency has been declared in Tokyo, we strongly request that you refrain from attending the Meeting, regardless of your health condition on the day of the Meeting, as the safety of our shareholders is our top priority. Please note that no souvenirs will be handed out to shareholders attending the Meeting in person.**

**The Meeting will be live streamed on the Internet. Please note that you cannot exercise your voting rights through the live streaming. We highly appreciate your understanding and cooperation.**

**If you wish to exercise your voting rights in advance, please refer to the Reference Documents for the General Meeting of Shareholders, and exercise your voting rights no later than 6:00 p.m., Thursday, March 24, 2022 (JST).**

- 1. Date and Time:** Friday, March 25, 2022 at 10:00 a.m. (JST)
- 2. Place:** Conference room, Head office, DIGITAL HOLDINGS, Inc.  
5th floor, 6 Yonbancho, Chiyoda-ku, Tokyo, Japan

**3. Agenda of the Meeting:**

**Matters to be reported:**

- I. Report on Business Report, Consolidated Financial Statements and audit results of the Consolidated Financial Statements by the Accounting Auditor and the Audit and Supervisory Committee for the 28th Fiscal Term (from January 1, 2021 to December 31, 2021).
- II. Report on the Non-Consolidated Financial Statements of the Company for the 28th Fiscal Term (from January 1, 2021 to December 31, 2021).

**Proposals to be resolved:**

- Proposal No. 1:** Partial Amendments to the Articles of Incorporation
- Proposal No. 2:** Election of Seven (7) Directors (Excluding Directors Who Are Audit and Supervisory Committee Members)
- Proposal No. 3:** Election of Four (4) Directors Who Are Audit and Supervisory Committee Members

#### **4. Instructions for Exercising Voting Rights**

##### **(1) Exercising voting rights in writing**

To vote in writing, please indicate your approval or disapproval of the proposals on the enclosed Voting Rights Exercise Form, and return the Form by post to reach us by 6:00 p.m. Thursday, March 24, 2022 (JST).

##### **(2) Exercising voting rights via the Internet**

To vote via the Internet, please access to the “Voting Right Exercise Site (<https://www.net-vote.com/>)” (Japanese only), which is provided on the enclosed Voting Rights Exercise Form. Follow the instructions and indicate your approval or disapproval by 6:00 p.m. Thursday, March 24, 2022 (JST). If you want to use your smartphone, you can exercise your voting rights by using QR code (Please refer to the next page for details.)

##### **(3) Handling of exercising voting rights in duplicate**

- 1) If you vote both in writing and via the Internet, voting rights exercise via the Internet shall be deemed valid.
- 2) If you vote more than once via the Internet, the most recent shall be deemed as valid.

**Request:** When attending the Meeting in person, you are kindly requested to submit the enclosed Voting Rights Exercise Form at the reception desk. Please bring this Convocation Notice of the 28th Annual General Meeting of Shareholders and the Reference Documents for the General Meeting of Shareholders with you to the meeting.

**Notice:** The digital documents of the Convocation Notice of the Annual General Meeting of Shareholders and the Reference Documents for the General Meeting of Shareholders are available on the Company’s website (<https://digital-holdings.co.jp/>).

The English version of the Convocation Notice of the Annual General Meeting of Shareholders and the Reference Documents for the General Meeting of Shareholders are available on the Company’s website (<https://digital-holdings.co.jp/en/>).

Any amendments to the Reference Documents for the General Meeting of Shareholders, Business Report, Consolidated Financial Statements or Non-consolidated Financial Statements will be posted on the Company’s website. (<https://digital-holdings.co.jp/>).

## Instructions for Exercising Voting Rights via the Internet

You can exercise your voting rights via the Internet by accessing the Voting Right Exercise Site as instructed below from your PCs or smartphones.

### 1. Accessing the Voting Right Exercise Site

[Address of Voting Right Exercise Site] <https://www.net-vote.com/>

Please access the Voting Right Exercise Site at the URL provided above. You can exercise your voting rights until 6:00 p.m. Thursday, March 24, 2022 (JST).

### 2. How to vote via the Internet

[For PC users]

Access the Voting Right Exercise Site at the URL provided above, log in by entering the login ID and password printed on the enclosed Voting Rights Exercise Form and follow the instructions on the screen to indicate your approval or disapproval of the proposals.

[For smartphone users]

Simply scan the QR code® located on the enclosed Voting Rights Exercise Form. You don't have to enter login ID nor password.

In case you would like to change any of your indication, access the Voting Right Exercise Site at the above URL, log in by entering the login ID and password printed on the Voting Rights Exercise Form and follow the instructions on the screen to indicate approval or disapproval of the proposal. (QR code® is a registered trademark of DENSO WAVE INCORPORATED).

### 3. Notes

- (1) Any costs arising from accessing the Voting Right Exercise Site shall be borne by shareholders.
- (2) Depending on your network environments, you may not be able to access the Voting Right Exercise Site.
- (3) The Voting Right Exercise Site is not accessible via some cellular phones such as feature phones.

Institutional investors can exercise their voting rights through "The Electronic Proxy Voting Platform" operated by ICJ, Inc.
---

For an inquiry regarding online exercise of the voting rights, please contact the following:
--

<b>Custody Service Department, IR Japan, Inc.</b>
---

<b>TEL: 0120-975-960</b>
--------------------------

<b>Business Hours: 9:00 a.m. to 5:00 p.m. (JST) (not available on Saturdays, Sundays and holidays)</b>
--

## Live Streaming of the General Meeting of Shareholders

The 28th Annual General Meeting of Shareholders will be live streamed on the Internet as follows for viewing at home or elsewhere.

### 1. Date and time of the live streaming

From 10:00 a.m. to the end of the Meeting on Friday, March 25, 2022 (JST)

### 2. How to watch the live streaming

Access the Live Streaming Site at the URL provided below with your “Shareholder ID number” as you will be required to enter it on the authentication screen (login screen) for shareholders. Please be sure to make a note of your “Shareholder ID number” before sending the enclosed Voting Rights Exercise Form by post.

#### ◆Live Streaming Site

<https://2389.ksoukai.jp>

QR code®

#### ◆ID number (9-digit number without hyphen)

“Shareholder ID number” provided on the enclosed Voting Rights Exercise Form or other such documents as dividend-related documents. (If your ID number is eight (8) digits, add a zero (0) in front of the ID number.)

#### ◆Password (7-digit number without hyphen)

“Postal code” of the registered address on the register of shareholders

#### ◆Viewing test

You can check your viewing environment in advance at the Live Streaming Site. The test page will be available from 10:00 a.m. Friday, March 4, 2022 to around 9:30 a.m. Friday, March 25, 2022 (JST).



For an inquiry regarding how to watch the live streaming, please contact the following (only available on the date of the Meeting):

**TEL: 03-5809-9977**

**Available from 9:00 a.m. to the end of the Meeting on Friday, March 25, 2022 (JST)**

## Shareholders' Comments

To improve communication with shareholders, we are accepting inquiries for the General Meeting of Shareholders (to distinguish from inquiries made by exercising the right to inquire under the Article 314 of the Companies Act, hereinafter the “Comments”) through the following methods. Although they will not be regarded as formal statements at the General Meeting of Shareholders, some of the Comments may be featured and answered during the Meeting. We highly appreciate your understanding on this matter.

Method 1: Please access the Live Streaming Site at the URL provided above, log in with your Shareholder ID number and Postal code, and enter your comments in the “Ask a Question in Advance” section. Each shareholder may comment up to three times (up to 300 characters in Japanese per comment). Please send your comments by Friday, March 18, 2022 (JST).

Method 2: Enter your comment on the comment submission form on the screen of Live Streaming Site at the URL provided above and send it after the opening of the Meeting and up until the chairperson declares the acceptance closed.

## Matters to Be Noted on the Operation of the General Meeting of Shareholders

- To prevent the spread of COVID-19, the number of seats available for shareholders at the Meeting will be limited in order to ensure there is enough space between seats. Therefore, even if you come to the venue on the day, we may refuse your entry into the venue.
- Placing the top priority on the safety of shareholders, our staff will check your body temperature at the reception and if your body temperature is at 37.5 degree Celsius or above, or if you look unwell, we may refuse your

entry into the venue.

- All shareholders who attend the Meeting in person will be requested to wear a mask. To avoid the risk of infection among shareholders attending the Meeting, if you refuse to wear a mask, we may refuse your entry into the venue.
- From the viewpoint of preventing the spread of COVID-19, some officers may attend the Meeting via telecommunication means from a remote location.
- As the Q&A session will also be live streamed, if you intend to attend the Meeting in person and do not wish that your name be live streamed, all you have to do is to state your number written on your attendance card at making your comment.
- In consideration of the privacy of shareholders attending the Meeting in person, the live streaming video will be shot from the rear of the space and limited to showing the area where the chairperson and officers are seated. However, you may inevitably appear in the streaming. We highly appreciate your understanding.
- While watching the live streaming, the video or audio may be distorted depending on the environment of your PC or other device (model, specifications, etc.) or the environment of the Internet connection (network conditions, connection speed, etc.). Any costs arising from watching the live streaming, including communication charges, shall be borne by shareholders.
- While every effort will be made to ensure the live streaming is available, the live streaming may be suspended or cancelled due to unavoidable circumstances such as deterioration in the communication environment or system failure.
- No souvenir will be handed out to shareholders attending the Meeting in person.

## Business Report (January 1, 2021 to December 31, 2021)

### 1. Overview of the Group

#### (1) Business for the Year Ended December 31, 2021

DIGITAL HOLDINGS, Inc. and its consolidated subsidiaries (hereinafter the “Group”) are surrounded by a business environment where the domestic market is shrinking due to declining population of Japan accelerated by its aging society with a falling birth rate. However, the recent rapid advances in science, technology and innovation have boosted the trend to realize digital transformation (DX) that transforms conventional products and services as well as business models by leveraging data and digital technologies.

Furthermore, based on the recognition that we will see progress of the realization of “Society 5.0” — a society that aims to achieve a high degree of convergence between cyberspace (virtual space) and physical space (real space), which brings new value to industry and society in ways not previously possible — proposed by the Japanese Cabinet Office, we expect that such progress will further drive the growth of demand for “digital shift” relating to “information, human resources, products and money,” which are what the Group pursues to offer.

With the sights set on the vision of becoming a “true digital shift company committed to creating new value that will be a driver for Society 5.0 as well as resolving social challenges” by 2030, the Group has set a management policy to maximize corporate value and cash flows by leading any and all corporate “digital shift,” and by realizing various industrial transformations (IX). As such, “OPT Holding, Inc.” changed its trade name to “DIGITAL HOLDINGS, Inc.” on July 1, 2020.

The Group also aims to expand its business by shifting its main business domain from the Marketing Business, centering on support for clients’ sales promotion, to the Digital Shift-related Businesses, thereby achieving a target of “corporate value of JPY 1 trillion by 2030.”

As a result of business operations based on the above management policy, the Group reported operating results for the fiscal year ended December 31, 2021 (hereinafter the “current fiscal year”) with net sales of JPY 98,515 million (up 11.0% YoY), gross profit of JPY 25,229 million (up 41.8% YoY), operating profit of JPY 10,922 million (up 237.0% YoY), EBIT of JPY 15,300 million (up 147.8% YoY) and EBITDA of JPY 16,888 million (up 122.5% YoY).

From the current fiscal year, the Group has changed its business segments from the previous two segments of Marketing Business and Synergy Investment Business to three segments of Digital Shift Business, Advertising Business, and Financial Investment Business. The following comparisons with the same period of the previous fiscal year are based on the figures after the reclassification.

The full-year operating results for the new segments are as follows.

#### ***Digital Shift Business***

Digital Shift Business consists of digital shift consulting support, SaaS product development and sales, and DX staffing service introduction led by Digital Shift, Inc. and Re:teigi, Inc., and AI staffing platform operation and development led by SIGNATE Inc.

In the current fiscal year, the Digital Shift Business segment steadily expanded with net sales of JPY 9,055 million (up 13.9% YoY), but in terms of profits, gross profit was JPY 2,665 million (down 9.6% YoY), operating loss was JPY 741 million (operating profit of JPY 237 million in the previous fiscal year), EBIT was negative JPY 743 million (JPY 322 million in the previous fiscal year), and EBITDA was negative JPY 469 million (JPY 463 million in the previous fiscal year) mainly due to expansion of prior investments.

#### ***Advertising Business***

Advertising Business consists of the Internet advertising agency business, solution development and sales, etc., led by OPT, Inc. and SoldOut, Inc.

As for operating results of the Advertising Business segment for the current fiscal year, as a result of efforts to review unprofitable projects, while net sales remained flat at JPY 76,193 million (down 0.1% YoY), gross profit improved to JPY 11,355 million (up 2.3% YoY). In addition, as a result of our efforts to control selling, general and administrative expenses, operating profit was JPY 3,222 million (up 88.8% YoY), EBIT was JPY 3,147 million (up 91.5% YoY), and EBITDA was JPY 3,511 million (up 72.6% YoY).

### ***Financial Investment Business***

Financial Investment Business consists of the investment business managed by DIGITAL HOLDINGS, Inc., Bonds Investment Group, Inc., BIG No. 1 Limited Partnership for Investment, BIG No. 2 Limited Partnership for Investment, and OPT America, Inc.

As for operating results of the Financial Investment Business segment for the current fiscal year, net sales, gross profit, and operating profit expanded significantly to JPY 14,184 million (up 168.6% YoY), JPY 11,366 million (up 195.1% YoY), and JPY 11,059 million (up 203.9% YoY), respectively, mainly due to the recording of gain on sale of shares of RAKSUL Inc., which the Company held as operational investment securities. In addition to the above, non-operating profit from the initial public offering of shares in the U.S. held by an investment fund in which the Group has a stake was recorded, resulting in EBIT of JPY 15,537 million (up 134.4% YoY) and EBITDA of JPY 16,163 million (up 127.0% YoY).

The Company discloses IRR (Internal Rate of Return) to enhance the transparency of investment returns. The definition of IRR has been partially changed since the first quarter of the current fiscal year. The calculation of IRR is now applied to stocks invested in by the Financial Investment Business since fiscal 2013, and the details of its calculation method are disclosed in the footnote. As of the end of the current fiscal year, the after-tax IRR increased by 2.2% from the end of the previous fiscal year to 20.8%, mainly due to the initial public offering of U.S. stocks held by investment funds in which the Group has invested and the rise in prices of listed stocks held by the Group. AUM (Assets Under Management) decreased by 38.0% from the end of the previous fiscal year to JPY 16,027 million, mainly due to the ongoing sale of listed stocks held by the Group.

The definitions of IRR and AUM are as follows:

#### ***Internal Rate of Return (IRR)***

Prerequisites for calculation

- Subject to: Securities invested in by the Financial Investment Business from 2013 through December 31, 2021
- The reference date for calculation: December 31, 2021
- Method:
  1. Impaired investment: Calculated as if they were sold at the net asset value after impairment.
  2. Investment involved in financing in the recent period: Calculated as if they were sold at the value of relevant financing.
  3. IPOed investment: Calculated as if they were sold at the market value as of the reference date.
  4. Fund: Calculated with the amount collected until the end of the reporting period and the book value as of the end of reporting period.
  5. Others: Any other investment with no change in their acquisition cost due to sale, impairment, financing, IPO or the like are calculated as if they were sold on the reference date at the acquisition cost.
- Income taxes are included.

#### ***Assets Under Management (AUM)***

AUM is defined as aggregate amount of 1) book value of affiliates' shares and 2) fair value after considering impairment of operational investment securities and investment securities.

- (1) Shares of affiliates: Stated at book value
- (2) Operational investment securities and investment securities: Each security's fair market value is calculated depending on the classification shown below:
  - i. Notes or securities of which investment amount is small: Acquisition cost
  - ii. Listed companies' shares: Closing price at the end of reporting period
  - iii. Securities involved in financing in the recent period: Based on the value of relevant financing

- iv. Other securities: Calculated by using the comparable multiple method, DCF method, or net asset valuation method depending on each company's performance.

### ***Management costs of DIGITAL HOLDINGS, Inc.***

In the management division of DIGITAL HOLDINGS, Inc., selling, general and administrative expenses for the current fiscal year were JPY 2,601 million (up 11.8% YoY), mainly due to an increase in personnel expenses.

#### (2) Issues to be Addressed

The following six items are key business and financial issues to be addressed by the Group.

1. Maintain high growth rate in the Digital Shift Business  
While the demand for "digital shift" in Japan has been on the rise, the competition among corporate DX-related services has been increasingly fierce as they are offered by a variety of companies, such as leading IT vendors and consulting firms. The Group intends to achieve high growth rate in the Digital Shift Business by offering services utilizing the client base and marketing know-how cultivated through the conventional Internet advertising agency business.
2. Improve profitability in the Advertising Business  
Total Internet advertising expenditures in Japan surpassed television media advertising expenditures for the first time in 2019, and the market size of the Internet advertising business, which is the core domain in the Group's Advertising Business, has expanded to exceed JPY 2 trillion. Meanwhile, the competition among peers is intensifying. The Group intends to secure profitability by such means as reviewing its operational processes to promote the offshoring and nearshoring of operations and driving the automation of programmatic advertising operations.
3. Secure a certain size of investment in digital shift-related companies  
The Group plans to acquire companies related to the Digital Shift Business using capital gains arising from investments in Internet-related companies in the Financial Investment sub-segment as funds for acquisition. Investments in digital shift-related companies tend to be valued higher due to their high growth potential. However, we intend to select candidate investees by making full use of knowledge and network of personal contacts that the Group has cultivated in Internet-related industries since its foundation.
4. Reorganize Group's operating structure  
The Group has been working on the reorganization of its operating structure to adapt to changes of business in order to develop and secure human resources capable of supporting the future growth of its core businesses. In addition, the Group also intends to improve the decision-making process for business development of the Group, which is affected by the significant development of technology.
5. Adapt to changes in the external business environment amid the COVID-19 pandemic  
The Group's operating results, especially in the Advertising Business, have been adversely affected by decreased demand for advertising caused by constrained consumer activity amid the COVID-19 pandemic. The Group has been working on the adoption of new working styles that can flexibly adapt to changes in the social environment. As such, the Group intends to mitigate the impact of the COVID-19 pandemic on its operating results by promoting the reduction of expenses related to office and sales activities.
6. Achieve ROE of 10%  
The Group has set the achievement of ROE of 10% on a constant basis as a key objective in order to make decisions with a focus on investment efficiency to improve its profitability and capital efficiency. To this end, the Group intends to give consideration to shareholder return policies such as repurchase of treasury shares taking into account the level of internal reserves, while improving the profitability of its core businesses.

#### (3) Capital Expenditure

There were no significant capital expenditures.

#### (4) Financing

There are no special matters to be noted.



(5) Significant Reorganizations and Other Such Events

- 1) The Company excluded OPT SEA Pte., Ltd. from the scope of consolidation of the Group because its liquidation was completed on March 22, 2021.
- 2) On April 1, 2021, OPT, Inc., a subsidiary of the Company, conducted an absorption-type company split with OPT, Inc. as the splitting company and the Company's subsidiaries Digital Shift, Inc. and Re:teigi, Inc. (formerly OptDigital, Inc.) as the succeeding companies. As a result, the digital marketing business of OPT, Inc. was transferred to Digital Shift, Inc., and the DX business of OPT, Inc. was transferred to Re:teigi, Inc.
- 3) On April 1, 2021, OPT, Inc., a subsidiary of the Company, conducted an absorption-type merger with OPT, Inc. as the surviving company and Heartlass, Inc., a subsidiary of the Company, as the dissolved company.

(6) Assets, net sales and income

(Yen in millions, unless otherwise stated)	FY2018	FY2019	FY2020	FY2021
Net sales	87,216	89,953	88,768	98,515
Ordinary profit	1,669	2,833	4,358	14,662
Profit attributable to owners of parent	1,922	1,928	3,750	10,231
Earnings per share- basic (Yen)	84.66	84.23	167.86	473.28
Total assets	56,551	61,132	71,434	69,728
Net assets	27,133	32,601	40,018	40,930

- (Notes) 1. Earnings per share is calculated based on the average number of shares issued (total shares issued excluding treasury shares) during each fiscal year.
2. (Application of "Partial Amendments to Accounting Standard for Tax Effect Accounting" and relevant Guidance) "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ statement No. 28, February 16, 2018) and relevant Guidance were applied from the beginning of the 25th Fiscal Term. Deferred tax assets are presented under investments and other assets and deferred tax liabilities are presented under noncurrent liabilities.

(7) Status of Parent Company and Principal Subsidiaries (As of December 31, 2021)

- 1) Status of Parent Company  
Not applicable
- 2) Status of Principal Subsidiaries

Company Name	Capital (Yen in millions)	Voting rights owned by the Company	Major businesses
OPT, Inc.	100	100.0%	Internet advertising agency business
SoldOut, Inc.	681	55.9%	Advertising agency business serving mid-sized and venture companies
Digital Shift, Inc.	474	100.0%	Support businesses related to digital shift
OPT America, Inc.	2,405	100.0%	Financial investment business

- (Notes) 1. The Company has 21 consolidated subsidiaries, including those in the table above.
2. The Company does not have any specified wholly owned subsidiaries as defined in the Companies Act.

(8) Major Businesses (As of December 31, 2021)

The Group is comprised of DIGITAL HOLDINGS, Inc. and 21 consolidated subsidiaries as of the end of the fiscal year ended December 31, 2021. It operates the Digital Shift Business segment, the Advertising Business segment, and the Financial Investment Business segment. The Digital Shift Business provides consulting support centered on the digital shift, development and sales of SaaS products, operation and development of AI staffing platforms, and DX staffing services. The Advertising Business is engaged in the Internet advertising agency business and related solution development and sales. The Financial Investment Business invests in venture capital, manages funds, and supports the management of investee companies.

Segment	Major businesses
Digital Shift Business	<ul style="list-style-type: none"><li>• Digital shift consulting support</li><li>• SaaS product development and sales</li><li>• AI staffing platform operation and development</li><li>• DX staffing service, etc.</li></ul>
Advertising Business	<ul style="list-style-type: none"><li>• Internet advertising agency business</li><li>• Solution development and sales, etc.</li></ul>
Financial Investment Business	<ul style="list-style-type: none"><li>• Venture capital investment</li><li>• Fund management</li><li>• Management support for investee companies, etc.</li></ul>

(9) Major Offices (As of December 31, 2021)

1) Main Office

Office	Address
Head Office	Chiyoda-ku, Tokyo

2) Subsidiaries

Company Name	Address
OPT, Inc.	Chiyoda-ku, Tokyo
SoldOut, Inc.	Bunkyo-ku, Tokyo
Digital Shift, Inc.	Chiyoda-ku, Tokyo
OPT America, Inc.	California, U.S.A.

(10) Workforce (As of December 31, 2021)

Number of Employees	Change from Dec. 31, 2020
1,518	-53

- (Notes) 1. Part-time, contractors and temporary workers are not counted as employees.  
2. Personnel seconded to positions outside of the Group are not counted as employees.

(11) Main Lenders (As of December 31, 2021)

Lender	Amount borrowed (Yen in millions)
Mizuho Bank, Ltd.	3,500
Sumitomo Mitsui Banking Corporation	3,061
MUFG Bank, Ltd.	1,500
Resona Bank, Limited.	500
Sumitomo Mitsui Trust Bank, Limited	450

(12) Other Significant Matters Concerning the Group

Not applicable

## 2. Status of the Company

### (1) Matters Concerning Shares (As of December 31, 2021)

- 1) Total Number of Shares Authorized to Be Issued 86,630,400 shares
- 2) Total Number of Shares Issued 23,817,700 shares (including 2,613,543 treasury shares)
- 3) Number of Shareholders 6,610
- 4) Major Shareholders (Top 10)

Shareholder	Number of Shares Held (Shares)	Ownership of Shares (%)
HIBC Co., Ltd.	4,520,200	21.31%
The Master Trust Bank of Japan, Ltd. (Trust account)	1,355,000	6.39%
Tomohito Ebine	1,036,900	4.89%
Atsushi Nouchi	885,000	4.17%
Mynavi Corporation	755,800	3.56%
Custody Bank of Japan, Ltd. (Trust account)	633,300	2.98%
Goldman Sachs International	600,794	2.83%
The Bank of New York, JASDEC Treaty Account	577,400	2.72%
STATE STREET BANK AND TRUST COMPANY 505103	439,953	2.07%
NOMURA PB NOMINEES LIMITED OMNIBUS-MARGIN (CASHPB)	433,790	2.04%

- \*1. Although the Company holds 2,613,543 treasury shares, it is omitted from the above list of major shareholders. The treasury shares (2,613,543 shares) do not include the Company's shares held by Digital Holdings Employee Stock Ownership Plan (171,488 shares).
- \*2. Ownership of shares is calculated based on shares outstanding (the number of shares issued net of treasury shares) and rounded off to two decimal places.
- \*3. HIBC Co., Ltd., is an asset management company wholly owned by the Chairperson of the Company, Noboru Hachimine.
- \*4. The Chairperson of the Company, Noboru Hachimine, holds 5,000 shares of the Company.
- \*5. Time and Space, Ltd., an asset management company wholly owned by the President and Group CEO of the Company, Atsushi Nouchi, holds 400,800 shares of the Company.
- \*6. Dalton Investments LLC held the following shares as of November 29, 2021, which was reported in the Large Shareholding Report (Change Report) submitted on December 2, 2021. However, the Company could not confirm the number of shares actually held by the entity as of December 31, 2021. Thus, major shareholders are described based on the register of shareholders as of December 31, 2021.
- The following table is the summary of the Change Report.

Name or Name of Institution	Address	Number of shares held*
Dalton Investments LLC	1601 Cloverfield Blvd. Suite 5050N, Santa Monica, California, 90404 United States	1,665,700

(Note) The number of shares held is described in the Change Report as of December 2, 2021.

- \*7. 3D Investment Partners Private Ltd. held the following shares as of July 22, 2019, which was reported in the Large Shareholding Report (Change Report) submitted on July 29, 2019. However, the Company could not confirm the number of shares actually held by the entity as of December 31, 2021. Thus, major shareholders are described based on the register of shareholders as of December 31, 2021.
- The following table is the summary of the Change Report.

Name or Name of Institution	Address	Number of shares held*
3D Investment Partners Private Ltd.	250 North Bridge Road #13-01 Raffles City Tower, Singapore 179101	2,268,100

(Note) The number of shares held is described in the Change Report as of July 29, 2019.

### 5) Other Significant Matters Concerning Shares

There were no significant matters concerning shares.

## (2) Matters Concerning Corporate Officers

### 1) Matters Concerning Directors (As of December 31, 2021)

Position in Company	Name	Area of Responsibility and Significant Other Positions
Chairperson	Noboru Hachimine	Director at SoldOut, Inc. External Director at UT Group Co., Ltd. Chairperson and Representative Director at Digital Shift, Inc.
President and Group CEO	Atsushi Nouchi	Representative Director at Bonds Investment Group, Inc.
Director and Group COO	Daisuke Kanazawa	Director, Re:teigi, Inc.
Director	Shusaku Minoda	
Director	Tomoyuki Mizutani	
Director	Koji Yanagisawa	Director, Executive Vice President & CFO at ZOZO, Inc. External Director at COLOPL, Inc.
Director	Yasuhiro Ogino	Director and CFO at ANDPAD Inc.
Director (Chairperson of Audit and Supervisory Committee, full-time)	Fumiyuki Shinomiya	Auditor at OPT, Inc. Auditor at Re:teigi, Inc. Auditor at RePharmacy, Inc. Auditor at Vankable, Inc.
Director (Audit and Supervisory Committee member, full-time)	Yuki Okabe	Certified Public Accountant Auditor at SoldOut, Inc. Auditor at Digital Shift, Inc. Auditor at Bonds Investment Group, Inc.
Director (Audit and Supervisory Committee member)	Toshio Yamaue	Lawyer External Director at TOHOKUSHINSHA FILM CORPORATION
Director (Audit and Supervisory Committee member)	Masahiro Yamamoto	Certified Public Accountant Outside Audit & Supervisory Board Member at Nippon Suisan Kaisha, Ltd.

- (Notes) 1. Directors Tomoyuki Mizutani, Koji Yanagisawa and Yasuhiro Ogino, Director and Chairperson of the Audit and Supervisory Committee (full-time) Fumiyuki Shinomiya, Director and Audit and Supervisory Committee member (full-time) Yuki Okabe, and Directors and Audit and Supervisory Committee members Toshio Yamaue and Masahiro Yamamoto are External Directors.
2. Director and Chairperson of the Audit and Supervisory Committee (full-time) Fumiyuki Shinomiya had a long career at a financial institution and possesses considerable expertise in finance and accounting.
  3. Director and Audit and Supervisory Committee member (full-time) Yuki Okabe has experience as an auditor at multiple listed companies and possesses considerable expertise in finance and accounting as a Certified Public Accountant (CPA).
  4. Director and Audit and Supervisory Committee member Toshio Yamaue possesses considerable expertise in corporate legal affairs as a lawyer.
  5. Director and Audit and Supervisory Committee member Masahiro Yamamoto has experience in supporting numerous companies as a Representative Partner at audit firms and possesses considerable expertise in finance and accounting as a CPA.
  6. The Company established a full-time Audit and Supervisory Committee position to strengthen audit and oversight functions, improve information gathering and increase audit effectiveness.
  7. The Company has designated Directors Tomoyuki Mizutani, Koji Yanagisawa, and Yasuhiro Ogino, Director and Chairperson of the Audit and Supervisory Committee (full-time) Fumiyuki Shinomiya, Director and Audit and Supervisory Committee member (full-time) Yuki Okabe, and Directors and Audit and Supervisory Committee members Toshio Yamaue and Masahiro Yamamoto as independent directors in accordance with the Tokyo Stock Exchange's independence standards and filed a notification to that effect with the Tokyo Stock Exchange.

### 2) Outline of liability limitation agreement

Pursuant to the provisions of Article 427, paragraph 1 of the Companies Act and Article 32, paragraph 2 of the Company's Articles of Incorporation, the Company and Directors (excluding Executive Directors, etc.) have entered into agreements limiting their liability for damages under Article 423, paragraph 1 of the Companies Act. The maximum amount of liability for damages under the said agreement is the statutory prescribed minimum amount.

### 3) Outline of Directors and Officers liability insurance contract, etc.

The Company has concluded Directors and Officers liability insurance (D&O insurance) contracts with an insurance company, whereby the Directors of the Company and the Directors and the Auditors of the Company's subsidiaries are the insureds. The insurance contracts cover losses that may arise from an insured's assumption of liability incurred in the course of the performance of duties, or receipt of claims

pertaining to the pursuit of such liability. The full amounts of the insurance premiums for the insurance contracts are borne by the respective companies and the insureds do not bear any of the premiums.

#### 4) Remuneration, etc. for Directors

##### A. Policy for determining the details of remuneration, etc. for officers

At the Board of Directors meeting held on February 19, 2021, the Company passed a resolution on the policy for determining the details of individual remuneration, etc. for Directors. When passing the said resolution by the Board of Directors, the Board of Directors consulted the Nomination and Remuneration Committee regarding the details of the resolution in advance and received its report.

As for individual remuneration, etc. for Directors for the current fiscal year, the Board of Directors has confirmed that the method of determining the details of remuneration, etc. and the details of remuneration, etc. determined are consistent with the decision policy resolved by the Board of Directors and that the report from the Nomination and Remuneration Committee is respected, and has determined that the details of remuneration, etc. are in line with the relevant decision policy.

The details of the policy for determining the details of individual remuneration, etc. for Directors are as follows:

##### a. Basic policy

The Company's remuneration consists of basic remuneration and performance-linked remuneration. However, only basic remuneration is paid to Non-Executive Directors (excluding External Directors and Directors who are Audit and Supervisory Committee members), External Directors (excluding Directors who are Audit and Supervisory Committee members), and Directors who are Audit and Supervisory Committee members, who are all responsible for governance functions. The Company's basic policy is that such remuneration should contribute to securing an excellent management team for the realization of the management plan and that such remuneration should raise awareness of their contribution to medium- to long-term improvement of business performance and corporate value.

##### b. Policy for determining the amount of individual basic remuneration (monetary remuneration) (including policy for determining the timing or conditions for granting remuneration, etc.)

The basic remuneration of Directors shall be fixed monthly remuneration consisting of compensation for representation, compensation for resolution and supervision, and compensation for business execution, and shall be determined by comprehensively taking into consideration the required responsibilities and external compensation database services.

##### c. Policy for determining the details of performance-linked remuneration, etc. and the method for calculating the amount or number of such remuneration (including policy for determining the timing or conditions for granting remuneration, etc.)

Performance-linked remuneration shall be medium- to long-term monetary remuneration for Executive Directors only and shall be paid in a lump sum in the fiscal year following the relevant three fiscal years, in accordance with the rate of achievement, only when the rate of achievement of the KPIs reaches the target, by setting the market capitalization (set for every three fiscal years), which is a key indicator for improving the corporate value of the Company, as the KPI. The values to be used as indicators in the performance-linked remuneration will be reviewed and revised periodically in response to changes in the business environment and based on the report of the Nomination and Remuneration Committee.

##### d. Policy for determining the ratio of the amount of monetary remuneration, the amount of performance-linked remuneration, etc., or the amount of non-monetary remuneration, etc., to the amount of individual remuneration, etc. of Directors

The Nomination and Remuneration Committee shall make a report on the ratio of remuneration for Executive Directors by type of remuneration based on external remuneration database services and other information. Thereafter, the Board of Directors shall determine the details of remuneration, etc. for each Director within the scope of the ratio of remuneration by type indicated in the report, while respecting the content of the report of the Nomination and Remuneration Committee.

##### e. Matters related to decisions on the details of individual remuneration, etc. for Directors

Individual remuneration, etc. of Directors is deliberated by the Nomination and Remuneration Committee, a voluntary body chaired by an External Director, and reported to the Board of Directors for resolution by

the Board of Directors. Remuneration for Audit and Supervisory Committee members is determined through consultation of the Audit and Supervisory Committee with the consent of all Audit and Supervisory Committee members.

B. Total amount of remuneration, etc. for the current fiscal year

Subgroup	Total amount of remuneration, etc. (Yen in millions)	Total amount of remuneration, etc. by type (Yen in millions)			Number of eligible officers (Persons)
		Basic remuneration	Performance-linked remuneration, etc.	Non-monetary remuneration, etc.	
Directors (excluding those who are Audit and Supervisory Committee members) (External Directors' share thereof)	161 (30)	144 (30)	– (–)	17 (–)	7 (3)
Directors who are Audit and Supervisory Committee members (External Directors' share thereof)	37 (37)	37 (37)	– (–)	– (–)	4 (4)
Total (External Directors' share thereof)	198 (67)	181 (67)	– (–)	17 (–)	11 (7)

- (Notes)
1. Remuneration, etc. for Directors does not include salaries earned as employees by Directors who concurrently hold employee positions.
  2. The above table includes JPY 17 million of amortization expense recorded for restricted stock compensation for one Director for the current fiscal year.
  3. At the Annual General Meeting of Shareholders held on March 25, 2016, shareholders passed a resolution to set the remuneration for Directors (excluding those who are Audit and Supervisory Committee members) at up to JPY 200 million per year. The number of Directors (excluding those who are Audit and Supervisory Committee members) as of the conclusion of the said General Meeting of Shareholders is five.
  4. At the Annual General Meeting of Shareholders held on March 29, 2018, shareholders passed a resolution to set the total remuneration for Directors (excluding those who are External Directors or Audit and Supervisory Committee members) for the grant of restricted stock at up to JPY 550 million per year. The number of Directors (excluding those who are External Directors or Audit and Supervisory Committee members) as of the conclusion of the said General Meeting of Shareholders is four.
  5. At the Annual General Meeting of Shareholders held on March 27, 2020, shareholders passed a resolution to set the remuneration for Directors who are Audit and Supervisory Committee members at up to JPY 50 million per year. The number of Directors who are Audit and Supervisory Committee members as of the conclusion of the said General Meeting of Shareholders is four.
  6. At the Annual General Meeting of Shareholders held on March 26, 2021, shareholders passed a resolution to set the performance-linked remuneration for Directors who are Executive Directors at up to JPY 600 million per year. The number of Directors who are Executive Directors as of the conclusion of the said General Meeting of Shareholders is three.

## 5) Matters Concerning External Directors

Position in the Company	Name	Significant Concurrent Positions at Other Entities	Main Activities at the Company
Director	Tomoyuki Mizutani		Mr. Mizutani attended 17 of 18 Board meetings held in 2021. He appropriately spoke up at meetings to ensure the validity and appropriateness of the Board's decision-making from an objective and neutral standpoint independent from management and fulfilled his role appropriately, capitalizing on his wealth of experience and long achievement in corporate management.
Director	Koji Yanagisawa	Director, Executive Vice President & CFO at ZOZO, Inc. External Director at COLOPL, Inc.	Mr. Yanagisawa attended all 18 Board meetings held in 2021. He appropriately spoke up at meetings to ensure the validity and appropriateness of the Board's decision-making from an objective and neutral standpoint independent from management and fulfilled his role appropriately, capitalizing on his experience as CFO and others at a growing company as well as broad insight in overall business administration centered on accounting, finance, IR, legal affairs and corporate governance.
Director	Yasuhiro Ogino	Director and CFO at ANDPAD Inc.	Mr. Ogino attended all 18 Board meetings held in 2021. He appropriately spoke up at meetings to ensure the validity and appropriateness of the Board's decision-making from an objective and neutral standpoint independent from management and fulfilled his role appropriately, capitalizing on his experience as CFO and others at growing companies as well as broad insight in overall business administration centered on business development and M&A.
Director (Chairperson of the Audit and Supervisory Committee (full-time))	Fumiya Shinomiya	Auditor at OPT, Inc. Auditor at Re:teigi, Inc. Auditor at RePharmacy, Inc. Auditor at Vankable, Inc.	Mr. Shinomiya attended all 18 Board meetings and all 13 Audit and Supervisory Committee meetings held in 2021. He appropriately provided valuable perspectives on agenda items and other discussions and fulfilled his role appropriately, capitalizing on his insight and wealth of domestic and international experience, mainly in the financial sector.
Director (Audit and Supervisory Committee member (full-time))	Yuki Okabe	CPA Auditor at SoldOut, Inc. Auditor at Digital Shift, Inc. Auditor at Bonds Investment Group, Inc.	Ms. Okabe attended all 18 Board meetings and all 13 Audit and Supervisory Committee meetings held in 2021. She appropriately provided valuable perspectives on agenda items and other discussions and fulfilled her role appropriately, capitalizing on her career as a CPA as well as experience in serving as an auditor at multiple listed companies.
Director (Audit and Supervisory Committee member)	Toshio Yamaue	Lawyer External Director at TOHOKUSHINSHA FILM CORPORATION	Mr. Yamaue attended all 18 Board meetings and all 13 Audit and Supervisory Committee meetings held in 2021. He appropriately provided valuable perspectives on agenda items and other discussions and fulfilled his role appropriately from lawyer's perspectives.
Director (Audit and Supervisory Committee member)	Masahiro Yamamoto	CPA Outside Audit & Supervisory Board Member at Nippon Suisan Kaisha, Ltd.	Mr. Yamamoto attended all 18 Board meetings and all 13 Audit and Supervisory Committee meetings held in 2021. He appropriately provided valuable perspectives on agenda items and other discussions and fulfilled his role appropriately, capitalizing on his career as a CPA as well as experience in supporting numerous companies as a Representative Partner at audit firms.

- (Notes) 1. The Company's relationships with ZOZO, Inc. and COLOPL, Inc., two companies at which Director Mr. Yanagisawa holds positions, do not warrant disclosure.
2. The Company's relationship with ANDPAD Inc., at which Director Mr. Ogino holds a position, does not warrant disclosure.
3. OPT, Inc., Re:teigi, Inc., RePharmacy, Inc., and Vankable, Inc., at which Director and Chairperson of the Audit and Supervisory Committee (full-time) Mr. Shinomiya holds positions, are subsidiaries of the Company.
4. SoldOut, Inc., Digital Shift, Inc., and Bonds Investment Group, Inc., at which Director and Audit and Supervisory Committee member (full-time) Ms. Okabe holds positions, are subsidiaries of the Company.
5. The Company's relationship with TOHOKUSHINSHA FILM CORPORATION, at which Director and Audit and Supervisory Committee member Mr. Yamaue holds a position, does not warrant disclosure.
6. The Company's relationship with Nippon Suisan Kaisha, Ltd., at which Director and Audit and Supervisory Committee member Mr. Yamamoto holds a position, does not warrant disclosure.

(3) Accounting Auditor

1) Name KPMG AZSA LLC

2) Amount of Compensation

(Yen in millions)

Accounting auditor's compensation for fiscal year ended December 31, 2021	45
Total monetary amount payable to the Accounting Auditor by the Company and its subsidiaries	79

(Notes) 1. The audit agreement between the Company and its Accounting Auditor does not explicitly distinguish the compensation for audit services performed pursuant to the Companies Act from the compensation for audit services performed pursuant to the Financial Instruments and Exchange Act. Given disaggregating compensation between the two types of audit services is not feasible, the Company is disclosing the above total amount as its Accounting Auditor's compensation for the fiscal year ended December 31, 2021.

2. The Audit and Supervisory Committee approved the Accounting Auditor's compensation after performing required verification of the appropriateness of the Accounting Auditor's audit plan, audit performance and basis for calculating estimates of its compensation.

3) Policy for Dismissal or Non-reappointment of Accounting Auditor

If the Audit and Supervisory Committee decides that the Accounting Auditor needs to be replaced for failure to perform its duties or for other reasons, it shall draft a proposal regarding dismissal or non-reappointment of the Accounting Auditor to be submitted to a general meeting of shareholders. Additionally, if any of the causes for dismissal fall into the provisions of Article 340, paragraph 1 of the Companies Act, the Audit and Supervisory Committee may dismiss the Accounting Auditor with the unanimous consent of all of its members.

If the Accounting Auditor is dismissed, an Audit and Supervisory Committee member selected by the Audit and Supervisory Committee shall report on the dismissal, including the reason(s) for it, at the earliest general meeting of shareholders convened after the dismissal.



### 3. The Systems and Policies of the Group

#### (1) Systems for Ensuring the Appropriateness of Business Operation

##### 1) Controls to Ensure the Company and Its Subsidiaries' Directors and Employees Comply with Laws and Regulations, and Articles of Incorporation in Executing Their Duties

Under the directions and orders of those responsible for Group compliance, the division responsible for the Company's compliance conducts training sessions and prepares and distributes manuals in accordance with the "Group Compliance Rules," working to improve the compliance knowledge of the Directors and employees of the Company and its subsidiaries, and to cultivate a mindset of respect for compliance. Based on the "Group Internal Audit Rules," the division responsible for the Company's audit conducts regular audits of the execution of duties and confirms that the execution of duties complies with laws and regulations, and the Articles of Incorporation.

##### 2) Systems Related to Retention and Management of Information Concerning Execution of Duties by the Company and Its Subsidiaries' Directors

Regarding information on important decision-making and reports, the Company and its subsidiaries' Directors prepare, retain and manage documents and electronic records in accordance with the "Group Authority Rules," "Group Confidentiality Protection Rules" and "Group Document Management Rules." The Company's subsidiaries keep such information readily accessible if requested to do so by the Company's Audit and Supervisory Committee members or their own Auditors.

##### 3) Rules and Other Systems Related to Management of the Company and Its Subsidiaries' Risk of Losses

Based on the "Group Risk Management Basic Guidelines" and "Group Risk Management Rules" established by the Board of Directors, the Company operates the Group Risk Management Committee composed of the Company's officers, mainly those responsible for Group risk. The Group Risk Management Committee selects important risks, prepares annual response plans and conducts monitoring, and reports the status of Group risk management, including the results of such monitoring, to the Board of Directors on an as-needed basis. The Company's subsidiaries have implemented their own controls for managing risks, including the risk of losses, to the extent needed by their scale, attributes and other relevant circumstances in accordance with the "Group Risk Management Rules."

##### 4) Systems to Ensure the Company and Its Subsidiaries' Directors Execute Their Duties Effectively

The Company and its subsidiaries prepare business plans in accordance with the "Group Finance and Accounting Rules," explicitly set operating performance targets on a company-wide basis and clarify how they evaluate performance. They pursue improvement in operating efficiency by clearly defining every organizational division's responsibilities with respect to operating performance. The Company and its subsidiaries also analyze and make decisions on significant management matters in accordance with the "Group Authority Rules," working to ensure operating efficiency.

##### 5) Systems to Ensure the Appropriateness of Business Operation of the Group Consisting of the Company and Its Subsidiaries

To ensure the Group's appropriateness of business operation, the Company supervises its subsidiaries as required based on their respective circumstances in accordance with the "Group Authority Rules." Additionally, in the Group Executive Officer meetings held monthly, the Company's Directors and subsidiaries' management teams promote information-sharing and effective communication among the Group and alignment of the "Group Management Policies" by exchanging information on important matters affecting the Group as a whole.

##### 6) Matters Related to Employees Requested by Audit and Supervisory Committee of the Company to Assist with Its Duties

When the Audit and Supervisory Committee requests employees to assist executing its duties, the Company assigns the needed employees to the Audit and Supervisory Committee.

##### 7) Matters Related to the Independence from the Directors and Ensuring the Effectiveness of Instructions by the Directors of the Employees Assigned to Audit and Supervisory Committee

The Company respects the Audit and Supervisory Committee's request on assignment of employees to assist the Audit and Supervisory Committee. The employees that have been ordered to perform auditing tasks by the Audit and Supervisory Committee will not obey to orders or directions from the Company's

Directors (excluding Directors who are Audit and Supervisory Committee members) against the orders from the Audit and Supervisory Committee.

- 8) Systems for the Company and Its Subsidiaries' Directors (Excluding Company Directors Who Are Audit and Supervisory Committee Members) and Employees to Report to Chairperson of the Audit and Supervisory Committee

The Company's Directors (excluding Directors who are Audit and Supervisory Committee members) and employees are required to immediately report to the Chairperson of the Audit and Supervisory Committee if they become aware of an illegal act or misconduct by a Director (other than a Director who is an Audit and Supervisory Committee member) or if any matter that would cause a material loss on the Company arises or is at risk of arising.

Additionally, the Company has established an internal reporting channel within the Group. It has created an environment in which misconduct and illegal acts can be reported either directly or indirectly to the Company's full-time Audit and Supervisory Committee member, working to enhance compliance to prevent misconduct and illegal acts throughout the entire Group.

- 9) Systems to Prevent Retaliation Against Whistleblowers

The Company prohibits retaliatory treatment for individuals who have reported to the full-time Audit and Supervisory Committee member and fully publicizes this prohibition among its Directors (excluding Directors who are Audit and Supervisory Committee members), employees, its subsidiaries' Directors and employees.

- 10) Matters Concerning Policy Pertaining to Advance Payment or Reimbursement of Expenses Related to Execution of Duties by Audit and Supervisory Committee Members of the Company or Processing of Other Expenses or Obligations Related to Said Duties' Execution

When billed in advance for necessary expenses related to execution of Audit and Supervisory Committee members' duties, the Company promptly pays the billed charges.

- 11) Other Systems to Ensure Effectiveness of the Audit by the Audit and Supervisory Committee

Directors of the Company (excluding Directors who are Audit and Supervisory Committee members) endeavor to make the audit system function more efficiently by promoting deeper understanding about the audit system and creating an audit-friendly environment within the Company. Furthermore, the Representative Director notifies Audit and Supervisory Committee members of Board of Directors meeting dates, details, etc. in advance and promotes appropriate communication and effective performance of audit work to ensure that the Audit and Supervisory Committee's audits are conducted effectively.

- 12) Systems to Ensure Reliability of Financial Reporting

To ensure the reliability of its financial reporting, and effective and appropriate reporting on internal controls in accordance with the Financial Instruments and Exchange Act, the Company has established the "Basic Policy for Building Internal Controls Systems," and implements and operates internal controls over financial reporting accordingly. It also continually evaluates whether its internal controls are functioning properly and modifies them as needed.

- 13) Systems to Eradicate Antisocial Forces

The Company has established the "Group Rules on Response to Anti-Social Forces" containing required provisions on severing relations with anti-social forces (as defined in the "Guideline for How Companies Prevent Damage from Anti-Social Forces" issued by the Ministerial Meeting Concerning Measures Against Crime) pursuant to the "Group Compliance Basic Policy." Such rules and regulations mandate that the Company sever all relations with anti-social forces and respond organizationally to any illicit demands by anti-social forces. Moreover, the Company has established more specific guidelines for dealing with anti-social forces in the "Group Anti-Social Forces Response Manual," and ensures that the Directors and employees of the Company and its subsidiaries are well informed so that they will not have any relationship with anti-social forces. Additionally, the Company is a long-standing member of the Special Anti-Violence Countermeasures Federation of the Metropolitan Police Department. It also builds cooperative relationships with lawyers and other external related organizations, and incorporates an anti-social forces clause into its contracts with new suppliers and customers.

(2) Overview of Execution Status of Systems to Ensure Appropriateness of Business Operation

1) Execution of Directors' Duties

In the fiscal year ended December 31, 2021, the Board of Directors met eighteen (18) times and made management decisions. The Board of Directors instituted Board of Directors Rules and other internal rules to ensure that Directors act in accordance with laws and regulations, the Company's Articles of Incorporation.

2) Execution of Duties by Directors Who Are Members of Audit and Supervisory Committee

In addition to conducting audits pursuant to audit plans formulated at Audit and Supervisory Committee meetings, Directors who are members of Audit and Supervisory Committee oversee Directors' execution of their duties through such means as attending important meetings, including Board of Directors meetings, and regularly exchanging information with the Accounting Auditor and the division responsible for the Company's audit.

3) Risk Management and Compliance

The Company works to strengthen the risk management system to reduce risk, facilitate risk prevention, and take prompt action should a risk materialize, and in addition to establishing the "Group Risk Management Basic Guidelines" and the "Group Risk Management Rules," it has established the Group Risk Management Committee. Furthermore, the Company works to heighten awareness among the Directors and employees of the Company and its subsidiaries by creating the "Group Compliance Basic Policy" and the "Group Compliance Rules," establishing the Group Compliance Committee, and getting division responsible for the Company's compliance to prepare manuals and guidelines, and plan, conduct and administrate trainings.

The Company has established and operates a group management system that respects the independence of the SoldOut Group, which operates under its parent company, SoldOut, Inc., the Company's subsidiary listed on the First Section of the Tokyo Stock Exchange.

(3) Policy for Determination of Dividends from Retained Earnings

As its dividend policy, the Company aims to pay dividends equivalent to 20% of profit attributable to owners of parent before amortization of goodwill so it can internally retain earnings to fund investments, including business and human-resource investments needed to strengthen its management team and boost earnings in pursuit of further growth in its corporate value over the medium to long term. For the fiscal year ended December 31, 2021, the Company's Board of Directors passed a resolution authorizing a dividend of JPY 97.00 per share on February 10, 2022.

Monetary values presented in this Business Report are rounded down to the nearest whole unit in which they are presented; percentages and other numbers are rounded off to one decimal place.

## Consolidated balance sheet

(As of December 31, 2021)

(Yen in millions)

Account	Amount	Account	Amount
Assets		Liabilities	
Current assets	59,850	Current liabilities	23,833
Cash and deposits	37,539	Accounts payable-trade	12,360
Notes and accounts receivable-trade	12,429	Current portion of long-term borrowings	5,939
Operational investment securities	8,777	Income taxes payable	2,922
Inventories	11	Provision for bonuses	320
Other	1,097	Other	2,290
Allowance for doubtful accounts	(6)	Noncurrent liabilities	4,964
Noncurrent assets	9,877	Long-term borrowings	3,102
Property, plant and equipment	808	Deferred tax liabilities	1,539
Buildings and structures	628	Asset retirement obligations	320
Other	179	Other	1
Intangible assets	1,616	Total liabilities	28,797
Goodwill	161	Net assets	
Other	1,454	Shareholders' equity	28,367
Investments and other assets	7,452	Share capital	8,212
Shares of affiliates	0	Capital surplus	3,841
Investment securities	6,692	Retained earnings	20,011
Leasehold and guarantee deposits	539	Treasury shares	(3,698)
Other	234	Accumulated other comprehensive income	4,294
Allowance for doubtful accounts	(13)	Valuation difference on available-for-sale securities	3,780
		Foreign currency translation adjustment	513
		Share acquisition rights	12
		Non-controlling interests	8,256
Total assets	69,728	Total net assets	40,930
		Total liabilities and net assets	69,728

(Note) The amounts presented above are rounded down to the nearest whole million yen.

## Consolidated statement of income

(From January 1, 2021 to December 31, 2021)

(Yen in millions)

Account	Amount	
Net sales		98,515
Cost of sales		73,286
Gross profit		25,229
Selling, general and administrative expenses		14,306
Operating profit		10,922
Non-operating income		
Gain on investments in investment partnerships	3,786	
Other	41	3,828
Non-operating expenses		
Interest expenses	21	
Commission expenses	39	
Share of loss of entities accounted for using equity method	15	
Other	11	88
Ordinary profit		14,662
Extraordinary income		
Gain on sales of investment securities	687	
Gain on sale of businesses	97	
Other	6	792
Extraordinary losses		
Loss on retirement of noncurrent assets	135	
Impairment loss	27	
Loss on valuation of investment securities	12	174
Profit before income taxes		15,280
Income taxes-current	4,428	
Income taxes-deferred	741	5,169
Profit		10,110
Profit attributable to non-controlling interests		120
Profit attributable to owners of parent		10,231

(Note) The amounts presented above are rounded down to the nearest whole million yen.

## Consolidated statement of changes in net assets

(From January 1, 2021 to December 31, 2021)

(Yen in millions)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of year	8,212	3,972	10,557	(1,698)	21,043
Changes of items during the period					
Dividends of surplus			(776)		(776)
Profit (loss) attributable to owners of parent			10,231		10,231
Purchase of treasury shares				(2,000)	(2,000)
Changes in ownership interest in subsidiaries		(130)			(130)
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	(130)	9,454	(2,000)	7,323
Balance at end of year	8,212	3,841	20,011	(3,698)	28,367

	Accumulated other comprehensive income			Share acquisition rights	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 year	10,071	80	10,151	0	8,822	40,018
Changes of items during the period						
Dividends from surplus						(776)
Net income attributable to owners of parent						10,231
Purchase of treasury shares						(2,000)
Changes in ownership interest in subsidiaries						(130)
Net changes of items other than shareholders' equity	(6,290)	433	(5,857)	12	(565)	(6,411)
Total changes of items during the period	(6,290)	433	(5,857)	12	(565)	912
Balance at end of year	3,780	513	4,294	12	8,256	40,930

(Note) The amounts presented above are rounded down to the nearest whole million yen.

## Notes to Consolidated Financial Statements

1. Significant matters that form the basis of preparing consolidated financial statements:

(1) Scope of consolidation

1) Status of consolidated subsidiaries

- Number of consolidated subsidiaries: 21 consolidated subsidiaries
- Names of consolidated subsidiaries

OPT, Inc.

SoldOut, Inc.

ConnectOm, Inc.

SO Technologies, Inc.

anddigital Co.,Ltd

MEDIA ENGINE INC.

Bonds Investment Group, Inc.

BIG No. 1 Limited Partnership for Investment

BIG No. 2 Limited Partnership for Investment

SIGNATE Inc.

OPT Incubate Inc.

IMJ FENOX PTE. LTD. No. 2

OPT China Limited

OPT Shenzhen (China)

OPT America, Inc.

Digital Shift, Inc.

Re:teigi, Inc.

RePharmacy, Inc.

Vankable, Inc.

Hyogo-Kobe Startup Limited Partnership for Investment

JOMYAKU, Inc.

From the fiscal year ended December 31, 2021, newly established companies Vankable, Inc., Hyogo-Kobe Startup Limited Partnership for Investment, and JOMYAKU, Inc., are included in the scope of consolidation.

Platform ID, Inc., Demand Side Science, Inc., OPT China, Inc., and OPT SEA Pte., Ltd. were excluded from the scope of consolidation because their liquidation was completed in the fiscal year ended December 31, 2021.

Heartlass, Inc. was excluded from the scope of consolidation because it was merged into OPT, Inc. and dissolved.

As of July 1, 2021, Growth Gear Co., Ltd. changed its trade name to and digital, Inc. Also, as of September 1, 2021, OptDigital, Inc. changed its trade name to Re:teigi, Inc.

2) Status of major non-consolidated subsidiaries

Not applicable

(2) Application of equity method accounting

1) Status of equity-method affiliates

- Number of equity-method affiliates: One affiliate
- Names of equity-method affiliates  
PharmaShift Co., Ltd.

GENERATE Inc. was excluded from the scope of application of equity method in the current fiscal year as a result of the completion of liquidation.

2) Status of major non-consolidated subsidiaries and affiliates not subject to the equity method

- Name of non-consolidated subsidiaries and affiliates in this category  
Non-consolidated subsidiary: Not applicable  
Affiliates: Shenzhen Tianxi E-Commerce Co., Ltd.  
Kejusi Shenzhen Technology Co., Ltd.
- Reasons for not applying the equity method  
Non-consolidated subsidiaries and affiliates not subject to equity method were excluded from the scope of equity method because they have a minor impact on the consolidated financial statements in terms of the Company's pro rata shares of profit or loss and retained earnings even if they are excluded from the scope, and have no significance as a whole.

(3) Special notes to procedures for application of equity method accounting

Since the financial closing date of PharmaShift Co., Ltd., an equity method affiliate, is March 31, we used the financial statements based on the provisional settlement of accounts on the consolidated closing date.

(4) Fiscal years of consolidated subsidiaries

Consolidated subsidiaries have the same fiscal year-end as the consolidated closing date.

(5) Matters on accounting policies

1) Valuation standards and methods for significant assets

A. Securities

Shares of affiliates

Stated at cost using the moving-average method.

Available-for-sale securities (including operational investment securities)

- Those with market value:  
Stated at fair value based on the market prices and the like on the fiscal year-end. (The related valuation differences are directly debited or credited to the net assets and the cost of securities sold is calculated using the moving average method.)
- Those without market value:  
Stated at cost using the moving-average method.
- Investment in limited partnership for investment:  
Stated at an amount calculated using the method where the amount equivalent to the Company's equity interests in the partnership is added to or subtracted from the partnership's gains or losses based on the most recent financial statements available.

B. Inventories

- Merchandise and Work in process:

Mainly stated at cost using the FIFO method. (The balance sheet value is calculated by writing down the book value based on decreased profitability.)



- Supplies:  
Mainly stated at cost using the specific cost method. (The balance sheet value is calculated by writing down the book value based on decreased profitability.)
- 2) Depreciation/amortization method for significant depreciable/amortizable assets
    - A. Property, plant and equipment (excluding leased assets)  
Mainly subject to the declining-balance method.  
However, buildings (excluding equipment attached to buildings) acquired on or after April 1, 1998 and equipment attached to buildings and structures acquired on or after April 1, 2016 are subject to the straight-line method.  
The straight-line method is adopted by overseas consolidated subsidiaries. Primary useful lives are as indicated below:
 

Buildings and structures:	3 to 18 years.
Other:	2 to 15 years.
    - B. Intangible assets (excluding leased assets)  
Subject to the straight-line method.  
Software for internal use is subject to the straight-line method based on the period available for internal use (mainly, five years).
    - C. Leased assets
      - Leased assets from non-ownership-transfer finance lease transactions:  
Subject to the straight-line method where the lease term is the useful life, and the residual value is the guaranteed residual value if the relevant lease agreement stipulates residual value guarantee, or otherwise, residual value is zero.
  - 3) Standards for recognition of significant allowances
    - A. Allowance for doubtful accounts  
To prepare for losses from receivables, uncollectible amounts are estimated and recognized, for ordinary receivables, by the actual bad debt ratio based on losses in the past, or for doubtful receivables and other certain receivables, by taking into consideration the collectability of individual receivable accounts.
    - B. Provision for bonuses  
In terms of provision for bonuses, the amount accrued in the fiscal year for the estimated payout to employees is recognized to prepare for payments of bonuses to employees.
  - 4) Standard for translating significant assets or liabilities denominated in foreign currencies into Japanese yen  
Assets and liabilities of overseas subsidiaries are translated into the Japanese yen based on the spot exchange rate as of the closing date while their earnings and expenses are translated into the Japanese yen based on the average rate. The translation differences are included in and recognized as foreign currency translation adjustment under net assets.
  - 5) Amortization method and period for goodwill  
Goodwill is regularly amortized over a reasonable period, which we estimate case-by-case based on the duration of its effect.
  - 6) Other significant matters that form the basis of preparing consolidated financial statements
    - A. Accounting procedures for consumption taxes  
The accounting procedures for national and local consumption taxes are subject to the tax-excluded method. Non-deductible national and local consumption taxes are expensed for the current fiscal year.
    - B. Application of the consolidated taxation system  
The Company and its certain consolidated subsidiaries have adopted the consolidated taxation system. With respect to items subject to the review under the non-consolidated taxation system conducted to coincide with the transition to the group tax sharing system established under the “Act Partially Amending the Income Tax Act” (Act No. 8 of 2020), we have not adopted the provisions of paragraph 44 of the “Guidance on Accounting Standard for Tax Effect Accounting” (ASBJ Guidance No. 28, February 16, 2018) in accordance with the treatment set out in paragraph 3 of the “Practical Solution on the Treatment

of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (PITF No. 39, March 31, 2020). Accordingly, the amounts of deferred tax assets and deferred tax liabilities have been calculated based on the provisions of tax laws in effect before the revision.

2. Notes on changes in presentation

Application of the Accounting Standard for Disclosure of Accounting Estimates

The Accounting Standard for Disclosure of Accounting Estimates (ASBJ Statement No. 31, March 31, 2020) has been applied to the consolidated financial statements from the current fiscal year, and notes on significant accounting estimates are included in the consolidated financial statements.

3. Notes on significant accounting estimates

Valuation of securities whose fair value is deemed to be extremely difficult to determine

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

Operational investment securities of JPY 8,777 million and investment securities of JPY 6,692 million were recorded in the consolidated balance sheet for the current fiscal year. These include a total of JPY 11,349 million of securities for which fair value is deemed to be extremely difficult to determine.

(2) Information on significant accounting estimates for identified items

For securities for which fair value is deemed to be extremely difficult to determine, the acquisition cost is used as the value on the consolidated balance sheet. However, if the actual value of the securities declines significantly due to a deterioration in the financial position of the issuer of the securities, a substantial reduction is made to the value, and the valuation difference is treated as a loss for the current period.

However, for securities acquired at a price substantially higher than the amount based on net assets per share reflecting the excess earning capacity, etc. of the investee at the time of acquisition, if it is judged that the excess earning capacity, etc. initially expected has not decreased, the actual value is deemed not to have decreased significantly, and no loss on valuation of securities is recognized. Judgments as to whether the excess earning capacity, etc. of investees has decreased are made based on the achievement of business plans, but said judgments involve significant judgments by management, as the development of venture businesses is subject to uncertainty.

In the event that the actual value, including excess earning capacity, of the investees declines significantly, such as when the business results of the investees fall far short of the business plans, there is a possibility that loss on valuation of securities may be recorded in the following fiscal year.

4. Notes to consolidated balance sheet

(1) Breakdown of inventories

	(Yen in millions)
Merchandise	7
Work in process	4
Supplies	0

(2) Accumulated depreciation of property, plant and equipment

	(Yen in millions)
Accumulated depreciation	465

5. Notes to consolidated statement of changes in net assets

(1) Matters concerning class and total number of shares issued and class and number of treasury shares

Class of stock	As of Jan. 1, 2021	Additions	Subtractions	As of Dec. 31, 2021
Shares issued				
Common shares	23,817,700 shares	—	—	23,817,700 shares
Treasury shares				
Common shares	1,623,695 shares	989,848 shares	—	2,613,543 shares

(2) Matters concerning share acquisition rights

Category	Type	Class of underlying stock	Number of shares underlying stock options				Balance as of Dec. 31, 2021 (Yen in millions)
			As of Jan. 1, 2021	Additions	Subtractions	As of Dec. 31, 2021	
Consolidated subsidiaries	Share acquisition rights granted as stock options	Common shares	—	—	—	—	12
Total			—	—	—	—	12

(3) Matters concerning dividend

1) Amount of dividend distribution

Resolution	Class of stock	Total dividend distribution (Yen in millions)	Dividend per share (Yen)	Record date	Effective date
February 10, 2021 Board of Directors Meeting	Common shares	776	35.0	December 31, 2020	March 5, 2021

2) Dividends with a record date in the fiscal year ended December 31, 2021, but with an effective date in the following fiscal year

Scheduled resolution date	Class of stock	Dividend funding source	Total dividend distribution (Yen in millions)	Dividend per share (Yen)	Record date	Effective date
February 10, 2022 Board of Directors Meeting	Common shares	Retained earnings	2,056	97.0	December 31, 2021	March 4, 2022

## 6. Notes on financial instruments

### (1) Matters concerning financial instruments

#### 1) Policy for financial instruments

The Group invests into financial assets focusing on safety and liquidity given own cash flows and financial market conditions. When borrowing funds or otherwise raising capital, the Group takes stability, cost-efficiency and flexibility into consideration in selecting funding instruments.

The Group manages investment businesses that invest in securities for investment purposes through dedicated business units.

#### 2) Nature of financial instruments and associated risks

Notes and accounts receivable-trade, which are trade receivables, are exposed to customer credit risk. With respect to this risk, the Group has staff that manage receivable collection schedules and receivable balances on a customer-by-customer basis and periodically assess major customers' credit status in accord with regulations regarding the Group's credit management. Trade receivables denominated in foreign currencies are exposed to currency risk. Investment securities are mainly stocks of companies with which the Company has business relationships. They are exposed to the risk of market price fluctuations. Operational investment securities and investment securities other than the aforementioned investment securities held by the Group are mainly stocks and equity interests in partnerships and other such entities. The Group holds these securities for purely investment purposes or to advance its businesses. Listed stocks among these securities are exposed to the risk of market price fluctuations. Unlisted stocks among these securities are exposed to the following two risks because unlisted companies tend to be more sensitive than listed companies to changes in the economic environment and other such developments as a result of having less stable financial and earnings foundations and being more constrained in terms of management resources.

a. The Group has no assurance of earning any capital gains from its investments.

b. The Group may incur capital losses on its investments.

Accounts payable-trade, which are trade payables, are mostly payable within one year. Trade payables denominated in foreign currencies are exposed to currency risk.

Short-term loans payable and long-term borrowings are mostly funding needed for working capital, among other purposes.

#### 3) Risk-management regime for financial instruments

- Management of credit risk (risk associated with counterparties' contractual nonperformance, etc.)

For trade receivables, the Group conducts credit screenings when it starts doing business with a new customer, continually monitors the collection status of receivables and reviews credit limits when necessary in accordance with its credit management regulations.

- Management of market risks (foreign currency risk, interest rate fluctuation risk, etc.)

For operational investment securities and other investment securities, the Group periodically checks market values and assesses the issuer's (or counterparties') financial condition and continually reviews and, as necessary, adjusts its holdings in light of market conditions and/or its relationship with the counterparty.

- Management of liquidity risk in connection with financing (risk of inability to repay borrowings on the due date)

The Group manages liquidity risk through such means as having its finance staff prepare and update cash flow schedules on a timely basis.

#### 4) Supplemental information on the fair value of financial instruments

The fair value of financial instruments includes values based on market prices and values reasonably calculated if no market price is available. In calculation of the value, as fluctuation factors are incorporated, the value may fluctuate by adopting different preconditions.

(2) Matters concerning financial instruments' fair value

The book value and fair value of financial instruments in the consolidated balance sheet as of December 31, 2021 (the consolidated balance sheet date for the current fiscal year) and their differences are as follows. The table omits financial instruments for which fair value is extremely difficult to determine (see Note 2).

(Yen in millions)

	Carrying amount in the consolidated balance sheet	Fair value	Difference
(1) Cash and deposits	37,539	37,539	—
(2) Notes and accounts receivable-trade	12,429	12,429	—
(3) Operational investment securities and investment securities	4,119	4,119	—
Total assets	54,089	54,089	—
(1) Accounts payable-trade	12,360	12,360	—
(2) Long-term borrowings (including current portion thereof)	9,041	9,046	4
Total liabilities	21,401	21,406	4

(Note 1) Matters concerning fair-value measurement method of financial instruments and securities

Assets

(1) Cash and deposits and (2) notes and accounts receivable-trade

Because these assets all have short-term maturities, their fair value approximates their book value. Their fair value is therefore measured at their respective book value.

(3) Operational investment securities and investment securities

As a general rule, the fair value of stocks is based on prices traded at the stock exchange.

Liabilities

(1) Accounts payable-trade

Because these liabilities have short-term maturities, their fair value approximates their book value. Their fair value is therefore measured at their book value.

(2) Long-term borrowings (including current portion thereof)

The fair value of long-term borrowings is measured by discounting the total amount of principal and interest at an interest rate that incorporates a benchmark rate (e.g., government bond yield) plus a credit spread.

(Note 2) Financial instruments for which fair value is extremely difficult to determine

(Yen in millions)

Type	Carrying amount on consolidated balance sheet
Operational investment securities and investment securities*1	
Unlisted stocks	4,616
Unlisted bonds	0
Equity interests in investment limited partnerships and similar partnerships	6,733
Affiliates' shares*2	
Unlisted stocks	0
Total	11,349

(\*1) These financial instruments have no market prices and their fair value is extremely difficult to determine. They are therefore omitted from "(3) Operational investment securities and investment securities."

(\*2) Affiliates' shares have no market prices and their fair value is extremely difficult to determine. They are therefore not included in the above table.

(Note 3) Post-reporting-date maturity schedule for monetary receivables

(Yen in millions)

Type	Within 1 year	1-5 years	5-10 years	Over 10 years
(1) Cash and deposits	37,539	—	—	—
(2) Notes and accounts receivable-trade	12,429	—	—	—
Total	49,969	—	—	—

(Note 4) Post-reporting-date repayment schedule for loans payable

(Yen in millions)

Type	Within 1 year	1-5 years	5-10 years	Over 10 years
Long-term borrowings	5,939	3,059	35	7
Total	5,939	3,059	35	7

7. Notes to per-share information

Net assets per share	¥1,540.34
Earnings per share	¥473.28

8. Notes to significant subsequent events

(Sale of shares of a material subsidiary)

At the Board of Directors meeting held on February 9, 2022, the Company resolved to tender all of the common shares held by the Company of SoldOut, Inc. (hereinafter “SoldOut”), a consolidated subsidiary of the Company, in a tender offer (hereinafter the “Tender Offer”) for common shares and share acquisition rights of SoldOut conducted by Hakuholdo DY Holdings Inc. (hereinafter “Hakuholdo DY”) and entered into a tender agreement (hereinafter the “Tender Agreement”) with Hakuholdo DY on February 9, 2022. After the completion of the Tender Offer, SoldOut will be excluded from the scope of consolidation.

(1) Name of the company to which the shares will be sold

Hakuholdo DY Holdings Inc.

(2) Schedule of the Tender Offer

1) Conclusion of the Tender Agreement	February 9, 2022
2) Tender offer period	From February 10, 2022 to March 28, 2022
3) Announcement of the results of the Tender Offer	March 29, 2022
4) Commencement date of settlement	April 1, 2022

(3) Name and business of the Company’s consolidated subsidiary and its business relationship with the Company

1) Name	SoldOut, Inc.
2) Business	Internet business support business
3) Business relationship with the Company	The Company and its wholly owned subsidiary, OPT, Inc., are engaged in advertising transactions with SoldOut.

(4) Number of shares to be tendered in the Tender Offer, transfer price, and number of shares held before and to be held after the Tender Offer

1) Number of shares held before the Tender Offer	5,914,080 shares
2) Number of shares to be tendered in the Tender Offer	5,914,080 shares
3) Transfer price in the Tender Offer	JPY 10,698 million (JPY 1,809 per share)
4) Number of shares to be held after the Tender Offer	0 shares

(Note) The transfer price and the number of shares to be held after the Tender Offer are the transfer price and the number of shares to be held if the Tender Offer is completed. Hakuholdo DY has set the minimum number of shares to be purchased in the Tender Offer at 7,064,300 shares, and if the total number of share certificates, etc. tendered in response to the Tender Offer (hereinafter the “Tendered Share Certificates, Etc.”) is less than the minimum number of shares to be purchased, Hakuholdo DY will not purchase all of the Tendered Share Certificates, Etc.

(5) Impact of this event on consolidated business results

If the Tender Offer is completed, the Company expects to record extraordinary income of JPY 8,590 million in the fiscal year ending December 31, 2022.

(Repurchase of treasury shares)

The Board of Directors of the Company, at its meeting held on February 10, 2022, resolved that the Company would repurchase its own shares pursuant to Article 156 of the Companies Act as applied pursuant to Article 165, paragraph 3 of the same act.

(1) Reason for the repurchase of treasury shares

To improve returns to shareholders by improving capital efficiency and implementing flexible capital policies.

(2) Details of the repurchase

1) Class of shares to be repurchased	Common shares of the Company
2) Total number of shares to be repurchased	Up to 5,000,000 shares (23.58% of the total number of shares issued, excluding treasury shares)
3) Total repurchase amount	Up to JPY 5 billion
4) Period of repurchase	From February 14, 2022 to December 23, 2022
5) Method of repurchase	Market purchase on the Tokyo Stock Exchange

(Reference) Total number of shares issued and number of treasury shares as of December 31, 2021

Total number of shares issued (excluding treasury shares)	21,204,157 shares
Number of treasury shares	2,613,543 shares

## Balance sheet

(As of December 31, 2021)

(Yen in millions)

Account	Amount	Account	Amount
<b>Assets</b>		<b>Liabilities</b>	
Current assets	33,953	Current liabilities	14,814
Cash and deposits	29,454	Current portion of long-term borrowings	5,833
Accounts receivable-trade	251	Accounts payable	533
Operational investment securities	2,936	Deposits received from subsidiaries and associates	5,367
Advances paid	79	Accrued expenses	134
Short-term loans receivable from subsidiaries and associates	100	Income taxes payable	2,771
Accounts receivable - other	263	Deposits received	32
Other	1,188	Provision for bonuses	50
Allowance for doubtful accounts	(321)	Other	92
Noncurrent assets	7,617	Noncurrent liabilities	2,629
Property, plant and equipment	236	Long-term borrowings	2,167
Buildings and structures	190	Deferred tax liabilities	297
Tools, furniture and fixtures	46	Asset retirement obligations	164
Intangible assets	68	<b>Total liabilities</b>	<b>17,443</b>
Trademark right	5	<b>Net assets</b>	
Software	61	Shareholders' equity	22,543
Other	1	Share capital	8,212
Investments and other assets	7,312	Capital surplus	3,423
Investment securities	592	Legal capital surplus	3,423
Shares of subsidiaries and associates	5,142	Retained earnings	14,606
Investments in other securities of subsidiaries and associates	1,301	Retained earnings brought forward	14,606
Long-term prepaid expenses	5	Treasury shares	(3,698)
Leasehold and guarantee deposits	270	Valuation and translation adjustments	1,583
Other	0	Valuation difference on available-for-sale securities	1,583
<b>Total assets</b>	<b>41,570</b>	<b>Total net assets</b>	<b>24,127</b>
		<b>Total liabilities and net assets</b>	<b>41,570</b>

(Note) The amounts presented above are rounded down to the nearest whole million yen.



## Statement of income

(From January 1, 2021 to December 31, 2021)

(Yen in millions)

Account	Amount	
Net sales		16,248
Cost of sales		4,352
Gross profit		11,896
Selling, general and administrative expenses		261
Operating profit		11,634
Non-operating income		
Interest income	1	
Miscellaneous income	4	
Other	0	6
Non-operating expenses		
Interest expenses	19	
Commission expenses	39	
Provision of allowance for doubtful accounts	137	
Loss on investments in investment partnerships	17	
Other	7	220
Ordinary profit		11,420
Extraordinary income		
Gain on sales of investment securities	687	
Gain on liquidation of subsidiaries	80	
Other	0	767
Extraordinary loss		
Loss on valuation of shares of subsidiaries	1,018	
Other	4	1,022
Profit before income taxes		11,165
Income taxes-current	3,203	
Income taxes-deferred	406	3,610
Profit		7,555

(Note) The amounts presented above are rounded down to the nearest whole million yen.

### Statement of changes in net assets

(From January 1, 2021 to December 31, 2021)

(Yen in millions)

	Shareholders' equity				
	Share capital	Capital surplus		Retained earnings	
		Legal capital surplus	Total capital surplus	Other retained earnings	Total retained earnings
				Retained earnings brought forward	
Balance at beginning of year	8,212	3,423	3,423	7,827	7,827
Changes of items during period					
Dividends of surplus				(776)	(776)
Net income (loss)				7,555	7,555
Purchase of treasury shares					
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	—	—	6,778	6,778
Balance at end of year	8,212	3,423	3,423	14,606	14,606

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of year	(1,698)	17,765	9,869	9,869	27,634
Changes of items during period					
Dividends from surplus		(776)			(776)
Net income (loss)		7,555			7,555
Purchase of treasury shares	(2,000)	(2,000)			(2,000)
Net changes of items other than shareholders' equity			(8,285)	(8,285)	(8,285)
Total changes of items during the period	(2,000)	4,778	(8,285)	(8,285)	(3,507)
Balance at end of year	(3,698)	22,543	1,583	1,583	24,127

(Note) The amounts presented above are rounded down to the nearest whole million yen.

## Notes to Non-Consolidated Financial Statements

### 1. Notes to significant accounting policies

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

##### 1) Valuation standards and methods for securities

###### A. Shares of subsidiaries and affiliates

Stated at cost using the moving-average method.

###### B. Available-for-sale securities (including operational investment securities)

###### • Those with market value:

Stated at fair value based on the market prices and the like on the fiscal year-end. (The related valuation differences are directly debited or credited to the net assets and the cost of securities sold is calculated using the moving average method.)

###### • Those without market value:

Stated at cost using the moving-average method.

###### • Investment in limited partnership for investment:

Stated at an amount calculated using the method where the amount equivalent to the Company's equity interests in the partnership is added to or subtracted from the partnership's gains or losses based on the most recent financial statements available.

#### (2) Depreciation/amortization methods for noncurrent assets

##### 1) Property, plant and equipment (excluding lease assets)

Mainly subject to the declining-balance method.

However, buildings (excluding equipment attached to buildings) acquired on or after April 1, 1998 and equipment attached to buildings and structures acquired on or after April 1, 2016 are subject to the straight-line method.

Primary useful lives are as indicated below:

Buildings and structures:	3 to 18 years
Tools, furniture and fixtures:	4 to 10 years

##### 2) Intangible assets (excluding leased assets)

Subject to the straight-line method.

Software for internal use is subject to the straight-line method based on the period available for internal use (mainly, five years).

#### (3) Standards for recognition of significant allowances

##### 1) Allowance for doubtful accounts

To prepare for losses from receivables, uncollectible amounts are estimated and recognized, for ordinary receivables, by the actual bad debt ratio based on losses in the past, or for doubtful receivables and other certain receivables, by taking into consideration the collectability of individual receivable accounts.

##### 2) Provision for bonuses

In terms of provision for bonuses, the amount accrued in the fiscal year for the estimated payout to employees is recognized to prepare for payments of bonuses to employees.

#### (4) Other significant matters that form the basis of preparing financial statements

##### 1) Accounting procedures for consumption taxes

The accounting procedures for national and local consumption taxes are subject to the tax-excluded method. Non-deductible national and local consumption taxes are expensed for the fiscal year.

##### 2) Application of the consolidated taxation system

The Company has adopted the consolidated taxation system. With respect to items subject to the review under the non-consolidated taxation system conducted to coincide with the transition to the group tax sharing system established under the "Act Partially Amending the Income Tax Act" (Act No. 8 of 2020), we have not adopted the provisions of paragraph 44 of the "Guidance on Accounting Standard

for Tax Effect Accounting” (ASBJ Guidance No. 28, February 16, 2018) in accordance with the treatment set out in paragraph 3 of the “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (PITF No. 39, March 31, 2020). Accordingly, the amounts of deferred tax assets and deferred tax liabilities have been calculated based on the provisions of tax laws in effect before the revision.

(5) Changes to significant matters that form the basis of preparing financial statements

Not applicable

2. Notes on changes in presentation

Application of the Accounting Standard for Disclosure of Accounting Estimates

The Accounting Standard for Disclosure of Accounting Estimates (ASBJ Statement No. 31, March 31, 2020) has been applied to the non-consolidated financial statements from the current fiscal year, and notes on significant accounting estimates are included in the non-consolidated financial statements.

3. Notes on significant accounting estimates

Valuation of securities whose fair value is deemed to be extremely difficult to determine

(1) Amounts recorded in the non-consolidated financial statements for the current fiscal year

Operational investment securities of JPY 2,936 million and investment securities of JPY 592 million were recorded in the balance sheet for the current fiscal year. These include a total of JPY 1,353 million of securities for which fair value is deemed to be extremely difficult to determine.

(2) Information on significant accounting estimates for identified items

Notes are omitted because the same information is provided in “3. Notes on accounting estimates” in the Notes to Consolidated Financial Statements.

4. Notes to balance sheet

(1) Monetary receivables from and monetary payables to subsidiaries and associates (excluding those presented as separate line items)

	(Yen in millions)
Short-term monetary receivables	1,559
Short-term monetary payables	411

(2) Accumulated depreciation of property, plant and equipment

	(Yen in millions)
Accumulated depreciation	303

5. Notes to statement of income

Transactions with subsidiaries and associates

	(Yen in millions)
Operating transactions	
Net sales	2,928
Non-operating transactions	1

6. Notes to statement of changes in net assets

Matters concerning class and number of treasury shares

Class of stock	As of Jan. 1, 2021	Additions	Subtractions	As of Dec. 31, 2021
Treasury shares				
Common shares	1,623,695 shares	989,848 shares	— shares	2,613,543 shares

## 7. Notes to deferred tax accounting matters

### Breakdown of deferred tax assets and deferred tax liabilities by main cause

(Yen in millions)

Deferred tax assets	
Allowance for doubtful accounts	98
Provision for bonuses	15
Asset retirement obligations	20
Loss on valuation of investment securities	865
Adjustment of investments' book value	91
Enterprise taxes payable	139
Other	5
Subtotal deferred tax assets	1,237
Valuation allowance	(835)
Total deferred tax assets	401
Deferred tax liabilities	
Valuation difference on available-for-sale securities	(699)
Total deferred tax liabilities	(699)
Net deferred tax assets	(297)

## 8. Notes to transactions with related party

### (1) Subsidiaries, etc.

Type	Name of company	Address	Share capital or equity stake (Yen in millions)	Business	Percentage of voting rights holding (held)
Subsidiary	OPT, Inc.	Chiyoda-ku, Tokyo	100	Advertising Business	100.00% (—)
Subsidiary	Vankable, Inc.	Chiyoda-ku, Tokyo	499	Digital Shift Business	100.00% (—)

Type	Name of company	Relationship with related party	Nature of transaction	Transaction amount (Yen in millions)	Account	Fiscal year-end balance (Yen in millions)
Subsidiary	OPT, Inc.	Director interlock Management involvement CMS transactions	Management consulting fee	1,965	Accounts receivable – trade	170
			Borrowing of funds via CMS (Note 2)	—	Deposits received from subsidiaries and associates	4,048
			Payment of interest (Note 3)	0	—	—
Subsidiary	Vankable, Inc.	Director interlock CMS transactions	Borrowing of funds via CMS (Note 2)	—	Deposits received from subsidiaries and associates	902
			Payment of interest (Note 3)	0	—	—

(Notes) 1. Transaction amounts do not include consumption and other taxes.

2. For borrowing transactions through the CMS (cash management system), only fiscal year-end balances are presented because balances frequently change.

3. For transaction amount, interest rates are rationally determined based on market interest rates and other relevant factors.

### (2) Corporate officers and individual shareholders

Not applicable

## 9. Notes to per-share information

Net assets per share	¥1,137.85
Earnings per share	¥349.51

## 10. Notes to significant subsequent events

As the content is identical to that in “8. Notes to significant subsequent events” in the Consolidated Financial Statements. For details, therefore, please refer to the said item.

## AUDIT REPORT

We, the Audit and Supervisory Committee of DIGITAL HOLDINGS, Inc. (“the Company”), have audited the performance of duties by Directors and Executive Officers during the 28th fiscal year from January 1, 2021 to December 31, 2021. We report the method and results as follows.

### 1. Method and details of audit

We, the Audit and Supervisory Committee, have received reports from Directors, employees and others on a regularly basis on the details of the board resolutions with respect to items prescribed in Article 399-13, paragraph 1, item i (b) and (c) of the Companies Act, and the status of the establishment and operation of the system established based on such board resolutions (internal control system), sought explanations, whenever the necessity arose, and expressed our opinions.

Additionally, we conducted audits as follows.

- (1) In coordination with the Company’s internal audit staff, we attended important meetings, received reports from Directors, employees and others regarding the execution of their job duties, requested explanations as needed, inspected documents, including documentation of significant decisions, and investigated the status of operations and property at the Company’s Head Office and other major places of business, all in compliance with auditing standards prescribed by the Audit and Supervisory Committee and in accordance with audit policies, audit plans and an agreed-upon division of duties. We also communicated and exchanged information with subsidiaries’ Directors, Auditors and other personnel and, as needed, received reports from subsidiaries on their operations.
- (2) In addition to monitoring and examining whether the Accounting Auditor maintained an independent position and performed auditing appropriately, we received reports from the Accounting Auditor on the performance of its duties and requested explanations when necessary. In addition, we received notice from the Accounting Auditor that “The systems for ensuring the proper performance of duties” (set forth in each item of Article 131 of the Regulations of Corporate Financial Calculation) are organized in accordance with the “Standards for Quality Control of Audit” (Business Accounting Council, October 28, 2005) and other relevant standards, and sought explanations whenever necessity arose.

Based on the above methods, we examined the business report, financial statements (balance sheet, statement of income, statement of changes in net assets, notes to financial statements), supporting schedules, and consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in net assets and notes to consolidated financial statements) for the fiscal year under review.

### 2. Results of audit

#### (1) Results of audit of business report, etc.

- i) In our opinion, the business report and accompanying schedules fairly represent the condition of the Company in accordance with the laws, regulations and Articles of Incorporation of the Company.
- ii) We have determined that there were no serious occurrences of dishonest or false activity or violations of any laws, regulations or the Company’s Articles of Incorporation by any Directors or Executive Officers in carrying out their duties.
- iii) We believe the details of resolutions of the Board of Directors regarding the internal control system are appropriate. We found no matters of note with respect to the description on the business report as well as the execution of duties of Executive Officers regarding the internal control system.

#### (2) Results of audit of financial statements and accompanying schedules

In our opinion, the audit method and audit results received from the Accounting Auditor KPMG AZSA LLC are appropriate.

#### (3) Results of audit of consolidated financial statements

In our opinion, the audit method and audit results received from the Accounting Auditor KPMG AZSA LLC are appropriate.

February 21, 2022

Audit and Supervisory Committee of DIGITAL HOLDINGS, Inc.

Chairperson of the Audit and Supervisory Committee FumiYuki Shinomiya (Seal)  
(Full-time)

Audit and Supervisory Committee member Yuki Okabe (Seal)  
(Full-time)

Audit and Supervisory Committee member Toshio Yamaue (Seal)

Audit and Supervisory Committee member Masahiro Yamamoto (Seal)

**Notes to the Reader of Audit Report:**

1. The Audit Report herein is the English translation of the Audit Report as required by the Companies Act.
2. Audit and Supervisory Committee members Mr. FumiYuki Shinomiya, Ms. Yuki Okabe, Mr. Toshio Yamaue and Mr. Masahiro Yamamoto are External Directors as provided for in Article 2, item 15 and Article 331, paragraph 6 of the Companies Act.

## Reference Documents for the General Meeting of Shareholders

### Proposal No. 1: Partial Amendments to the Articles of Incorporation

#### 1. Reasons for the amendments

- (1) The Company proposes the addition of Article 13, paragraph 2 of the Articles of Incorporation in accordance with the Act for Partially Amending the Industrial Competitiveness Enhancement Act and Other Related Acts enacted on June 16, 2021, which newly permits the holding of “general meetings of shareholders without a designated location” (so-called “virtual-only general meetings of shareholders”).

We believe that virtual-only general meetings of shareholders will make it easier for many shareholders, including those in remote areas, to attend the meeting, thereby contributing to the revitalization, efficiency, and smoothness of general meetings of shareholders, and also to preventing the spread of infectious diseases such as COVID-19. For this reason, the Company proposes the necessary amendments to the provisions of the Articles of Incorporation to enable the Company to hold virtual-only general meetings of shareholders.

The Company plans to hold a virtual-only general meeting of shareholders only when it is judged that it is not appropriate to hold a general meeting of shareholders with a designated location in light of the interests of shareholders due to the spread of infectious diseases or large-scale disasters including natural disasters, etc. However, the Company will make a decision in the future on holding a virtual-only general meeting of shareholders by also taking into consideration the trend of digitalization in society as a whole.

- (2) The Company proposes to make necessary amendments to the provisions of the Articles of Incorporation in preparation for the electronic provision of materials for general meetings of shareholders, as the amendment provisions stipulated in the proviso of Article 1 of the supplementary provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019) will come into effect on September 1, 2022.
  - 1) Article 15, paragraph 1 of the proposed amendment provides that the Company shall take measures to electronically provide the information that is the content of the reference documents for general meetings of shareholders, etc.
  - 2) Article 15, paragraph 2 of the proposed amendment establishes a provision to limit the scope of matters to be stated in the documents to be delivered to shareholders who have requested the delivery of documents.
  - 3) The provision of Internet disclosure and deemed provision of reference documents for general meetings of shareholders, etc. (Article 15 of the current Articles of Incorporation) will be deleted as it is no longer necessary.
  - 4) In line with the establishment and deletion above, the Company will establish supplementary provisions regarding the effective date, etc.



2. Details of the amendment

The details of the amendment are as follows:

(Underlines denote amendments)

Current Articles of Incorporation	Proposed Amendments
<p>Article 13 (Convocation) An annual general meeting of shareholders of the Company shall be convened in March of each year. An extraordinary general meeting of shareholders shall be convened as needed.</p> <p>(Newly established)</p>	<p>Article 13 (Convocation)</p> <ol style="list-style-type: none"> <li>1. An annual general meeting of shareholders of the Company shall be convened in March of each year. An extraordinary general meeting of shareholders shall be convened as needed.</li> <li>2. <u>The general meetings of shareholders of the Company may be a general meeting of shareholders without a designated place.</u></li> </ol>
<p><u>Article 15 (Internet Disclosure and Deemed Provision of Reference Documents for General Meetings of Shareholders, etc.)</u></p> <p><u>The Company may, with respect to the convocation of a general meeting of shareholders, deem that it has provided information pertaining to matters to be stated or indicated in reference documents for the general meeting of shareholders, business reports, non-consolidated financial statements, and consolidated financial statements to the shareholders by disclosing such information through the Internet in accordance with the applicable Ministry of Justice Order.</u></p>	<p>(Deleted)</p>
<p>(Newly established)</p>	<p><u>Article 15 (Measures for Electronic Provision of Reference Documents for General Meetings of Shareholders, etc.)</u></p> <ol style="list-style-type: none"> <li>1. <u>The Company shall, with respect to the convocation of a general meeting of shareholders, take measures to electronically provide the information that is the content of the reference documents for the general meeting of shareholders, etc.</u></li> <li>2. <u>The Company may not include in the documents to be delivered to shareholders who have requested the delivery of documents by the record date of voting rights all or part of the matters for which the Company shall take the measures set forth in the preceding Article and which are specified in the applicable Ministry of Justice Order.</u></li> </ol>
<p>Supplementary Provisions (Newly established)</p>	<p>Supplementary Provisions</p> <p><u>Article 2 (Transitional Measures in Connection with Measures for Electronic Provision, etc.)</u></p> <ol style="list-style-type: none"> <li>1. <u>The deletion of Article 15 (Internet Disclosure and Deemed Provision of Reference Documents for General Meetings of Shareholders, etc.) before the amendment of the Articles of Incorporation and the establishment of Article 15 (Measures for Electronic Provision of Reference Documents for General Meetings of Shareholders, etc.) after the amendment of the Articles of Incorporation shall become effective as of the date of enforcement of the amendment provisions stipulated in the proviso of Article 1 of the supplementary provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019) (hereinafter the “Effective Date”).</u></li> <li>2. <u>Notwithstanding the provisions of the preceding Paragraph, Article 15 of the Articles of Incorporation before the amendment shall remain in force with respect to the general meeting of shareholders to be held on a date within six months from the Effective Date.</u></li> <li>3. <u>These Supplementary Provisions shall be deleted after six months have elapsed from the Effective Date or three months have elapsed from the date of the general meeting of shareholders set forth in the preceding Paragraph, whichever is later.</u></li> </ol>

**Proposal No. 2: Election of Seven (7) Directors (Excluding Directors Who Are Audit and Supervisory Committee Members)**

The terms of office of all the current seven (7) Directors (excluding Directors who are Audit and Supervisory Committee members; the same shall apply hereinafter in this proposal) will expire at the conclusion of this Annual General Meeting of Shareholders.

In that regard, the Company proposes to elect seven (7) Directors.

As for this proposal, the Audit and Supervisory Committee of the Company has agreed that all the candidates are qualified to serve as Directors.

The candidates for Director are as follows:

Candidate No.	Name (Date of birth)	Career Summary and Position in the Company (Significant concurrent positions)	Number of the Company's Shares Owned	
1	Noboru Hachimine (June 22, 1967)	Apr. 1991 Mar. 1994	Joined Mori Building Co., Ltd. Established Deca Legs Ltd. (currently the Company) and assumed the position as President	4,525,200
		Jun. 2016 Mar. 2017 Mar. 2020 Apr. 2020 Mar. 2021	Outside Director, UT Group Co., Ltd. (current position) Director, SoldOut, Inc. (current position) Chairperson, the Company (current position) President and Representative Director, Digital Shift, Inc. Chairperson and Representative Director, Digital Shift, Inc. (current position)	
[Reasons for nomination as candidate for Director] Mr. Noboru Hachimine has long been demonstrating excellent leadership and driving growth in the Group's corporate value. He has been nominated because he is well-qualified to continue to build an operational foundation for the realization of sustainable Group-wide growth and to improve corporate value over the medium to long term.				
2	Atsushi Nouchi (December 21, 1967)	Apr. 1991 Oct. 1996 Mar. 1999 Feb. 2015	Joined Mori Building Co., Ltd. Joined the Company Director, the Company CEO, OPT Ventures, Inc. (currently Bonds Investment Group, Inc.) (current position)	1,285,800
		Mar. 2017 Mar. 2020	Vice President and Group COO, the Company President and Group CEO, the Company (current position)	
[Reasons for nomination as candidate for Director] Mr. Atsushi Nouchi is well-versed in all aspects of the Company's operations and has been driving growth in the Group's corporate value through strong leadership, decisiveness and executive capabilities. He has been nominated because he is well-qualified to continue to build an operational foundation for the realization of sustainable Group-wide growth and to improve corporate value over the medium to long term.				
3	Daisuke Kanazawa (September 4, 1980)	Sep. 2005 Jan. 2008 Jan. 2010 Apr. 2013 Apr. 2015 Apr. 2017 Apr. 2019 Apr. 2020 Mar. 2021	Joined OPT, Inc. General Manager of Sales Department, OPT, Inc. General Manager of Sales Division, OPT, Inc. Executive Officer, OPT, Inc. President, Representative Director and CEO, OPT, Inc. Senior Executive Officer, the Company Group Executive Officer, the Company Director, OptDigital, Inc. (currently Re:teigi, Inc.) (current position) Director and Group COO, the Company (current position)	29,300
		[Reasons for nomination as candidate for Director] Mr. Daisuke Kanazawa has been engaged in marketing throughout his career since he joined OPT, Inc. in 2005 and has long been leading the execution of operations in the Group's core business domains through strong leadership, decisiveness and executive capabilities by serving in such positions as Representative Director at OPT, Inc. and Group Executive Officer of the Company. He has been nominated because he is well-qualified for the Group to achieve corporate value of JPY 1 trillion in the future.		

Candidate No.	Name (Date of birth)	Career Summary and Position in the Company (Significant concurrent positions)	Number of the Company's Shares Owned	
4	Tomoyuki Mizutani (August 16, 1964)	Apr. 1988	Joined Recruit Co., Ltd. (currently Recruit Holdings Co., Ltd.)	10,000
		Apr. 1997	Editor-in-Chief, "Tech Being"	
		Apr. 2001	Editor-in-Chief, "Recruit Navi Career" (currently "RikuNavi NEXT")	
		Apr. 2002	Editor-in-Chief, "Being" (Kanto region edition)	
		Apr. 2004	Corporate Executive Officer (responsible for Human Resource (HR) Division) of Recruit Holdings Co., Ltd.	
		Apr. 2006	Director, Recruit HR Marketing Co., Ltd. (currently Recruit Jobs Co., Ltd.)	
		Apr. 2007	Director and Corporate Executive Officer (responsible for HR, administration, corporate communication) of Recruit Holdings Co., Ltd.	
		Apr. 2011	President, Recruit Agent Co., Ltd.	
		Oct. 2012	First President, Recruit Career Co., Ltd.	
		Apr. 2015	Advisor, Recruit Holdings Co., Ltd.	
Apr. 2016	Advisor, Japan Executive Search and Recruitment Association (current position)			
		Mar. 2017	External Director, the Company (current position)	
[Reasons for nomination as candidate for Director and outline of expected role] Mr. Tomoyuki Mizutani has spent much of his career at Recruit Co., Ltd. (currently Recruit Holdings Co., Ltd.), mainly in the HR business domain. He was active in multiple high-ranking executive positions, including as a Corporate Executive Officer (responsible for HR Division) at Recruit and the first President of Recruit Career Co., Ltd. Outside of the Recruit Group, he has been active in a wide range of activities with HR and societal-contribution themes, including cultivation of social entrepreneurs. In addition to such extensive experience, he possesses broad insight. He has been nominated because he is expected to offer opinions and advice to ensure appropriate, sound management decision-making from an independent and objective standpoint.				
5	Koji Yanagisawa (May 19, 1971)	Apr. 1995	Joined The Fuji Bank, Limited (currently Mizuho Bank, Ltd.)	0
		May 1999	Joined NTT DATA INSTITUTE OF MANAGEMENT CONSULTING, Inc.	
		May 2005	Joined Mizuho Securities Co., Ltd.	
		Feb. 2006	Full-time Statutory Auditor, START TODAY CO., LTD. (currently ZOZO, Inc.)	
		Jun. 2008	Director and General Manager of Strategic Planning and Business Administration Division, START TODAY CO., LTD.	
		Apr. 2009	Director and CFO, START TODAY CO., LTD.	
		Dec. 2015	External Director, COLOPL, Inc. (current position)	
		Apr. 2017	Director, Executive Vice President & CFO, START TODAY CO., LTD. (current position)	
		Mar. 2020	External Director, the Company (current position)	
		[Reasons for nomination as candidate for Director and outline of expected role] With his experience as CFO and others at a growing company, Mr. Koji Yanagisawa possesses broad insight in overall business administration centered on accounting, finance, IR, legal affairs, and corporate governance. He has been nominated because he is expected to offer opinions and advice to ensure appropriate, sound management decision-making from an independent and objective standpoint.		

Candidate No.	Name (Date of birth)	Career Summary and Position in the Company (Significant concurrent positions)	Number of the Company's Shares Owned	
6	Yasuhiro Ogino (September 29, 1973)	Aug. 2005	Joined Macromill, Inc.	0
		Jan. 2008	Executive Officer (in charge of Finance and Accounting Headquarters), Macromill, Inc.	
Jun. 2008	Joined J-Magic K.K.			
Dec. 2008	Director, CFO, General Manager of Administration Management Division, J-Magic K.K.			
Dec. 2009	Joined mixi, Inc.			
Nov. 2011	Executive General Manager of the Administrative Headquarter, mixi, Inc.			
Feb. 2012	Executive Officer, mixi, Inc.			
Jun. 2012	Director, mixi, Inc.			
May 2017	Representative Director, SMART HEALTH Inc.			
Apr. 2018	Executive Officer, mixi, Inc.			
Mar. 2020	External Director, the Company (current position)			
Apr. 2020	Director and CFO, OCT Inc. (currently ANDPAD Inc.) (current position)			
[Reasons for nomination as candidate for Director and outline of expected role] With his experience as CFO and others at growing companies, Mr. Yasuhiro Ogino possesses abundant insight in overall business administration centered on business development and M&A. He has been nominated because he is expected to offer opinions and advice to ensure appropriate, sound management decision-making from an independent and objective standpoint.				
7	* Mariko Tokioka (July 29, 1978)	Oct. 2002	Joined Oracle Corporation Japan	0
		Dec. 2010	Co-founder & COO, Quipper Limited	
Oct. 2013	Founder & CEO, East Meet East, Inc. (current position)			
Jun. 2019	External Director, Asteria Corporation (current position)			
[Reasons for nomination as candidate for Director and outline of expected role] Ms. Mariko Tokioka is the founder and CEO of an IT company based in the U.S. and has a wealth of experience and a wide range of insight, including entrepreneurial experience in the SaaS field, global business management, and diversity management. She has been newly nominated because she is expected to offer opinions and advice to ensure appropriate, sound management decision-making from an independent and objective standpoint.				

- (Notes)
1. New candidates for Director are indicated by an asterisk (\*).
  2. None of the candidates has any special interests in the Company or vice versa.
  3. Messrs. Tomoyuki Mizutani, Koji Yanagisawa and Yasuhiro Ogino, and Ms. Mariko Tokioka are External Director candidates.
  4. Mr. Tomoyuki Mizutani is currently an External Director of the Company; he will have served as an External Director for five years as of the conclusion of the 28th Annual General Meeting of Shareholders. Messrs. Koji Yanagisawa and Yasuhiro Ogino will have served as External Directors for two years as of the conclusion of the said meeting.
  5. If Messrs. Tomoyuki Mizutani, Koji Yanagisawa and Yasuhiro Ogino are reappointed, the Company plans to renew each of the existing agreements with them pursuant to the provisions of Article 427, paragraph 1 of the Companies Act and Article 32, paragraph 2 of the Company's Articles of Incorporation. The agreements limit their liability for damages under Article 423, paragraph 1 of the Companies Act to the minimum liability stipulated in Article 425, paragraph 1 of the same act. If the election of Ms. Mariko Tokioka is approved, the Company plans to enter into the same liability limitation agreement with her.
  6. The Company has concluded Directors and Officers liability insurance (D&O insurance) contracts with an insurance company, whereby the Directors of the Company and the Directors and the Auditors of the Company's subsidiaries are the insureds. The insurance contracts cover losses that may arise from an insured's assumption of liability incurred in the course of the performance of duties, or receipt of claims pertaining to the pursuit of such liability. In the event that each candidate's election as a Director is approved, he or she shall be the insured under the said insurance contract. The insurance contract is scheduled to be renewed with the same terms and conditions at the next renewal.
  7. Messrs. Tomoyuki Mizutani, Koji Yanagisawa and Yasuhiro Ogino meet the independent director requirements of the Tokyo Stock Exchange, Inc. If reappointed, they will continue to serve as independent directors. Ms. Mariko Tokioka also satisfies the same requirements and will be reported as an independent director if her election is approved.
  8. The number of the Company's shares owned by Mr. Noboru Hachimine includes 4,520,200 shares owned by HIBC Co., Ltd., an asset management company wholly owned by Mr. Hachimine.
  9. The number of the Company's shares owned by Mr. Atsushi Nouchi includes 400,800 shares owned by Time and Space, Ltd., an asset management company wholly owned by Mr. Nouchi.

### Proposal No. 3: Election of Four (4) Directors Who Are Audit and Supervisory Committee Members

The terms of office of all the current four (4) Directors who are Audit and Supervisory Committee members will expire at the conclusion of this Annual General Meeting of Shareholders. In that regard, the Company proposes to elect four (4) Directors who are Audit and Supervisory Committee members. The consent of the Audit and Supervisory Committee has been obtained for this proposal.

The candidates for Directors who are Audit and Supervisory Committee members are as follows:

Candidate No.	Name (Date of birth)	Career Summary and Position in the Company (Significant concurrent positions)	Number of the Company's Shares Owned	
1	Yuki Okabe (May 5, 1973)	Apr. 1992 Mar. 1998 Oct. 2002 Jul. 2007 Oct. 2011 Jun. 2016 Jul. 2018 Mar. 2020 Mar. 2021 Mar. 2021 Mar. 2021	Joined THE OITA BANK, LTD. Joined Takahashi Tax Accounting Office Joined ChuoAoyama Audit Corporation Joined Ernst & Young ShinNihon LLC Established Okabe Yuki Certified Public Accountant and FP Office Full-time Audit & Supervisory Board Member, fonfun corporation Full-time Audit & Supervisory Board Member, AltPlus Inc. External Director and Audit and Supervisory Committee member, the Company (current position) Auditor, SoldOut, Inc. (current position) Auditor, Digital Shift, Inc. (current position) Auditor, Bonds Investment Group, Inc. (current position)	0
		<p>[Reasons for nomination as candidate for Director who is Audit and Supervisory Committee member and outline of expected role]</p> <p>In addition to possessing significant insight in finance and accounting as a CPA, Ms. Yuki Okabe has experience as an Auditor at multiple listed companies. She has been nominated because she is expected to offer necessary opinions and advice in the deliberation of matters from an objective standpoint.</p>		
2	Fumiyuki Shinomiya (September 27, 1948)	Apr. 1971 Jun. 2001 Mar. 2016 Mar. 2018 Mar. 2018 Apr. 2020 Oct. 2020 Mar. 2021	Joined Dai-ichi Kangyo Bank, Limited (currently Mizuho Bank, Ltd.) Full-time Auditor, Seiko Instruments Inc. Full-time Auditor, Crossfinty Inc. Auditor, OPT, Inc. (current position) External Director and Audit and Supervisory Committee member, the Company (current position) Auditor, OptDigital, Inc. (currently Re:teigi, Inc.) (current position) Auditor, RePharmacy, Inc. (current position) Auditor, Vankable, Inc. (current position)	0
		<p>[Reasons for nomination as candidate for Director who is Audit and Supervisory Committee member and outline of expected role]</p> <p>Mr. Fumiyuki Shinomiya possesses abundant experience and insight in the financial field both in Japan and overseas. He has been nominated because he is expected to offer necessary opinions and advice in the deliberation of matters from the standpoint of the objectivity and neutrality of management.</p>		

Candidate No.	Name (Date of birth)	Career Summary and Position in the Company (Significant concurrent positions)	Number of the Company's Shares Owned	
3	Masahiro Yamamoto (August 15, 1958)	Mar. 1983	Joined Price Waterhouse Certified Public Accountants Office	0
		Mar. 1986	Registered as Certified Public Accountant	
		Aug. 2000	Representative Partner, ChuoAoyama Audit Corporation	
		Sep. 2006	Representative Partner, PricewaterhouseCoopers Aarata (currently PricewaterhouseCoopers Aarata LLC)	
		Jul. 2019	Established Yamamoto Masahiro Certified Public Accountant Office (current position)	
		Mar. 2020	External Director and Audit and Supervisory Committee member, the Company (current position)	
		Jun. 2021	Outside Audit & Supervisory Board Member, Nippon Suisan Kaisha, Ltd. (current position)	
	[Reasons for nomination as candidate for Director who is Audit and Supervisory Committee member and outline of expected role] In addition to possessing significant insight in finance and accounting as a CPA, Mr. Masahiro Yamamoto has experience in supporting numerous companies as a Representative Partner of audit corporations. The Company expects him to offer necessary opinions and advice in the deliberation of matters from an objective standpoint. Therefore, he has been nominated as a candidate for Director who is Audit and Supervisory Committee member.			
4	* Ryoichi Kagizaki (August 1, 1974)	Oct. 2002	Joined Ushijima & Partners, Attorneys-at-Law	0
		Jan. 2012	Joined LIXIL Corporation	
		Oct. 2017	Joined LINE Corporation	
		Jan. 2019	Joined Miura & Partners (current position)	
	[Reasons for nomination as candidate for Director who is Audit and Supervisory Committee member and outline of expected role] Mr. Ryoichi Kagizaki has a wealth of experience and expertise as a lawyer. He has been newly nominated as a candidate for Director who is Audit and Supervisory Committee member because he is expected to offer necessary opinions and advice in the deliberation of matters.			

- (Notes)
1. New candidates for Director are indicated by an asterisk (\*).
  2. None of the candidates has any special interests in the Company or vice versa.
  3. Ms. Yuki Okabe, Messrs. Fumiyuki Shinomiya, Masahiro Yamamoto and Ryoichi Kagizaki are External Director candidates.
  4. Ms. Yuki Okabe, Messrs. Fumiyuki Shinomiya and Masahiro Yamamoto are currently External Directors who are Audit and Supervisory Committee members of the Company; they will have served as External Directors for two years, four years, and two years, respectively, as of the conclusion of the 28th Annual General Meeting of Shareholders.
  5. Ms. Yuki Okabe is an Auditor of SoldOut, Inc., Digital Shift, Inc., and Bonds Investment Group, Inc., which are subsidiaries of the Company.
  6. Mr. Fumiyuki Shinomiya is an Auditor of OPT, Inc., Re:teigi, Inc., RePharmacy, Inc., and Vankable, Inc., which are subsidiaries of the Company.
  7. If Ms. Yuki Okabe, Messrs. Fumiyuki Shinomiya and Masahiro Yamamoto are reappointed, the Company plans to renew each of the existing agreements with them pursuant to the provisions of Article 427, paragraph 1 of the Companies Act and Article 32, paragraph 2 of the Company's Articles of Incorporation. The agreements limit their liability for damages under Article 423, paragraph 1 of the Companies Act to the minimum liability stipulated in Article 425, paragraph 1 of the same act. If the election of Mr. Ryoichi Kagizaki is approved, the Company plans to enter into the same liability limitation agreement with him.
  8. The Company has concluded Directors and Officers liability insurance (D&O insurance) contracts with an insurance company, whereby the Directors of the Company and the Directors and the Auditors of the Company's subsidiaries are the insureds. The insurance contracts cover losses that may arise from an insured's assumption of liability incurred in the course of the performance of duties, or receipt of claims pertaining to the pursuit of such liability. In the event that each candidate's election as a Director who is Audit and Supervisory Committee member is approved, he or she shall be the insured under the said insurance contract. The insurance contract is scheduled to be renewed with the same terms and conditions at the next renewal.
  9. Ms. Yuki Okabe, Messrs. Fumiyuki Shinomiya and Masahiro Yamamoto meet the independent director requirements of the Tokyo Stock Exchange, Inc. If reappointed, they will continue to serve as independent directors. Mr. Ryoichi Kagizaki also satisfies the same requirements and will be reported as an independent director if his election is approved.