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

(Securities code: 2389)

Date of issue: March 2, 2023

Date of electronic provision measures commencement: March 1, 2023

To our shareholders:

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

Convocation Notice of the 29th Annual General Meeting of Shareholders

We would like to inform you that the 29th Annual General Meeting of Shareholders (the "Meeting") of DIGITAL HOLDINGS, Inc. (the "Company") will be held as described below.

When convening the General Meeting of Shareholders, the Company takes measures to electronically provide the information that is the content of the reference documents for the general meeting of shareholders, etc. (Electronic Provision Measures Matters), and posts this information as the "Convocation Notice of the 29th Annual General Meeting of Shareholders" on the Company's website. Please access the Company's website using the Internet address shown below to review the information.

The Company's website:
https://www.digital-holdings.co.jp/ir/stocks_meeting/
(in Japanese only)

Two-dimensional code

In addition to the Company's website, the Company also posts this information on the website of the Tokyo Stock Exchange, Inc. (TSE). Please access the TSE website (Listed Company Search) by using the Internet address given below, input the issue name (company name) or securities code, and click "Search," and then click "Basic information" and select "Documents for public inspection/PR information."

TSE website (Listed Company Search):
https://www2.jpx.co.jp/tseHpFront/JJK010010Action.do?Show=Show
(in Japanese only)

Two-dimensional code

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. 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.

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 23, 2023 (JST).

1. **Date and Time:** Friday, March 24, 2023 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 29th Fiscal Term (from January 1, 2022 to December 31, 2022).

II. Report on the Non-Consolidated Financial Statements of the Company for the 29th Fiscal Term (from January 1, 2022 to December 31, 2022).

Proposals to be resolved:

Proposal: Election of Seven (7) Directors (Excluding 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 proposal on the Voting Rights Exercise Form sent together with this Convocation Notice, and return the Form by post to reach us by 6:00 p.m. Thursday, March 23, 2023 (JST).

If you do not indicate your approval or disapproval of the proposal, it shall be treated as an indication of approval.

(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/)" (in Japanese only), which is provided on the Voting Rights Exercise Form sent together with this Convocation Notice. Follow the instructions and indicate your approval or disapproval by 6:00 p.m. Thursday, March 23, 2023 (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 Voting Rights Exercise Form sent together with this Convocation Notice at the reception desk. Please bring this Convocation Notice of the 29th Annual General Meeting of Shareholders with you to the meeting.

Notice: 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/).

If amendments to the Electronic Provision Measures Matters are to be taken arise, a notice of the amendments and the details of the matters before and after the amendments will be posted on the Company's aforementioned website and the TSE website.

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/ (in Japanese only)
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 23, 2023 (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 Voting Rights Exercise Form sent together with this Convocation Notice 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 Voting Rights Exercise Form sent together with this Convocation Notice. 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:

Custody Service Department, IR Japan, Inc.

TEL: 0120-975-960

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

Live Streaming of the General Meeting of Shareholders

The 29th 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 24, 2023 (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 (in Japanese only)

   Two-dimensional 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. Thursday, March 2, 2023 to around 9:30 a.m. Friday, March 24, 2023 (JST).

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

TEL: 03-4223-0804 (in Japanese only)

Available from 9:00 a.m. to the end of the Meeting on Friday, March 24, 2023 (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 6:00 p.m. Friday, March 17, 2023 (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

- The number of seats available for shareholders at the Meeting will be limited. Therefore, even if you come to the venue on the day, we may refuse your entry into the venue.
- From the viewpoint of preventing the spread of COVID-19 and placing the top priory 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.
- For some officers, participation may be via remote communication to avoid the risk of infection.
- 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, 2022 to December 31, 2022)

1. Overview of the Group

(1) Business for the Year Ended December 31, 2022

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. In addition, we believe that "Society 5.0," a human-centered society that balances economic advancement with the resolution of social problems by a system that highly integrates cyberspace (virtual space) and physical space (real space), as advocated by the Japanese Cabinet Office, will become a reality, and we expect that demand for "digital shift" relating to "information, human resources, products and money" that the Group pursues to offer will further increase.

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." 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 to the Digital Shift-related Businesses, in addition to the Marketing Business, which centers on support for clients' sales promotion, thereby achieving a target of "corporate value of JPY 1 trillion by 2030."

The Group has set "DS Innovation 2023" as its medium-term business goal through 2023 to realize the above management policy. In order to strongly promote a pivot to the Digital Shift Business, the Group set "focused investment in IX (industrial transformation)" and "continuous improvement of profitability of the Advertising Business" as key measures for this fiscal year, and implemented the following measures, respectively.

1) Focused investment in IX
   From the perspective of selection and concentration, the Group concentrated its investment of human and financial resources on IX businesses with high growth potential, and invested over JPY 3.3 billion in IX and IX-related businesses during the current fiscal year. As a result, the Group's IX-related business sales growth rate was up 421.9% year on year.

   * IX-related business sales growth rate: Calculated based on the accounting standards before the application of the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc.

2) Continuous improvement of profitability of the Advertising Business
   The operating margin for the Advertising Business in fiscal 2021 had improved to 4.2% from 2.2% in fiscal 2020, and we continued to review our Internet advertising operations and creative business processes in this fiscal year and implemented business portfolio reorganization, resulting in a steady improvement in profitability of 4.5% of operating margin.

   * Operating margin: Calculated based on the net sales in accordance with the accounting standards before the application of the Accounting Standard for Revenue Recognition, etc.

As a results of business operations based on the above management policy, the Group reported operating results for the fiscal year ended December 31, 2022 (hereinafter the "current fiscal year") with revenue of JPY 16,924 million (down 48.2% YoY), gross profit of JPY 11,208 million (down 55.6% YoY), operating loss of JPY 447 million (operating profit of JPY 10,922 million in the previous fiscal year), EBIT of JPY 8,324 million (down 45.6% YoY), EBITDA of JPY 9,983 million (down 40.9% YoY), and profit attributable to owners of parent of JPY 5,719 million (down 44.1% YoY).

Excluding the impact of the exclusion of SoldOut, Inc. and three of its consolidated subsidiaries and SIGNATE Inc. from the scope of consolidation from the second quarter of the current fiscal year, operating results for the current fiscal year and year-on-year comparisons are as follows: revenue of JPY 15,503 million (down 43.6% YoY), gross profit of JPY 10,019 million (down 51.5% YoY), operating loss of JPY 354 million (operating profit of JPY 10,845 million in the previous fiscal year), EBIT of negative JPY 459 million (JPY 15,323 million in the previous fiscal year), EBITDA of JPY 1,101 million (down 93.3% YoY), and loss attributable to owners of parent of JPY 212 million (profit attributable to owners of parent of JPY 10,553 million in the previous fiscal year).

In addition, effective from the current fiscal year, the Company has applied the Accounting Standard for Revenue Recognition, etc., and "revenue" is shown after the application of the Accounting Standard for Revenue Recognition, etc., instead of "net sales" based on the accounting standards before the application of the Accounting Standard for Revenue Recognition, etc. Because the accounting treatment of revenue differs from that of the previous fiscal year, the above revenue in consolidated operating results, revenue of the Digital Shift Business, and revenue of the Advertising Business are explained by comparing them with the previous fiscal year using figures that have been reclassified to revenue based on the accounting standards after the application of the Accounting Standard for Revenue Recognition, etc. For reference, a comparison with the previous fiscal year is shown on page 9, where the revenue for the same period of the previous fiscal year, in which transactions conducted as an agent are reclassified from gross amount to net amount, is reclassified into net sales based on the accounting standards before the application of Accounting Standard for Revenue Recognition, etc.

The full-year operating results for each business segment are as follows.

Digital Shift Business

Digital Shift Business consists of the development of new businesses and provision of services, including industry-specific Vertical SaaS, to solve industry issues faced by various industries, led by Re:teigi, Inc., RePharmacy, Inc., and ConnectOm, Inc.; installment and deferred payment service for advertising expenditures by Vankable, Inc.; and digital shift consulting and DX product development led by Digital Shift, Inc.

In the current fiscal year, due to factors including the exclusion of SoldOut, Inc.'s two consolidated subsidiaries and SIGNATE Inc. from the scope of consolidation from the second quarter of the current fiscal year, the Digital Shift Business segment posted revenue of JPY 5,137 million (down 13.3% YoY), gross profit of JPY 2,097 million (down 21.3% YoY), operating loss of JPY 603 million (operating loss of JPY 741 million in the previous fiscal year), EBIT of negative JPY 620 million (negative JPY 743 million in the previous fiscal year), and EBITDA of negative JPY 369 million (negative JPY 469 million in the previous fiscal year).

Excluding the impact of the exclusion of SoldOut, Inc.'s two consolidated subsidiaries and SIGNATE Inc. from the scope of consolidation from the second quarter of the current fiscal year, operating results for the current fiscal year and year-on-year comparisons are as follows: revenue of JPY 4,561 million (up 13.4% YoY), gross profit of JPY 1,645 million (up 37.5% YoY), operating loss of JPY 624 million (operating loss of JPY 731 million in the previous fiscal year), EBIT of negative JPY 734 million (negative JPY 690 million in the previous fiscal year), and EBITDA of negative JPY 547 million (negative JPY 616 million in the previous fiscal year).

Advertising Business

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

The operating results of the Advertising Business segment for the current fiscal year were significantly impacted by the exclusion of SoldOut, Inc. and one of its consolidated subsidiaries from the scope of consolidation, and as a result, the Advertising Business segment posted revenue of JPY 9,355 million (down 28.4% YoY), gross profit of JPY 8,213 million (down 27.7% YoY), operating profit of JPY 2,658 million (down 17.5% YoY), EBIT of JPY 2,426 million (down 22.9% YoY), and EBITDA of JPY 2,689 million (down 23.4% YoY).

Excluding the impact of the exclusion of SoldOut, Inc. and one of its consolidated subsidiaries from the scope of consolidation from the second quarter of the current fiscal year, operating results for the current fiscal year and year-on-year comparisons are as follows: revenue of JPY 8,449 million (down 10.4% YoY), gross profit of JPY 7,425 million (down 7.9% YoY), operating profit of JPY 2,646 million (down 12.1% YoY), EBIT of JPY 2,638 million (down 11.9% YoY), and EBITDA of JPY 2,859 million (down 11.2% 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 well as BIG SX No. 1 Limited Partnership for Investment, which was formed in December 2022 to specialize in investing in start-ups that promote sustainable businesses that can transform and solve social issues and social structures.

Although the Financial Investment Business segment recorded a gain on sale of operational investment securities for the current fiscal year, because a gain on sale of shares of RAKSUL Inc., which the Company had held as operational investment securities, was recorded in the previous fiscal year, revenue was JPY 2,594 million (down 81.7% YoY), gross profit was JPY 953 million (down 91.6% YoY), and operating profit was JPY 763 million (down 93.1% YoY). In addition, 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 in the third quarter of the previous fiscal year, resulting in EBIT of JPY 811 million (down 94.8% YoY) and EBITDA of JPY 1,879 million (down 88.4% YoY).

The Company discloses IRR (Internal Rate of Return) to enhance the transparency of investment returns. 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 decreased by 1.8% from the end of the previous fiscal year to 19.0%. AUM (Assets Under Management) decreased by 13.8% from the end of the previous fiscal year to JPY 13,817 million, mainly due to a decline in the market value 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, 2022
- The reference date for calculation: December 31, 2022
- 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.

i) Shares of affiliates: Stated at book value

ii) Operational investment securities and investment securities: Each security's fair market value is calculated depending on the classification shown below:

- Notes or securities of which investment amount is small: Acquisition cost
- Listed companies' shares: Closing price at the end of reporting period
- Securities involved in financing in the recent period: Based on the value of relevant financing
- 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 3,269 million (up 25.6% YoY), mainly due to an increase in personnel expenses.

As announced in the "Notice Regarding the Execution of a Tendering Agreement for a Tender Offer for Shares of a Subsidiary and Expected Recording of Extraordinary Income" on February 9, 2022, the Company tendered all of the common shares held by the Company of SoldOut, Inc. in the tender offer that Hakuhodo DY Holdings Inc. had been conducting since February 10, 2022, and as a result, the Company recorded an extraordinary income of JPY 9,008 million.

(Reference)

As the Accounting Standard for Revenue Recognition, etc. was applied from the beginning of the current fiscal year, the main impact of this change was to change the presentation of net sales and cost of sales for transactions conducted as an agent, which were previously presented as gross amount, to net amount. For reference, tables below show the figures for revenue for the previous fiscal year (FY2021), which have been reclassified from gross amount to net amount for transactions conducted as an agent, and the figures for revenue for the current fiscal year (FY2022), which have been reclassified to net sales based on the accounting standards before the application of the Accounting Standard for Revenue Recognition, etc.

After the application of the Accounting Standard for Revenue Recognition, etc. (Yen in millions)

	FY2021	FY2022	YoY change	YoY change (%)
Revenue	32,701	16,924	(15,776)	(48.2)
Digital Shift Business	5,927	5,137	(790)	(13.3)
Advertising Business	13,068	9,355	(3,712)	(28.4)
Financial Investment Business	14,184	2,594	(11,590)	(81.7)
Adjustment	(479)	(162)	316	—

Before the application of the Accounting Standard for Revenue Recognition, etc. (Yen in millions)

	FY2021	FY2022	YoY change	YoY change (%)
Net sales	98,515	69,459	(29,056)	(29.5)
Digital Shift Business	9,055	8,301	(754)	(8.3)
Advertising Business	76,193	58,999	(17,194)	(22.6)
Financial Investment Business	14,184	2,594	(11,590)	(81.7)
Adjustment	(917)	(434)	482	—

(2) Issues to be Addressed

The following five 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 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 Business 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. 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 in a flexible and agile manner 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

On April 1, 2022, the Company transferred all shares of SoldOut, Inc. to Hakuhodo DY Holdings Inc. and excluded SoldOut, Inc. and its subsidiaries from the scope of consolidation of the Group.

(6) Assets, net sales and income

(Yen in millions, unless otherwise stated)	FY2019	FY2020	FY2021	FY2022
Revenue (Presented as net sales up to FY2021)	89,953	88,768	98,515	16,924
Ordinary profit (loss)	2,833	4,358	14,662	(439)
Profit attributable to owners of parent	1,928	3,750	10,231	5,719
Earnings per share- basic (Yen)	84.23	167.86	473.28	299.29
Total assets	61,132	71,434	69,728	55,963
Net assets	32,601	40,018	40,930	36,245

(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. The Accounting Standard for Revenue Recognition, etc. has been applied from the beginning of the 29th fiscal term, and the key management indicators, etc. for the current fiscal year are those after the application of this accounting standard, etc.

(7) Status of Parent Company and Principal Subsidiaries (As of December 31, 2022)

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
Digital Shift, Inc.	499	100.0%	Support businesses related to digital shift
OPT America, Inc.	2,405	100.0%	Financial investment business

(Notes) 1. The Company has 15 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.
3. SoldOut, Inc. was excluded from principal subsidiaries because all shares of SoldOut, Inc. were transferred to Hakuhodo DY Holdings Inc. on April 1, 2022.

(8) Major Businesses (As of December 31, 2022)

The Group is comprised of DIGITAL HOLDINGS, Inc. and 15 consolidated subsidiaries as of the end of the fiscal year ended December 31, 2022. It operates the Digital Shift Business segment, the Advertising Business segment, and the Financial Investment Business segment. The Digital Shift Business provides support for DX development and the digital shift consulting, and the development and sales of SaaS products. 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	• Digital marketing, development support • Installment and deferred payment service for advertising expenditures • SaaS product development and sales, etc.
Advertising Business	• Internet advertising agency business • Solution development and sales, etc.
Financial Investment Business	• Venture capital investment • Fund management • Management support for investee companies, etc.

(9) Major Offices (As of December 31, 2022)

1) Main Office

Office	Address
Head Office	Chiyoda-ku, Tokyo

2) Subsidiaries

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

(10) Workforce (As of December 31, 2022)

Number of Employees	Change from Dec. 31, 2021
1,022	-496

(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.
3. The number of employees decreased by 496 from the end of the previous fiscal year, mainly because the Company's consolidated subsidiaries SIGNATE Inc. and SoldOut, Inc. were excluded from the scope of consolidation as a result of the transfer of shares of SIGNATE Inc. and the tender offer for shares of SoldOut, Inc., respectively.

(11) Main Lenders (As of December 31, 2022)

Lender	Amount borrowed (Yen in millions)
Sumitomo Mitsui Banking Corporation	3,000
Mizuho Bank, Ltd.	1,000
MUFG Bank, Ltd.	1,000
Resona Bank, Limited.	167

(12) Other Significant Matters Concerning the Group

Not applicable

2. Status of the Company

(1) Matters Concerning Shares (As of December 31, 2022)

1) Total Number of Shares Authorized to Be Issued 86,630,400 shares

2) Total Number of Shares Issued 23,817,700 shares (including 6,346,243 treasury shares)

3) Number of Shareholders 7,166

4) Major Shareholders (Top 10)

Shareholder	Number of Shares Held (Shares)	Ownership of Shares (%)
HIBC Co., Ltd.	4,520,200	25.87%
The Master Trust Bank of Japan, Ltd. (Trust account)	2,018,100	11.55%
Tomohito Ebine	1,036,900	5.93%
Atsushi Nouchi	885,000	5.06%
Custody Bank of Japan, Ltd. (Trust account)	786,200	4.50%
Mynavi Corporation	755,800	4.32%
Time and Space, Ltd.	400,800	2.29%
平野秀和	238,100	1.36%
Digital Holdings Employee Stock Ownership Plan	218,142	1.24%
Masaki Kobayashi	170,800	0.97%

*1. Although the Company holds 6,346,243 treasury shares, it is omitted from the above list of major shareholders. The treasury shares (6,346,243 shares) do not include the Company's shares held by Digital Holdings Employee Stock Ownership Plan (218,142 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. is an asset management company wholly owned by the President and Group CEO of the Company, Atsushi Nouchi.

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, 2022)

Position in Company	Name	Area of Responsibility and Significant Other Positions
Chairperson	Noboru Hachimine	Chairperson and 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 at Re:teigi, Inc. Director at RePharmacy, Inc.
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	Mariko Tokioka	Founder & CEO of East Meet East, Inc. External Director at Asteria Corporation
Director (Chairperson of Audit and Supervisory Committee, full-time)	Yuki Okabe	Certified Public Accountant Auditor at OPT, Inc. Auditor at Digital Shift, Inc. Auditor at Bonds Investment Group, Inc. Auditor at Re:teigi, Inc. Auditor at RePharmacy, Inc.
Director (Audit and Supervisory Committee member)	Fumiyuki Shinomiya	Auditor at Vankable, Inc.
Director (Audit and Supervisory Committee member)	Masahiro Yamamoto	Certified Public Accountant Auditor at OPT Incubate Inc. Outside Audit & Supervisory Board Member at Nissui Corporation
Director (Audit and Supervisory Committee member)	Ryoichi Kagizaki	Lawyer

(Notes)
1. Directors Tomoyuki Mizutani, Koji Yanagisawa, Yasuhiro Ogino, and Mariko Tokioka, Director and Chairperson of the Audit and Supervisory Committee (full-time) Yuki Okabe, and Directors and Audit and Supervisory Committee members Fumiyuki Shinomiya, Masahiro Yamamoto, and Ryoichi Kagizaki are External Directors.
2. Director and Chairperson of the Audit and Supervisory Committee (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).
3. Director and Audit and Supervisory Committee member Fumiyuki Shinomiya had a long career at a financial institution and possesses considerable expertise in finance and accounting.
4. 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.
5. Director and Audit and Supervisory Committee member Ryoichi Kagizaki possesses considerable expertise in corporate legal affairs as a lawyer.
6. Former Director Shusaku Minoda and former Director and Audit and Supervisory Committee member Toshio Yamaue terminated their office upon its expiration at the conclusion of the 28th Annual General Meeting of Shareholders held on March 25, 2022.
7. The Company established a full-time Audit and Supervisory Committee position to strengthen audit and oversight functions, improve information gathering and increase audit effectiveness.
8. The Company has designated Directors Tomoyuki Mizutani, Koji Yanagisawa, Yasuhiro Ogino, and Mariko Tokioka, Director and Chairperson of the Audit and Supervisory Committee (full-time) Yuki Okabe, and Directors and Audit and Supervisory Committee members Fumiyuki Shinomiya, Masahiro Yamamoto, and Ryoichi Kagizaki 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 contracts as provided for in Article 430-3, paragraph 1 of the Companies Act with an insurance company. The insured under such insurance contracts are Directors and managerial employees of the Company, and Directors, Auditors, and managerial employees of the Company's subsidiaries. The premiums of the insurance contracts are borne entirely by the Company and the insured do not bear any of the premiums. 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. However, in order to ensure that the appropriateness of the insured's performance of duties is not compromised, coverage is not provided in cases of a willful breach of trust, criminal or fraudulent acts, or willful violation of laws and regulations by the insured.

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)	153 (36)	153 (36)	– (–)	– (–)	8 (4)
Directors who are Audit and Supervisory Committee members (External Directors' share thereof)	30 (30)	30 (30)	– (–)	– (–)	5 (5)
Total (External Directors' share thereof)	183 (66)	183 (66)	– (–)	– (–)	13 (9)

(Notes)
1. The above includes one (1) Director and one (1) Director and Audit and Supervisory Committee member who terminated their office upon its expiration at the conclusion of the Annual General Meeting of Shareholders held on March 25, 2022.
2. Remuneration, etc. for Directors does not include salaries earned as employees by Directors who concurrently hold employee positions.
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 18 of 19 Board meetings held in 2022. 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 19 Board meetings held in 2022. 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 19 Board meetings held in 2022. 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	Mariko Tokioka	Founder & CEO of East Meet East, Inc. External Director at Asteria Corporation	Ms. Tokioka attended all 13 Board meetings held after her appointment in 2022. She 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 her role appropriately, capitalizing on her abundant experience and broad knowledge, including her entrepreneurial experience in the SaaS field, global business management, and diversity management, as the founder and CEO of an IT company based in the U.S.
Director (Chairperson of the Audit and Supervisory Committee (full-time))	Yuki Okabe	CPA Auditor at OPT, Inc. Auditor at Digital Shift, Inc. Auditor at Bonds Investment Group, Inc. Auditor at Re:teigi, Inc. Auditor at RePharmacy, Inc.	Ms. Okabe attended all 19 Board meetings and all 13 Audit and Supervisory Committee meetings held in 2022. 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)	Fumiyuki Shinomiya	Auditor at Vankable, Inc.	Mr. Shinomiya attended all 19 Board meetings and all 13 Audit and Supervisory Committee meetings held in 2022. 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)	Masahiro Yamamoto	CPA Auditor at OPT Incubate Inc. Outside Audit & Supervisory Board Member at Nissui Corporation	Mr. Yamamoto attended all 19 Board meetings and all 13 Audit and Supervisory Committee meetings held in 2022. 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.
Director (Audit and Supervisory Committee member)	Ryoichi Kagizaki	Lawyer	Mr. Kagizaki attended all 13 Board meetings and all 10 Audit and Supervisory Committee meetings held after his appointment in 2022. He appropriately provided valuable perspectives on agenda items and other discussions and fulfilled his role appropriately from lawyer's perspectives.

(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. The Company's relationships with East Meet East, Inc. and Asteria Corporation, two companies at which Director Ms. Tokioka holds positions, do not warrant disclosure.
4. OPT, Inc., Digital Shift, Inc., Bonds Investment Group, Inc., Re:teigi, Inc., and RePharmacy, Inc., at which Director and Chairperson of the Audit and Supervisory Committee (full-time) Ms. Okabe holds positions, are subsidiaries of the Company.
5. Vankable, Inc., at which Director and Audit and Supervisory Committee member Mr. Shinomiya holds a position, is the subsidiary of the Company.
6. OPT Incubate Inc., at which Director and Audit and Supervisory Committee member Mr. Yamamoto holds a position, is the subsidiary of the Company. The Company's relationship with Nissui Corporation, at which 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, 2022	48
Total monetary amount payable to the Accounting Auditor by the Company and its subsidiaries	57

(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, 2022.
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 internal 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 Storage 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, store 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 project manager meetings held monthly, management teams of the Company and each subsidiary 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 the Company's 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

The Company's Directors (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, 2022, the Company held Board of Directors meetings nineteen (19) 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 Audit and Supervisory Committee Members

In addition to conducting audits pursuant to audit plans formulated at Audit and Supervisory Committee meetings, Audit and Supervisory Committee members oversee the execution of duties by Directors (excluding Directors who are Audit and Supervisory Committee members) 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 internal 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.

(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, 2022, the Company's Board of Directors passed a resolution authorizing a dividend of JPY 67.00 per share on February 13, 2023.

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, 2022)

(Yen in millions)

Account	Amount	Account	Amount
Assets		Liabilities	
Current assets	47,361	Current liabilities	15,079
Cash and deposits	26,471	Accounts payable-trade	9,990
Accounts receivable-trade	10,298	Current portion of long-term borrowings	1,167
Contract assets	21		
Operational investment securities	6,861	Income taxes payable	1,704
Inventories	12	Contract liabilities	39
Accounts receivable - other	2,894	Provision for bonuses	562
Other	802	Other	1,615
Allowance for doubtful accounts	(0)		
		Noncurrent liabilities	4,637
Noncurrent assets	8,601	Long-term borrowings	4,000
Property, plant and equipment	215	Deferred tax liabilities	468
Buildings and structures	164	Asset retirement obligations	169
Other	51	Total liabilities	19,717
		Net assets	
Intangible assets	855	Shareholders' equity	27,031
Goodwill	181	Share capital	8,212
Other	673	Capital surplus	3,843
		Retained earnings	23,674
Investments and other assets	7,530	Treasury shares	(8,698)
Investment securities	6,612	Accumulated other comprehensive income	2,799
Leasehold and guarantee deposits	299	Valuation difference on available-for-sale securities	1,389
Other	618		
		Foreign currency translation adjustment	1,409
		Non-controlling interests	6,414
		Total net assets	36,245
Total assets	55,963	Total liabilities and net assets	55,963

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

Consolidated statement of income

(From January 1, 2022 to December 31, 2022)

(Yen in millions)

Account	Amount	
Revenue		16,924
Cost of sales		5,716
Gross profit		11,208
Selling, general and administrative expenses		11,656
Operating profit		447
Non-operating income		
Gain on investments in investment partnerships	39	
Other	29	68
Non-operating expenses		
Interest expenses	14	
Commission expenses	32	
Foreign exchange losses	9	
Other	3	60
Ordinary profit		439
Extraordinary income		
Gain on change in equity	47	
Gain on sales of investment securities	9,044	
Other	1	9,094
Extraordinary losses		
Loss on retirement of noncurrent assets	13	
Tender offer-related expenses	103	
Loss on extinguishment of stock compensation	119	
Impairment loss	108	
Other	0	344
Profit before income taxes		8,310
Income taxes-current	3,431	
Income taxes-deferred	(654)	2,776
Profit		5,533
Profit attributable to non-controlling interests		186
Profit attributable to owners of parent		5,719

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

Consolidated statement of changes in net assets

(From January 1, 2022 to December 31, 2022)

(Yen in millions)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of year	8,212	3,841	20,011	(3,698)	28,367
Changes of items during the period					
Dividends of surplus			(2,056)		(2,056)
Profit (loss) attributable to owners of parent			5,719		5,719
Purchase of treasury shares				(4,999)	(4,999)
Changes in ownership interest in subsidiaries		1			1
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	1	3,663	(4,999)	(1,335)
Balance at end of year	8,212	3,843	23,674	(8,698)	27,031

	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	3,780	513	4,294	12	8,256	40,930
Changes of items during the period						
Dividends from surplus						(2,056)
Net income attributable to owners of parent						5,719
Purchase of treasury shares						(4,999)
Changes in ownership interest in subsidiaries						1
Net changes of items other than shareholders' equity	(2,390)	895	(1,494)	(12)	(1,842)	(3,348)
Total changes of items during the period	(2,390)	895	(1,494)	(12)	(1,842)	(4,684)
Balance at end of year	1,389	1,409	2,799	—	6,414	36,245

(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: 15 consolidated subsidiaries
- Names of consolidated subsidiaries

OPT, Inc.
ConnectOm, Inc.
Bonds Investment Group, Inc.
BIG No. 1 Limited Partnership for Investment
BIG No. 2 Limited Partnership for Investment
OPT Incubate Inc.
OPT China Limited
OPT Shenzhen (China)
OPT America, Inc.
Digital Shift, Inc.
Re:teigi, Inc.
RePharmacy, Inc.
Vankable, Inc.
JOMYAKU, Inc.
BIG SX No. 1 Limited Partnership for Investment

From the fiscal year ended December 31, 2022, newly established company BIG SX No. 1 Limited Partnership for Investment is included in the scope of consolidation.

On the other hand, SoldOut, Inc. and its subsidiaries, SIGNATE, Inc., Hyogo-Kobe Startup Limited Partnership for Investment, and IMJ FENOX PTE. LTD. No. 2 were excluded from the scope of consolidation because of share transfer and other reasons in the fiscal year ended December 31, 2022.

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.

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: Not applicable

(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)

• Securities other than shares, etc. that do not have a market price:
Stated at fair value (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).

• Shares, etc. that do not have a market price:
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:	4 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) Standards for recognition of significant revenue and expenses
Revenue recognition for each of the major categories of revenue is as follows:

A. Contracted development services

The Company provides contracted development services for the purpose of supporting customers’ DX, etc., and is obligated to produce and deliver deliverables such as software based on customer specifications.

Performance obligation is satisfied as the development work progresses, and revenue is recognized over a certain period if the degree of progress in the satisfaction of such performance obligation can be reasonably measured.

However, when the term from the transaction commencement date to the point when the performance obligation is expected to be fully satisfied is very short, revenue is recognized when the deliverables are accepted by a customer.

B. Advertisement-related services

In the programmatic advertising and affiliate services, the Company has performance obligations to act as an intermediary for placing advertisements and to optimize the placement and distribution of advertisements to achieve the advertising results expected by customers.

Performance obligation is satisfied when the results from distribution of advertisements are achieved in accordance with the arrangement with the customer, and revenue is recognized on a volume basis based on the number of results achieved.

The Company does not control the goods or services transferred to the advertisers in the case of intermediation of advertising space and management agency services in the case of programmatic advertising, which the Company determines to fall under agent transaction. For such transactions, revenue is recognized at the net amount of the amount received in exchange for services provided by the other party less the amount paid to the other party concerned.

The Company also enters into certain transactions in which it has an obligation to produce and deliver advertising productions. For these transactions, revenue is recognized at the time the performance obligation is satisfied upon fulfillment of delivery to a customer.

C. Financial investment services

The Group performs operational investment for the purpose of earning capital gains of venture companies.

In funds in which the Group participates as a limited liability partner, the Group contributes the amount promised to be invested based on the partnership agreement, and for funds managed by the Group, the amount promised to be invested for which contributions have been received is managed and operated in accordance with the partnership agreement.

Revenue is recognized at the time when operational investment securities held directly by the Company and investment targets held through funds are sold.

As consideration for the revenue recognized by the Group is received generally within one year from the satisfaction of performance obligation, it does not include a significant financing component.

5) 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.

6) 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.

7) Other significant matters that form the basis of preparing consolidated financial statements

A. Accounting procedures for consumption taxes

Non-deductible consumption taxes are expensed for the current fiscal year.

B. Application of tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system

The Company and its certain domestic consolidated subsidiaries will transition from the consolidated taxation system to the group tax sharing system from the following fiscal year. However, 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.

The Company and its certain domestic consolidated subsidiaries plan to adopt the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (PITF No. 42, August 12, 2021) from the beginning of the following fiscal year, which provides for accounting treatment and disclosure of income taxes, local income taxes, and tax effect accounting when the group tax sharing system is adopted.

2. Notes on changes in accounting policies

(1) Application of Revenue Recognition Standard, etc.

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter "Revenue Recognition Standard"), etc. from the beginning of the current fiscal year. The Company recognizes revenue when control of promised goods or services is transferred to a customer in an amount which the Company expects to receive in exchange for those goods or services.

The Company previously recognized as net sales the gross amount of consideration received from a customer. However, the Company determined that the transaction is an agent transaction as the Company does not control the goods or services transferred to the customer, but only provides services to arrange for these goods or services. Accordingly, the Company changed the method of recognizing as revenue the net amount of the total consideration received from customers less the related costs.

The Company applies the Revenue Recognition Standard, etc. in accordance with the transitional treatment provided for in the proviso to paragraph 84 of the Revenue Recognition Standard. The cumulative amount of impact of retrospectively applying the new accounting policies prior to the beginning of the current fiscal year is adjusted to retained earnings at the beginning of the current fiscal year, with the new accounting policies applied from the beginning balance. However, the Company applies the method provided for in paragraph 86 of the Revenue Recognition Standard and does not apply the new accounting policies retrospectively to contracts for which substantially all revenue amounts had been recognized prior to the beginning of the current fiscal year in accordance with the previous treatment. In addition, applying the method stipulated in proviso (1) to paragraph 86 of the Revenue Recognition Standard, contract modifications that occurred prior to the beginning of the current fiscal year were accounted for based on the terms of the contract after reflecting all contract modifications, with the cumulative amount of impact adjusted to retained earnings at the beginning of the current fiscal year.

Furthermore, "notes and accounts receivable - trade," which was presented under "current assets" in the consolidated balance sheet of the previous fiscal year, has been included under "accounts receivable - trade" and "contract assets" from the current fiscal year, and "other," which was presented under "current liabilities," has been included under "contract liabilities" and "other" from the current fiscal year.

As a result of this change, revenue decreased by JPY 52,534 million and cost of sales decreased by JPY 52,534 million for the current fiscal year. There is no effect on the balance of retained earnings at the beginning of the fiscal year.

"Net sales," which had been presented in the consolidated statement of income, is now presented as "revenue" considering from the viewpoint of more appropriate presentation upon the application of the Revenue Recognition Standard, etc.

(2) Application of Fair Value Measurement Standard, etc.

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019; hereinafter “Fair Value Measurement Standard”), etc. from the beginning of the current fiscal year, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Standard, etc. in accordance with the transitional treatment provided in paragraph 19 of the Fair Value Measurement Standard and paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). This does not affect the consolidated financial statements. In addition, the Company will include notes regarding matters such as the breakdown, etc. of financial instruments by the level of fair value in “8. Notes on financial instruments” in the Notes to Consolidated Financial Statements.

3. Notes on significant accounting estimates

Valuation of shares, etc. that do not have a market price

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

Operational investment securities of JPY 6,861 million and investment securities of JPY 6,612 million were recorded in the consolidated balance sheet for the current fiscal year. These include JPY 4,885 million of shares, etc. that do not have a market price and JPY 6,460 million in equity interests in investment limited partnerships and similar partnerships.

(2) Information on significant accounting estimates for identified items

For shares, etc. that do not have a market price, 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 and careful 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. Additional information

Sale of shares of a material subsidiary

The Company sold all common shares held by the Company of SoldOut, Inc., a consolidated subsidiary, on April 1, 2022, and gain on sales of investment securities of JPY 9,008 million is recorded as extraordinary income. Please refer to “11. Notes to business combination, etc.” in the Notes to Consolidated Financial Statements for details of the sale of the shares.

5. Notes to consolidated balance sheet

(1) Breakdown of inventories

	(Yen in millions)
Work in process	12
Supplies	0

(2) Accumulated depreciation of property, plant and equipment

	(Yen in millions)
Accumulated depreciation	313

6. Notes to consolidated statement of income

Revenue from contracts with customers

The Company does not separate and state revenue from contracts with customers and other sources of revenue. The amount of revenue from contracts with customers is presented in “9. Notes on revenue recognition, (1) Disaggregation information of revenue for the current fiscal year” in the Notes to Consolidated Financial Statements.

7. 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, 2022	Additions	Subtractions	As of Dec. 31, 2022
Shares issued				
Common shares	23,817,700 shares	—	—	23,817,700 shares
Treasury shares				
Common shares	2,613,543 shares	3,732,700 shares	—	6,346,243 shares

(2) Matters concerning dividend

1) Amount of dividend distribution

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

2) Dividends with a record date in the fiscal year ended December 31, 2022, 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 13, 2023 Board of Directors Meeting	Common shares	Retained earnings	1,170	67.0	December 31, 2022	March 3, 2023

8. 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 regulations regarding credit management.

- 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

In calculation of the fair value of financial instruments, 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, 2022 (the consolidated balance sheet date for the current fiscal year) and their differences are as follows.

(Yen in millions)

	Carrying amount in the consolidated balance sheet	Fair value	Difference
Operational investment securities and investment securities	2,128	2,128	—
Total assets	2,128	2,128	—
Long-term borrowings (including current portion thereof)	5,167	5,158	(8)
Total liabilities	5,167	5,158	(8)

(Note 1) "Cash and deposits," "accounts receivable-trade," "accounts receivable-other" and "accounts payable-trade" are omitted because they consist of cash and have short-term maturities, and their fair value approximates their book value.

(Note 2) Shares, etc. that do not have a market price are not included in the above. The carrying amount of such financial instruments on the consolidated balance sheet are as follows:

(Yen in millions)

Type	Carrying amount on consolidated balance sheet
Operational investment securities and investment securities	
Unlisted stocks	4,885
Equity interests in investment limited partnerships and similar partnerships*	6,460
Total	11,345

(*) Equity interests in investment limited partnerships and similar partnerships are not subject to fair value disclosure in accordance with paragraph 27 of "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019).

(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	26,471	—	—	—
(2) Accounts receivable–trade	10,298	—	—	—
(3) Accounts receivable-other	2,894	—	—	—
Total	39,664	—	—	—

(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	1,167	4,000	—	—
Total	1,167	4,000	—	—

(3) Breakdown, etc. of financial instruments by level of fair value

The fair value of financial instruments is classified into the following three levels according to the observability and materiality of inputs used to measure fair value.

Level 1 fair value: Fair value measured using observable inputs, i.e., quoted prices in active markets for assets or liabilities that are the subject of such fair value measurement.

Level 2 fair value: Fair value measured using observable inputs other than Level 1 inputs.

Level 3 fair value: Fair value measured using unobservable inputs.

If multiple inputs that have significant impact on fair value measurement are used, the fair value is categorized in the level of the lowest priority for fair value measurement among the level of each input.

1) Financial instruments measured at fair value in the consolidated balance sheet

Type	Fair value (Yen in millions)			
	Level 1	Level 2	Level 3	Total
Operational investment securities and investment securities				
Shares	1,786	—	—	1,786
Other	—	—	342	342
Total assets	1,786	—	342	2,128

2) Financial instruments other than those measured at fair value in the consolidated balance sheet

	Fair value (Yen in millions)			
	Level 1	Level 2	Level 3	Total
Long-term borrowings (including current portion thereof)	—	5,158	—	5,158
Total liabilities	—	5,158	—	5,158

(Note) A description of the valuation technique(s) and inputs used in the fair value measurements

・ Operational investment securities and investment securities

Listed shares are valued using quoted prices. As listed shares are traded in active markets, their fair value is classified as Level 1. Other is share acquisition rights of unlisted shares. As their investment timing and the end of the consolidated fiscal year are close, the book value is considered to approximate fair value. Accordingly, the book value is used as fair value, and their fair value is classified as Level 3.

・ Long-term borrowings

The fair value 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, and is classified as Level 2.

9. Notes on revenue recognition

(1) Disaggregation of revenue from contracts with customers for the current fiscal year

(Yen in millions)

	Business segment			Total
	Digital Shift Business	Advertising Business	Financial Investment Business	
Goods or services transferred at a point in time	965	919	—	1,885
Goods or services transferred over a certain period	4,022	8,424	—	12,446
Revenue from contracts with customers	4,987	9,344	—	14,331
Other revenue	—	—	2,593	2,593
Revenue from external customers	4,987	9,344	2,593	16,924

(2) Basic information in understanding revenue

Basic information in understanding revenue is as presented in “1. Significant matters that form the basis of preparing consolidated financial statements, (5) Matters on accounting policies, 4) Standards for recognition of significant revenue and expenses” in the Notes to Consolidated Financial Statements.

(3) Information in understanding the amounts of revenue for the current fiscal year and following fiscal years

1) Contract asset and contract liability balances, etc.

	(Yen in millions)
Contract assets (balance at beginning of year)	11
Contract assets (balance at end of year)	21
Contract liabilities (balance at beginning of year)	160
Contract liabilities (balance at end of year)	39

Contract assets consist of unbilled accounts receivables-trade for which revenue is recognized over a certain period based on the estimated degree of progress in satisfying performance obligations. Contract assets are reclassified to receivables from contracts with customers when they are accepted by a customer. Contract liabilities primarily relate to advances received from customers for the period based on the payment terms on the contracts for which revenue is recognized at time of satisfaction of performance obligations. Contract liabilities are reversed as revenue is recognized.

2) Transaction price allocated to the remaining performance obligations

Since the Group does not have significant transactions with an initial expected contract term of more than one year, the Group has applied the practical expedient and figures are omitted. Further, there is no significant amount of consideration arising from contracts with customers that are not included in the transaction price.

10. Notes to per-share information

Net assets per share	¥1,707.41
Earnings per share	¥299.29

11. Notes to business combination, etc.

Business divestiture

(Sale of shares of a subsidiary)

At the Board of Directors meeting held on February 9, 2022, the Company resolved to tender the shares held by the Company of SoldOut, Inc., a consolidated subsidiary of the Company, in a tender offer for common shares and share acquisition rights of SoldOut, Inc. conducted by Hakuhodo DY Holdings Inc. Since the tender offer was completed on March 28, 2022, SoldOut, Inc. and its subsidiaries were excluded from the scope of consolidation of the Company on April 1, 2022, the date of transfer of shares.

(1) Overview of the business divestiture

1) Name of the buyer
Hakuhodo DY Holdings Inc.
2) Name and business of the divested subsidiaries
Name of the subsidiaries: SoldOut, Inc. and its three subsidiaries
Business: Internet business support business
3) Reason for the business divestiture
SoldOut, Inc. has been providing various Internet-based services and has been exploring group synergies with the Company. However, in light of the fact that the Company’s purpose and strategy of focusing on industrial transformations (IX) are different from SoldOut, Inc.’s corporate vision and strategy of focusing on digital transformation (DX), the Company carefully considered from various perspectives and concluded that partnering with a company which can share SoldOut, Inc.’s corporate vision and can maximize synergies would lead to the growth of both parties and enhance both corporate values. As a result, the Company has decided on the transfer.
4) Date of the business divestiture
April 1, 2022
5) Other matters regarding the overview of the transaction including legal form
A share transfer in which consideration is limited to cash, etc.

(2) Overview of accounting treatments applied

1) Amount of gain or loss on the transfer

	(Yen in millions)
Gain on sales of investment securities	9,008

2) Appropriate book value and breakdown of assets and liabilities of the business transferred

	(Yen in millions)
Current assets	6,359
Noncurrent assets	1,935
Total assets	8,295
Current liabilities	4,188
Noncurrent liabilities	1,078
Total liabilities	5,266

3) Accounting treatments
The difference between consolidated book value and sales price of shares in SoldOut, Inc. and its subsidiaries is recorded as gain on sales of investment securities under extraordinary income.

(3) Reporting segment of the divested business

Digital Shift Business, Advertising Business

(4) Approximate amounts of profit or loss of the divested business included in consolidated statement of income for the fiscal year ended December 31, 2022

	(Yen in millions)
Revenue	1,322
Operating income	51

12. Notes to significant subsequent events

Not applicable.

Balance sheet

(As of December 31, 2022)

(Yen in millions)

Account	Amount	Account	Amount
Assets		Liabilities	
Current assets	25,854	Current liabilities	9,906
Cash and deposits	20,423	Current portion of long-term borrowings	1,167
Accounts receivable-trade	262	Accounts payable	496
Operational investment securities	2,290	Deposits received from subsidiaries and associates	6,193
Advances paid	78	Accrued expenses	136
Short-term loans receivable from subsidiaries and associates	1,900	Income taxes payable	1,580
Accounts receivable - other	273	Deposits received	45
Other	1,864	Provision for bonuses	276
Allowance for doubtful accounts	(1,237)	Other	11
Noncurrent assets	11,319		
Property, plant and equipment	201	Noncurrent liabilities	4,156
Buildings and structures	150	Long-term borrowings	4,000
Tools, furniture and fixtures	50	Asset retirement obligations	156
Intangible assets	84	Total liabilities	14,063
Trademark right	5	Net assets	
Software	43	Shareholders' equity	22,502
Software in progress	35	Share capital	8,212
Other	0	Capital surplus	3,423
Investments and other assets	11,033	Legal capital surplus	3,423
Investment securities	1,291	Retained earnings	19,564
Shares of subsidiaries and associates	7,907	Retained earnings brought forward	19,564
Investments in other securities of subsidiaries and associates	1,344	Treasury shares	(8,698)
Long-term prepaid expenses	1	Valuation and translation adjustments	608
Deferred tax assets	217	Valuation difference on available-for-sale securities	608
Leasehold and guarantee deposits	270		
Other	0	Total net assets	23,110
Total assets	37,173	Total liabilities and net assets	37,173

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

Statement of income

(From January 1, 2022 to December 31, 2022)

(Yen in millions)

Account	Amount	
Revenue		4,039
Cost of sales		2,755
Gross profit		1,283
Selling, general and administrative expenses		600
Operating profit		682
Non-operating income		
Interest income	10	
Gain on investments in partnership	179	
Other	3	192
Non-operating expenses		
Interest expenses	13	
Commission expenses	32	
Provision of allowance for doubtful accounts	1,008	
Other	5	1,060
Ordinary profit		185
Extraordinary income		
Gain on sales of shares of subsidiaries	10,712	
Gain on liquidation of subsidiaries	1	10,713
Extraordinary loss		
Loss on valuation of shares of subsidiaries	308	
Other	0	309
Profit before income taxes		10,218
Income taxes-current	3,289	
Income taxes-deferred	(85)	3,203
Profit		7,015

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

Statement of changes in net assets

(From January 1, 2022 to December 31, 2022)

(Yen in millions)

	Shareholders' equity				
		Capital surplus		Retained earnings	
	Share capital	Legal capital surplus	Total capital surplus	Other retained earnings Retained earnings brought forward	Total retained earnings
Balance at beginning of year	8,212	3,423	3,423	14,606	14,606
Changes of items during period					
Dividends of surplus				(2,056)	(2,056)
Net income (loss)				7,015	7,015
Purchase of treasury shares					
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	—	—	4,958	4,958
Balance at end of year	8,212	3,423	3,423	19,564	19,564

	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	(3,698)	22,543	1,583	1,583	24,127
Changes of items during period					
Dividends from surplus		(2,056)			(2,056)
Net income (loss)		7,015			7,015
Purchase of treasury shares	(4,999)	(4,999)			(4,999)
Net changes of items other than shareholders' equity			(975)	(975)	(975)
Total changes of items during the period	(4,999)	(41)	(975)	(975)	(1,016)
Balance at end of year	(8,698)	22,502	608	608	23,110

(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)

• Securities other than shares, etc. that do not have a market price:

Stated at fair value (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).

• Shares, etc. that do not have a market price:

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) Standards for recognition of revenue and expenses

1) Services related to contracts with subsidiaries

The Company has performance obligations to provide back-office services and management consulting under contracts with its subsidiaries. As it is considered that the subsidiaries receive benefits as the Company performs its obligations under the contracts, revenue is recognized over the period in which the services are provided at the contract amounts agreed to with each subsidiary at the beginning of the fiscal year.

Management consulting fees are recognized as revenue at the amounts calculated based on the amount of revenue recognized by each subsidiary, and dividends from subsidiaries are also recognized as revenue on the effective date of the dividends.

2) Financial investment services

The Company performs operational investment for the purpose of earning capital gains of venture companies. In funds in which the Company participates as a limited liability partner, the Company contributes the amount promised to be invested based on the partnership agreement. Revenue is recognized as gains or losses at the time when operational investment securities held directly by the Company and investments held through funds are sold.

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

1) Accounting procedures for consumption taxes

Non-deductible consumption taxes are expensed for the current fiscal year.

2) Application of tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system

The Company will transition from the consolidated taxation system to the group tax sharing system from the following fiscal year. However, 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.

The Company plans to adopt the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (PITF No. 42, August 12, 2021) from the beginning of the following fiscal year, which provides for accounting treatment and disclosure of income taxes, local income taxes, and tax effect accounting when the group tax sharing system is adopted.

2. Notes on changes in accounting policies

(1) Application of Revenue Recognition Standard, etc.

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter "Revenue Recognition Standard"), etc. from the beginning of the current fiscal year. The Company recognizes revenue when control of promised goods or services is transferred to a customer in an amount which the Company expects to receive in exchange for those goods or services.

As there are no changes from the previous treatments, the application of the Revenue Recognition Standard, etc. does not affect the financial statements.

"Net sales," which had been presented in the statement of income, is now presented as "revenue" considering from the viewpoint of more appropriate presentation upon the application of the Revenue Recognition Standard, etc.

(2) Application of Fair Value Measurement Standard, etc.

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019; hereinafter "Fair Value Measurement Standard"), etc. from the beginning of the current fiscal year, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Standard, etc. in accordance with the transitional treatment provided in paragraph 19 of the Fair Value Measurement Standard and paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019). This does not affect the financial statements.

3. Notes on significant accounting estimates

Valuation of shares, etc. that do not have a market price

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

Operational investment securities of JPY 2,290 million and investment securities of JPY 1,291 million were recorded in the balance sheet for the current fiscal year. These include JPY 1,383 million of shares, etc. that do not have a market price and JPY 1,057 million in equity interests in investment limited partnerships and similar partnerships.

(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. Additional information

Sale of shares of a material subsidiary

The Company sold all common shares held by the Company of SoldOut, Inc., a consolidated subsidiary, on April 1, 2022, and gain on sales of shares of subsidiaries of JPY 10,682 million is recorded as extraordinary income. Please refer to “12. Notes to business combination, etc.” in the Notes to Financial Statements for details of the sale of the shares.

5. 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	2,246
Short-term monetary payables	385

(2) Accumulated depreciation of property, plant and equipment

	(Yen in millions)
Accumulated depreciation	273

(3) Contingent liabilities

The Company guarantees the obligation of JPY 1,245 million in payables for customers of subsidiaries.

6. Notes to statement of income

Transactions with subsidiaries and associates

	(Yen in millions)
Operating transactions	
Revenue	3,600
Non-operating transactions	10

7. Notes to statement of changes in net assets

Matters concerning class and number of treasury shares

Class of stock	As of Jan. 1, 2022	Additions	Subtractions	As of Dec. 31, 2022
Common shares	2,613,543 shares	3,732,700 shares	— shares	6,346,243 shares

8. 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	378
Provision for bonuses	84
Intangible assets	52
Asset retirement obligations	26
Loss on valuation of investment securities	929
Enterprise taxes payable	131
Other	34
Subtotal deferred tax assets	1,639
Valuation allowance	(1,152)
Total deferred tax assets	486
Deferred tax liabilities	
Valuation difference on available-for-sale securities	(268)
Total deferred tax liabilities	(268)
Net deferred tax assets	217

9. 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	Digital Shift, Inc.	Chiyoda-ku, Tokyo	499	Digital Shift Business	100.00% (—)
Subsidiary	Vankable, Inc.	Chiyoda-ku, Tokyo	1,689	Digital Shift Business	100.00% (—)
Subsidiary	Re:teigi, Inc.	Chiyoda-ku, Tokyo	10	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	1,787	Accounts receivable-trade	164
			Borrowing of funds via CMS (Note 1)	—	Deposits received from subsidiaries and associates	2,982
			Payment of interest (Note 2)	0	—	—
Subsidiary	Digital Shift, Inc.	Director interlock Management involvement CMS transactions	Management consulting fee	627	Accounts receivable-trade	57
			Borrowing of funds via CMS (Note 1)	—	Deposits received from subsidiaries and associates	682
			Payment of interest (Note 2)	0	—	—
Subsidiary	Vankable, Inc.	Director interlock CMS transactions Loans of funds Guarantee of obligation	Borrowing of funds via CMS (Note 2)	—	Deposits received from subsidiaries and associates	2,396
			Payment of interest (Note 2)	0	—	—
			Receipt of interest (Note 2)	7	Short-term loans receivable from subsidiaries and associates	1,900
			Guarantee of obligation (Note 3)	1,245	—	—
			Underwriting of capital increase (Note 4)	2,380	—	—
Subsidiary	Re:teigi, Inc.	Director interlock CMS transactions	Borrowing of funds via CMS (Note 1)	—	Deposits received from subsidiaries and associates	651
			Receipt of interest (Note 2)	1	—	—

(Notes) 1. For borrowing transactions through the CMS (cash management system), only fiscal year-end balances are presented because balances frequently change.
2. For transaction amount, interest rates are rationally determined based on market interest rates and other relevant factors.
3. The Company guarantees obligations owed to customers. No guarantee fee is received for this guarantee of obligation.
4. Underwriting of capital increase for which the total amount of capital increase carried out by the company has been underwritten.

(2) Corporate officers and individual shareholders

Not applicable

10. Notes on revenue recognition

Basic information in understanding revenue

Basic information in understanding revenue from contracts with customers is as presented in “1. Notes to significant accounting policies, (4) Standards for recognition of revenue and expenses” in the Notes to Non-Consolidated Financial Statements.

11. Notes to per-share information

Net assets per share	¥1,322.77
Earnings per share	¥367.07

12. Notes to business combination, etc.

Business divestiture

(Sale of shares of a subsidiary)

Overview of accounting treatments applied

Amount of gain or loss on the transfer

	(Yen in millions)
Gain on sales of shares of subsidiaries	10,682

Notes are omitted because the content other than the above is the same as provided in “11. Notes to business combination, etc.” in the Notes to Consolidated Financial Statements.

13. Notes to significant subsequent events

Not applicable.

Certified Copy of Audit Report of Business Report, Audit and Supervisory Committee Members, and Renewed Audit and Supervisory Committee

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 29th fiscal year from January 1, 2022 to December 31, 2022. 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, 2023

Audit and Supervisory Committee of DIGITAL HOLDINGS, Inc.

Chairperson of the Audit and Supervisory Committee (Full-time)	Yuki Okabe (Seal)
Audit and Supervisory Committee member	Fumiyuki Shinomiya (Seal)
Audit and Supervisory Committee member	Masahiro Yamamoto (Seal)
Audit and Supervisory Committee member	Ryoichi Kagizaki (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 Ms. Yuki Okabe, Mr. Fumiyuki Shinomiya, Mr. Masahiro Yamamoto, and Mr. Ryoichi Kagizaki 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: 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:

<table>
<tr><th>Candidate No.</th><th>Name
(Date of birth)</th><th>Career Summary and Position in the Company
(Significant concurrent positions)</th><th>Number of the Company's Shares Owned</th></tr>
<tr><td rowspan="2">1</td><td>Noboru Hachimine
(June 22, 1967)</td><td>Apr. 1991 Joined Mori Building Co., Ltd.
Mar. 1994 Established Deca Legs Ltd. (currently the Company) and assumed the position as President
Jun. 2016 Outside Director, UT Group Co., Ltd.
Mar. 2017 Director, SoldOut, Inc.
Mar. 2020 Chairperson, the Company (current position)
Apr. 2020 President and Representative Director, Digital Shift, Inc.
Mar. 2021 Chairperson and Representative Director, Digital Shift, Inc.
Mar. 2022 Chairperson and Director, Digital Shift, Inc. (current position)</td><td>4,525,200</td></tr>
<tr><td colspan="3">[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.</td></tr>
<tr><td rowspan="2">2</td><td>Atsushi Nouchi
(December 21, 1967)</td><td>Apr. 1991 Joined Mori Building Co., Ltd.
Oct. 1996 Joined OPT, Inc. (currently the Company)
Mar. 1999 Director, OPT, Inc.
Feb. 2015 CEO, OPT Ventures, Inc. (currently Bonds Investment Group, Inc.) (current position)
Mar. 2017 Vice President and Group COO, the Company
Mar. 2020 President and Group CEO, the Company (current position)</td><td>1,285,800</td></tr>
<tr><td colspan="3">[Reasons for nomination as candidate for Director]
Mr. Atsushi Nouchi is well-versed in all aspects of the Group'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.</td></tr>
<tr><td rowspan="2">3</td><td>Daisuke Kanazawa
(September 4, 1980)</td><td>Sep. 2005 Joined OPT, Inc. (currently the Company)
Jan. 2008 General Manager of Sales Department, OPT, Inc.
Apr. 2013 Executive Officer, OPT, Inc.
Apr. 2015 President, Representative Director and CEO, OPT, Inc.
Apr. 2017 Senior Executive Officer, the Company
Apr. 2019 Group Executive Officer, the Company
Apr. 2020 Director, OptDigital, Inc. (currently Re:teigi, Inc.) (current position)
Oct. 2020 Director, RePharmacy, Inc. (current position)
Mar. 2021 Director and Group COO, the Company (current position)</td><td>30,900</td></tr>
<tr><td colspan="3">[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 continue to aim for corporate value of JPY 1 trillion.</td></tr>
</table>

<table>
<tr><th>Candidate No.</th><th>Name
(Date of birth)</th><th>Career Summary and Position in the Company
(Significant concurrent positions)</th><th>Number of the Company’s Shares Owned</th></tr>
<tr><td rowspan="2">4</td><td>Tomoyuki Mizutani
(August 16, 1964)</td><td>Apr. 1988 Joined Recruit Co., Ltd. (currently Recruit Holdings Co., Ltd.)
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)</td><td>10,000</td></tr>
<tr><td colspan="3">[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.</td></tr>
<tr><td rowspan="2">5</td><td>Koji Yanagisawa
(May 19, 1971)</td><td>Apr. 1995 Joined The Fuji Bank, Limited (currently Mizuho Bank, Ltd.)
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)</td><td>0</td></tr>
<tr><td colspan="3">[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.</td></tr>
</table>

<table>
<tr><th>Candidate No.</th><th>Name
(Date of birth)</th><th colspan="2">Career Summary and Position in the Company
(Significant concurrent positions)</th><th>Number of the Company's Shares Owned</th></tr>
<tr><td rowspan="2">6</td><td>Yasuhiro Ogino
(September 29, 1973)</td><td>Aug. 2005
Jan. 2008

Jun. 2008
Dec. 2008

Dec. 2009
Nov. 2011

Feb. 2012
Jun. 2012
May 2017
Apr. 2018
Mar. 2020
Apr. 2020</td><td>Joined Macromill, Inc.
Executive Officer (in charge of Finance and Accounting Headquarters), Macromill, Inc.
Joined J-Magic K.K.
Director, CFO, General Manager of Administration Management Division, J-Magic K.K.
Joined mixi, Inc.
Executive General Manager of the Administrative Headquarter, mixi, Inc.
Executive Officer, mixi, Inc.
Director, mixi, Inc.
Representative Director, SMART HEALTH Inc.
Executive Officer, mixi, Inc.
External Director, the Company (current position)
Director and CFO, OCT Inc. (currently ANDPAD Inc.) (current position)</td><td>0</td></tr>
<tr><td colspan="4">[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.</td></tr>
<tr><td rowspan="2">7</td><td>Mariko Tokioka
(July 29, 1979)</td><td>Oct. 2002
Dec. 2010
Oct. 2013
Jun. 2019
Mar. 2022</td><td>Joined Oracle Corporation Japan
Co-founder & COO, Quipper Limited
Founder & CEO, East Meet East, Inc. (current position)
External Director, Asteria Corporation (current position)
External Director, the Company (current position)</td><td>0</td></tr>
<tr><td colspan="4">[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 nominated because she is expected to offer opinions and advice to ensure appropriate, sound management decision-making from an independent and objective standpoint.</td></tr>
</table>

(Notes)
1. None of the candidates has any special interests in the Company or vice versa.
2. Messrs. Tomoyuki Mizutani, Koji Yanagisawa, and Yasuhiro Ogino, and Ms. Mariko Tokioka are External Director candidates.
3. Messrs. Tomoyuki Mizutani, Koji Yanagisawa, and Yasuhiro Ogino, and Ms. Mariko Tokioka are currently External Directors of the Company; Mr. Tomoyuki Mizutani will have served for six years as of the conclusion of the 29th Annual General Meeting of Shareholders, Messrs. Koji Yanagisawa and Yasuhiro Ogino for three years, and Ms. Mariko Tokioka for one year.
4. If Messrs. Tomoyuki Mizutani, Koji Yanagisawa, and Yasuhiro Ogino, and Ms. Mariko Tokioka 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.
5. The Company has concluded Directors and Officers liability insurance contracts as provided for in Article 430-3, paragraph 1 of the Companies Act with an insurance company. The insured under such insurance contracts are Directors and managerial employees of the Company, and Directors, Auditors, and managerial employees of the Company's subsidiaries. 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. However, in order to ensure that the appropriateness of the insured's performance of duties is not compromised, coverage is not provided in cases of a willful breach of trust, criminal or fraudulent acts, or willful violation of laws and regulations by the insured. 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.
6. Messrs. Tomoyuki Mizutani, Koji Yanagisawa, and Yasuhiro Ogino, and Ms. Mariko Tokioka meet the independent director requirements of the Tokyo Stock Exchange, Inc. If reappointed, they will continue to serve as independent directors.
7. 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.
8. 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.