



May 11, 2023

Company name: DIGITAL HEARTS HOLDINGS Co., Ltd.
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Notice Regarding Recording of Extraordinary Losses (Consolidated and Non-consolidated),
Differences between Full-year Consolidated Financial Forecasts and Actual Results for the Year
Ending March 31, 2023, and Differences between Full-year Non-Consolidated Actual Results for
the Year Ending March 31, 2023 and Actual Results for the Previous Fiscal Year

DIGITAL HEARTS HOLDINGS Co., Ltd. (hereinafter referred to as the “Company”) announces that the Company recorded extraordinary losses as follows for the fiscal year ending March 31, 2023. The Company also announces that there is a difference between the full-year consolidated financial forecasts for the year ended March 31, 2023 announced on May 12, 2022 and the actual results announced on May 11, 2023, and, in addition, that there is a difference between the full-year non-consolidated financial results and the results for the previous full fiscal year.

1. Recording of Extraordinary Losses (Consolidated and Non-Consolidated)

(1) Recording of impairment loss on goodwill (consolidated)

The Company has found that DIGITAL HEARTS CROSS Marketing and Solutions Limited ("DIGITAL HEARTS CROSS"), our consolidated subsidiary, would be likely to have delays in the profit forecasts originally projected with its subsidiaries. These delays are due to changes in the game industry conditions in China, as well as the impact from the spread of COVID-19. Accordingly, after reviewing the future business plan of DIGITAL HEARTS CROSS, we recorded an impairment loss of 1,045 million yen as an extraordinary loss as an impairment loss on goodwill associated with the acquisition of DIGITAL HEARTS CROSS's shares.

(2) Recording of loss on valuation of stocks of subsidiaries and affiliates (non-consolidated)

Due to the lower performance of DIGITAL HEARTS CROSS and the impairment loss on goodwill related to DIGITAL HEARTS CROSS, the Company recorded a loss of 956 million yen as a loss on valuation of stocks of subsidiaries and affiliates.

The loss on valuation of stocks of subsidiaries and affiliates is recorded only on the non-consolidated financial statements, and has no effect on consolidated financial results.

2. Difference between Consolidated Financial Forecast and Actual Results

(1) Difference between consolidated financial forecast and actual results for the fiscal year ending March 31, 2023

(April 1, 2022 to March 31, 2023)

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent	Net income per share
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Yen
Previous forecast (A)	35,500	3,290	3,290	2,250	104.02
Actual result (B)	36,517	3,000	3,152	799	36.50
Change (B-A)	1,017	-289	-137	-1,450	
% Change	2.9	-8.8	-4.2	-64.5	
Actual amount for the previous fiscal year (fiscal year ended March 31, 2022)	29,178	2,696	2,774	1,778	82.25

(2) Reasons for the difference

In this fiscal year ending March 31, 2023, both of our two businesses performed well. The sales in the Enterprise Business, our focusing business, continued to increase significantly, by almost 1.5 times compared to the previous fiscal year, due in part to the effects of M&A. In addition, the Entertainment Business also achieved double-digit growth in sales on the back of the booming console game market and other factors. As a result, consolidated net sales exceeded the Company's forecast.

On the other hand, operating income, ordinary income, and net income attributable to owners of the parent fell short of the Company's forecasts. This was due to the increase in expenses associated with aggressive strategic investments at AGEEST, Inc., which was newly formed as a core subsidiary of the Enterprise Business, as well as the earnings deterioration caused by temporary cost increases at a certain overseas subsidiary, and the recording of an extraordinary loss as an impairment loss on DIGITAL HEARTS CROSS goodwill as described above.

3. Difference between Full-Year Non-Consolidated Actual Results and Previous Fiscal Year Actual Results

(1) Difference between full-year non-consolidated actual results and previous fiscal year actual results

	Operating revenue	Operating income	Ordinary income	Net income	Net income per share
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Yen
Results for the previous fiscal year (A) (Year ended March 31, 2022)	1,737	248	344	232	10.73
Actual (B) (Year ended March 31, 2023)	2,152	156	211	-824	-37.66
Change (B-A)	414	-91	-132	-1,057	
% Change	23.9	-36.8	-38.4	-	

(2) Reasons for the difference

Operating revenue increased from the previous year due to an increase in revenues related to management guidance fees and others as a result of profit improvements at our consolidated subsidiaries. On the other hand, operating income, ordinary income, and net income decreased, due to costs increasing by the expansion of human resources and the introduction of new IT systems and others aiming to strengthen the administrative department for business expansion. And the Company had the recording of a loss on valuation of stocks of subsidiaries and affiliates related to shares of DIGITAL HEARTS CROSS as described above.