



DIGITAL HEARTS HLDGS.



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## Summary of Business Results for the Fiscal Year Ended March 31, 2023 [Japan GAAP] (Consolidated)

May 11, 2023

Company name: DIGITAL HEARTS HOLDINGS Co., Ltd.

Listed on the TSE

Stock code: 3676

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Scheduled date of the ordinary general shareholder meeting : June 27, 2023

Scheduled commencement of dividend payment : June 12, 2023

Scheduled date of submission of financial reports : June 28, 2023

Preparation of supplementary material for fiscal year financial results : Yes

Holding of financial results meeting : Yes (for institutional investors and analysts)

(Figures are rounded down to the nearest million yen.)

**1. Fiscal year ended March 2023 consolidated results (April 1, 2022 – March 31, 2023)**

## (1) Consolidated business results

(Percentages are changes from the same period of the previous year.)

Fiscal year ended	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
March 31, 2023	36,517	25.2	3,000	11.3	3,152	13.6	799	-55.0
March 31, 2022	29,178	28.7	2,696	41.3	2,774	40.4	1,778	82.5

(Reference) Comprehensive income: Fiscal year ended March 31, 2023: 1,211 million yen (-46.3%)  
Fiscal year ended March 31, 2022: 2,256 million yen (129.3%)

Fiscal year ended	Net income per share	Diluted net income per share	Return on equity	Ordinary income to total assets	Operating margin
	(Yen)	(Yen)	(%)	(%)	(%)
March 31, 2023	36.50	36.46	10.1	17.0	8.2
March 31, 2022	82.25	—	28.0	17.4	9.2

(Reference) Equity in earnings of affiliates: Fiscal year ended March 31, 2023: — million yen  
Fiscal year ended March 31, 2022: -5 million yen

## (2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	(Millions of yen)	(Millions of yen)	(%)	(Yen)
As of March 31, 2023	19,581	9,474	45.0	395.65
As of March 31, 2022	17,610	7,566	39.7	323.21

(Reference) Shareholders' equity: 8,806 million yen (As of March 31, 2023) 6,991 million yen (As of March 31, 2022)

## (3) Consolidated cash flows

Fiscal year ended	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at year end
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
March 31, 2023	2,850	-1,903	141	6,456
March 31, 2022	3,077	-2,537	-546	5,173

(Note) The figures for the fiscal year ended March 31, 2022 reflect the finalization of provisional accounting treatment for business combination in the fiscal year ended March 31, 2023.

## 2. Dividends

	Annual dividends					Total dividends paid (annual)	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	Q1	Q2	Q3	Q4	Full fiscal year			
Fiscal year ended	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)	(Millions of yen)	(%)	(%)
March 31, 2022	—	7.50	—	7.50	15.00	324	18.2	5.1
March 31, 2023	—	10.50	—	10.50	21.00	462	57.5	5.8
Fiscal year ending March 31, 2024 (Forecasts)	—	10.50	—	10.50	21.00		21.9	

## 3. Consolidated earnings forecasts for the fiscal year ending March 2024 (April 1, 2023 - March 31, 2024)

(Percentages are changes from the same period of the previous year.)

	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)
Full fiscal year	40,750	11.6	3,120	4.0	3,160	0.2	2,100	162.6	95.86

### \* Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries accompanying changes in the scope of consolidation): Yes

Newly included: -

Excluded: 2 (Company name) ANET Corporation  
Red Team Technologies Co., Ltd.

(2) Changes in accounting policies and accounting estimates and restatement

- (a) Changes in accounting policies associated with revision of accounting standards :Yes  
(b) Changes in accounting policies other than (a) above :None  
(c) Changes in accounting estimates :None  
(d) Restatement :None

(Note) For details, please refer to “3. Consolidated Financial Statements and Important Notes (5) Notes to the Consolidated Financial Statements (Changes to Accounting Policies)” on page 15 of the Summary of Business Results for the Fiscal Year (attached document).

(3) Shares outstanding (common stock)

(a) Number of issued shares (including treasury stock)	As of March 31, 2023	23,890,800 shares	As of March 31, 2022	23,890,800 shares
(b) Number of treasury stock	As of March 31, 2023	1,632,090 shares	As of March 31, 2022	2,260,031 shares
(c) Average number of shares during the period	Fiscal year ended March 31, 2023	21,907,577 shares	Fiscal year ended March 31, 2022	21,624,407 shares

\* The certified public accountant or the audit procedures are not applicable to this financial results report.

\* Explanation of the proper use of earnings forecasts and other special notes

- This document contains forward-looking statements with respect to future results, performance and achievements that are subject to risk and uncertainties and reflect management’s views and assumptions formed using information available at the time. Accordingly, forecasts may differ from actual results due to a variety of factors.
- A financial results meeting for institutional investors and analysts is scheduled to be held on May 12, 2023. Materials for this meeting will be posted on TD net and the Company’s website.

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## 1. Overview of Business Results etc.

### (1) Overview of Company Business Results

	FY2021 (JPY in thousand)	FY2022 (JPY in thousand)	Change (%)
Sales	29,178,789	36,517,693	25.2
Operating income	2,696,201	3,000,669	11.3
Ordinary income	2,774,078	3,152,548	13.6
Net income attributable to owners of the parent	1,778,650	799,550	-55.0

Against a backdrop of exponentially increasing use of Internet of Things (IoT) technologies and accelerating digital transformation (DX), the digital markets in which our Group does business are undergoing diversification of contents and services at an extremely rapid pace. At the same time, as individual companies are facing chronic shortages in the IT human resources to support their development and operation activities, the Group expects continued growth in revenue opportunities from providing services to support clients in areas such as software development, testing, maintenance and operation, and security.

Under these conditions, we will aim toward further growth through focusing on expanding Enterprise Business where demand is rapidly growing, underpinned by the highly profitable businesses of Entertainment Business.

During this consolidated fiscal year, net sales of our focussed businesses of Enterprise Business continued to increase substantially, by approximately 1.5 times partly supported by M&A activities, and Entertainment Business also performed favorably, as it realized double digit growth in net sales against a backdrop that includes a favorable console-game market.

This resulted in considerable growth in net sales, to JPY36,517,693 thousand (up 25.2% from the previous period), in Operating income to JPY3,000,669 thousand (up 11.3% from the previous period), and in ordinary income to JPY3,152,548 thousand (up 13.6% from the previous period). On the other hand, net income attributable to owners of the parent was JPY799,550 thousand (down 55.0% from the previous period) due to factors such as recording of Impairment losses of goodwill and other assets as Extraordinary losses in a consolidated subsidiary.

Business results by segment are reviewed below.

	FY2021 (JPY in thousand)	FY2022 (JPY in thousand)	Change (%)
Sales	29,178,789	36,517,693	25.2
Enterprise Business	11,491,525	16,840,460	46.5
Entertainment Business	17,687,264	19,815,786	12.0
Adjustment amount	-	-138,553	-
Operating income	2,696,201	3,000,669	11.3
Enterprise Business	645,042	639,306	-0.9
Entertainment Business	3,668,034	4,214,393	14.9
Adjustment amount	-1,616,875	-1,853,030	-

Net sales of each segment includes internal sales or transfers between segments, and segment income is based on Operating income.

## ① Enterprise Business

This segment mainly consists of System Testing for detecting bug or defect in enterprise computer systems, security-testing, and quality assurance (QA) solutions for user introduction support services, as well as IT services such as dispatching engineers, system maintenance and operation support, and other services.

In this consolidated fiscal year, we made strategic investments to build a solid foundation for growth, centered on AGEST, Inc. ("AGEST"), which was newly formed as the Enterprise Business's core company through the Group-wide reorganization in April 2022. Specifically, aiming toward securing engineers that are essential to businesses growth and securing further new transactions, the Group focused on raising awareness of AGEST and establishing the "Tech" brand through improving the work environment specifically for engineers, renewing the corporate website, and actively holding various IT seminars regularly. In addition to conducting testing in the final processes of development, aiming to establish high-value-added QA solutions compatible with shiftrefts that support quality from upstream processes, we also established educational institutions to train "next-generation QA engineers" who possess both software development knowledge and advanced test know-how, and cutting-edge technological research institutions in industry-academia collaborations. Furthermore, we endeavored to expand our services using the knowledge of test specialized companies, including "Mutation Testing."

In addition, we are actively using M&A to accelerate the pace of Enterprise Business growth. In this consolidated fiscal year, the Quality Assessment businesses of Sobal Corporation was succeeded through an absorption-type split, and the structure for receiving orders was strengthened through means including obtaining experienced test engineers from approximately 130 people. Furthermore, aiming toward businesses growth in the erp domain, we also endeavored to increase the number of specialized engineers and acquire expertise, through means including enhancing Group-wide coordination with companies that became subsidiary in the previous period and resolving to make gpc, Inc., which provides support for the introduction of saps, a subsidiary in April 2023.

As a consequence, net sales in the Enterprise Business during this consolidated fiscal year grew massively to JPY16,840,460 thousand (up 46.5% from the previous period), thanks in part to the strong growth of existing businesses and the effects of M&A activities. Segment profits, however, remained largely unchanged from the previous period at JPY639,306 thousand (down 0.9% from the previous period), thanks to the effects of increased sales, despite aggressive strategic investment toward future growth.

## ② Entertainment Business

This segment mainly consists of domestic Debugging services for console games, mobile games, and other bug or defect, as well as global and other services such as game localization and LQA (linguistic quality assurance), game development support, and marketing support.

In the domestic debugging services during this consolidated fiscal year, we realized double-digit growth in net sales thanks to progress on securing new transactions backed by growing demand in the favorable console-game market. Against a backdrop of soaring prices and other factors, we also made progress on efforts to improve employee satisfaction and secure excellent human resources, including the resolution of an hourly pay increase for testers conducting debugging in April 2023. At the same time, in the global and other services, as the outlook of the Chinese and other Asian game markets is becoming increasingly uncertain due to factors such as the impact of the spread of the COVID-19 contagion, we steadily secured new transactions in areas such as game localization and LQA through enhancing Group-wide coordination. In addition, in the South Korean subsidiary we made progress on efforts toward continuous growth, including making Company name changes aimed at unifying branding and rebuilding our businesses base, including enhancing our marketing functions. Furthermore, the Group made efforts to enhance the services provided and promote mutual coordination in game human resources hiring, etc. through a capital and business alliance with GameWith, Inc.

As a consequence, both net sales and segment income in this consolidated fiscal year increased, to JPY19,815,786 thousand (up 12.0% from the previous period) and segment income was JPY4,214,393 thousand (up 14.9% from the previous period).

## (2) Overview of financial standing in this period

### (Assets)

The balance of current assets was JPY12,528,879 thousand, up JPY2,135,998 thousand (up 20.6% from the previous period), from the level of JPY10,392,881 thousand in current assets at the end of the previous consolidated fiscal year.

This was due mainly to factors such as increases of JPY1,248,057 thousand in cash and deposits and JPY965,651 thousand in notes and accounts receivable-trade and contract assets.

The balance of non-current assets was JPY7,052,756 thousand, down JPY164,658 thousand (down 2.3% from the previous period) from non-current assets of JPY7,217,415 thousand at the end of the previous consolidated fiscal year.

This was due mainly to factors such as decreases of JPY1,119,726 thousand in goodwill, despite increases of JPY476,280 thousand in property, plant, and equipment, JPY168,798 thousand in other intangible fixed assets, and JPY257,921 thousand in investment securities.

### (Liabilities)

The balance of current liabilities was JPY9,930,990 thousand, up JPY251,643 thousand (up 2.6% from the previous period), from the current liabilities of JPY9,679,346 thousand at the end of the previous consolidated fiscal year.

This was due mainly to factors such as decreases of JPY314,546 thousand in short-term loans payable, despite increases of JPY259,346 thousand in accounts payable-other, JPY165,160 thousand in income taxes payable, and JPY105,241 thousand in miscellaneous current liabilities.

The balance of noncurrent liabilities was JPY176,124 thousand, down JPY188,601 thousand (down 51.7% from the previous period), from the balance of JPY364,726 thousand in noncurrent liabilities at the end of the previous consolidated fiscal year.

This was due mainly to factors such as a decrease of JPY169,674 thousand in long-term loans payable.

### (Net assets)

The balance of net assets was JPY9,474,520 thousand, up JPY1,908,296 thousand (up 25.2% from the previous period), from the level of JPY7,566,223 thousand in net assets at the end of the previous consolidated fiscal year.

This was due mainly to factors such as increases of JPY424,368 thousand in capital surplus due to exercise of stock acquisition rights and others, JPY799,550 thousand in net income attributable to owners of the parent, JPY707,349 thousand in decrease in treasury stock due to exercise of stock acquisition rights and others, and JPY 401,183 thousand in foreign currency translation adjustment due to yen depreciation, despite a decrease of JPY390,792 thousand in retained earnings due to dividends.

## (3) Overview of cash flow during the period

Cash and deposits (“funds” hereinafter) at the end of this consolidated fiscal year stood at JPY6,456,803 thousand, up JPY1,283,057 thousand from the level of JPY5,173,746 thousand in funds at the end of the previous consolidated fiscal year.

Cash flow as of this consolidated fiscal year, and major contributing factors, are summarized below.

### (Cash flow from operating activities)

Funds from the operating activities totaled revenues of JPY2,850,927 thousand (vs. revenues of JPY3,077,118 thousand in the previous consolidated fiscal year).

This was due mainly to factors such as JPY1,996,939 thousand in net income before income taxes, JPY473,068 thousand in depreciation and amortization, JPY1,045,536 thousand in Impairment losses, JPY702,505 thousand in write-off of goodwill, JPY842,041 thousand in decrease in notes and accounts receivable-trade, and JPY960,319 thousand in income taxes paid.

### (Cash flow from investing activities)

Funds expended in connection with the investing activities totaled expenditures of JPY1,903,485 thousand (vs. expenditures of JPY2,537,418 thousand in the previous consolidated fiscal year).

This was due mainly to factors such as expenditures of JPY639,050 thousand on acquisition of property, plant, and equipment, JPY394,374 thousand on acquisition of intangible fixed assets, JPY403,998 thousand on acquisition of businesses, and JPY446,722 thousand on acquisition of investment securities.

(Cash flow from financing activities)

Funds from financing activities totaled revenues of JPY141,472 thousand (vs. expenditures of JPY546,569 thousand in the previous consolidated fiscal year).

This was due to the positive contributor of JPY1,106,103 thousand in proceeds from sale of treasury stock accompanying exercise of stock acquisition rights exceeding negative contributors such as payment of JPY300,000 thousand on repayment of short-term loans payable, payment of JPY184,220 thousand on repayment of long-term loans payable, and payment of JPY390,887 thousand on dividends.

#### (4) Future outlook

Since 2017, we have focused on developing Enterprise Business into the second pillar of our earnings, underpinned by stable growth in the Entertainment Business, which has been a businesses since our foundation. In the fiscal year ended March 2023, Enterprise Business grew to account for nearly 50% of consolidated net sales, and stable earnings were generated despite continuing investment. As a result, we were able to reliably grow these businesses into the second pillar of our earnings. In the next period and beyond, as well as continuing to focus on rapid growth in the Enterprise Business, the Group will strive to evolve into established businesses and take on the challenge of new business opportunities in Entertainment Business, where market conditions are undergoing major changes.

Specifically, in Enterprise Business we will continue to proactively hire mid-career workers to secure engineers, centered on AGEST, a core subsidiary, and at the same time accelerate the pace of increase in the number of engineers that are essential to businesses growth, through means including launching new "potential hiring" in which "potential hiring" is to be trained from inexperienced to engineers using AGEST's own educational programs. In addition, through enhancing the number of high-skill engineers, including "next-generation QA engineers," and pursuing cutting-edge quality technologies through research through industry-academia collaboration, the Group will aim to establish "high-value-added QA solutions compatible with shift shifts" that are not conventional. Furthermore, we will accelerate the pace of enhancement of human resources and improvement in technological capabilities through proactive M&A. At the same time, in the Entertainment Business the Group will aim to evolve into a solution that can provide more powerful support for improving the quality of contents through promoting "dhq (digital hearts quality)" initiatives, which aim to re-enhance the core competencies that it has cultivated and add value to established services centered on Debugging. In addition, as simultaneous overseas deployment of games is becoming more mainstream, we will endeavor to expand the businesses globally, taking into account markets in Europe and North America, in addition to our strengths in Asian markets, through enhancing functions such as localization and LQA of games, marketing support, and voice recording.

Furthermore, as announced today (May 11, 2023) in the Notice on Starting Preparations for the Spin-Off of Shares of AGEST, Inc., our consolidated subsidiary, and Starting Preparations for Listing, we have decided to begin preparations for the Spin-Off of Shares of AGEST and listing of shares of AGEST with the aim of further growth and enhancement of shareholder value in both Enterprise Business and Entertainment Business. As a result, beginning in the next period, each Group company, centered on AGEST, will implement measures to enhance head office functions and governance structures, including enhancement of administrative divisions, and strive to build a structure for each businesses to realize sustainable growth through independence.

Based on the above efforts, we project the following figures for full-year business results in the next period.

#### ■ Consolidated business performance forecasts

	This period FY2022 (JPY in millions)	Next period FY2023 (projected) (JPY in millions)	Change (%)
Sales	36,517	40,750	11.6
Operating income	3,000	3,120	4.0
Ordinary income	3,152	3,160	0.2
Net income attributable to owners of the parent	799	2,100	162.6

The above forecasts of financial results are based on information available to the Company at the time of preparation and certain assumptions judged to be reasonable. They are not intended to guarantee realization of these results. Actual business performance and other results may differ widely due to various factors.

## 2. Basic concept on choice of accounting standards

While the Company prepares consolidated financial statements based on Japanese GAAP, based on the criterion of accurately disclosing the Group's business results and financial standing to shareholders and investors, in choice of accounting standards in the future it has adopted a policy of considering use of accounting standards to contribute to appropriate disclosure of information by the Group, in light of the need for international comparability among accounting figures in response to factors such as trends in the composition of Company shareholders and trends among other companies in Japan.



### 3. Consolidated Financial Statements and Important Notes

#### (1) Consolidated Balance Sheet

(Unit: JPY thousand)

	Previous consolidated fiscal year (March 31, 2022)	This consolidated fiscal year (March 31, 2023)
<b>Assets</b>		
Current assets		
Cash and deposits	5,208,746	6,456,803
Notes and accounts receivable-trade and contract assets	4,411,554	5,377,205
Short-term investment securities	34,506	39,810
Inventories	17,367	25,125
Income taxes receivable	47,112	29,041
Other	741,693	691,524
Allowance for doubtful accounts	-68,099	-90,632
Total current assets	10,392,881	12,528,879
Noncurrent assets		
Property, plant and equipment		
Buildings	722,403	966,661
Accumulated depreciation	-281,667	-325,568
Buildings, net	440,736	641,093
Vehicles	5,227	5,227
Accumulated depreciation	-870	-2,321
Vehicles, net	4,357	2,906
Tools, furniture and fixtures	869,126	1,295,633
Accumulated depreciation	-639,321	-811,663
Tools, furniture and fixtures, net	229,805	483,969
Land	17,568	17,568
Lease assets	31,976	57,294
Accumulated depreciation	-31,090	-33,198
Lease assets, net	886	24,096
Total property, plant and equipment	693,353	1,169,633
Intangible fixed assets		
Goodwill	4,588,152	3,468,425
Other	551,496	720,294
Total intangible fixed assets	5,139,649	4,188,720
Investments and other assets		
Investment securities	236,595	494,517
Long-term loans receivable	40,000	20,000
Deferred tax assets	305,068	297,965
Lease and guarantee deposits	736,487	790,322
Other	74,441	91,595
Allowance for doubtful accounts	-8,181	-
Total investments and other assets	1,384,412	1,694,401
Total noncurrent assets	7,217,415	7,052,756
Total assets	17,610,296	19,581,635

(Unit: JPY thousand)

	Previous consolidated fiscal year (March 31, 2022)	This consolidated fiscal year (March 31, 2023)
<b>Liabilities</b>		
Current liabilities		
Short-term loans payable	5,421,296	5,106,750
Accounts payable-other	1,361,001	1,620,348
Accrued expenses	1,184,413	1,165,158
Income taxes payable	511,871	677,031
Accrued consumption taxes	405,580	442,140
Provision for bonuses	100,190	136,348
Provision for directors' bonuses	39,184	22,162
Other	655,808	761,050
Total current liabilities	9,679,346	9,930,990
Noncurrent liabilities		
Long-term loans payable	169,674	-
Deferred tax liabilities	55,507	45,355
Net defined benefit liability	45,891	7,764
Asset retirement obligations	90,256	90,581
Other	3,396	32,423
Total noncurrent liabilities	364,726	176,124
Total liabilities	10,044,072	10,107,115
Net assets		
Shareholders' equity		
Capital stock	300,686	300,686
Capital surplus	-	393,678
Retained earnings	9,019,199	9,427,957
Treasury stock	-2,545,696	-1,838,397
Total shareholders' equity	6,774,189	8,283,925
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8,921	-86,528
Foreign currency translation adjustment	208,173	609,357
Total accumulated other comprehensive income	217,094	522,828
Stock acquisition rights	-	6,345
Non-controlling interests	574,938	661,421
Total net assets	7,566,223	9,474,520
Total liabilities and net assets	17,610,296	19,581,635

## (2) Consolidated Income Statement and Consolidated Statement of Comprehensive Income

(Consolidated Income Statement)

(Unit: JPY thousand)

	Previous consolidated fiscal year (April 1, 2021) To March 31, 2022)	This consolidated fiscal year (April 1, 2022) To: March 31, 2023)
Sales	29,178,789	36,517,693
Cost of sales	20,787,432	25,885,083
Gross profit	8,391,357	10,632,610
Selling, general, and administrative expenses	5,695,155	7,631,941
Operating income	2,696,201	3,000,669
Non-operating income		
Interest income	2,520	7,810
Foreign exchange gains	12,239	151,327
Gain on investments in partnership	13,212	-
Subsidy income	70,107	23,846
Other	14,535	37,184
Total non-operating income	112,615	220,169
Non-operating expenses		
Interest expenses	11,927	9,695
Equity in losses of affiliates	5,395	-
Commission fee	10,288	9,400
Loss on valuation of investment securities	-	38,457
Other	7,127	10,736
Total non-operating expenses	34,739	68,289
Ordinary income	2,774,078	3,152,548
Extraordinary income		
Gain on sales of noncurrent assets	1,233	-
Gain on sales of shares of subsidiaries and associates	707	-
Gain on forgiveness of debts	67,782	-
Gain on reversal of subscription rights to shares	13,363	-
Settlement payments income	-	75,572
Total extraordinary income	83,086	75,572
Extraordinary loss		
Loss on retirement of noncurrent assets	32,270	7,678
Impairment loss	12,156	1,045,536
SubsidiaryHead office relocation expenses	2,454	1,805
Office transfer expenses	12,059	3,261
Loss on liquidation of businesses	-	23,399
Organizational restructuring expenses	53,742	-
Settlement payments	-	37,842
Loss on sale of businesses	-	111,657
Total extraordinary loss	112,684	1,231,181
Net income before taxes	2,744,481	1,996,939
Income taxes-current	729,951	1,032,241
Income taxes-deferred	9,654	77,287
Total income taxes	739,606	1,109,528
Current net income	2,004,875	887,411
Net income attributable to non-controlling interests	226,224	87,861
Net income attributable to owners of the parent	1,778,650	799,550

## (Consolidated Statement of Comprehensive Income)

(Unit: JPY thousand)

	Previous consolidated fiscal year (April 1, 2021) To March 31, 2022)	This consolidated fiscal year (April 1, 2022) To: March 31, 2023)
Current net income	2,004,875	887,411
Other comprehensive income		
Valuation difference on available-for-sale securities	8,339	-95,449
Foreign currency translation adjustment	243,593	419,600
Total other comprehensive income	251,932	324,150
Comprehensive income	2,256,808	1,211,562
(Breakdown)		
Comprehensive income attributable to owners of parent	1,980,841	1,094,363
Comprehensive income attributable to non-controlling interests	275,966	117,198

## (3) Consolidated Statement of Changes to shareholder' Equity

Previous consolidated fiscal year (April 1, 2021 - March 31, 2022)

(Unit: JPY thousand)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Starting balance	300,686	331,509	7,575,673	-2,565,164	5,642,705
Changes of items during the period					
Dividends of surplus			-313,525		-313,525
Net income attributable to owners of the parent			1,778,650		1,778,650
Purchase of treasury stock				-246	-246
Sale of treasury stock		6,680		19,715	26,396
Transfer from retained earnings to capital surplus		23,968	-23,968		-
Changes in ownership interests in parent arising from transactions with non-controlling shareholder		-362,158			-362,158
Other			2,368		2,368
Items other than shareholder' equity Net changes of items during the period					-
Total changes of items during the period	-	-331,509	1,443,525	19,468	1,131,484
Current year-end balance	300,686	-	9,019,199	-2,545,696	6,774,189

	Accumulated other comprehensive income			Stock acquisition rights	Non-controlling interests	Total net assets
	Other securities Valuation difference	Foreign currency translation adjustment	Other comprehensive income Total accumulated amount			
Starting balance	581	47,983	48,564	13,363	610,119	6,314,752
Changes of items during the period						
Dividends of surplus						-313,525
Net income attributable to owners of the parent						1,778,650
Purchase of treasury stock						-246
Sale of treasury stock						26,396
Transfer from retained earnings to capital surplus						-
Changes in ownership interests in parent arising from transactions with non-controlling shareholder						-362,158
Other						2,368
Items other than shareholder' equity Net changes of items during the period	8,339	160,190	168,529	-13,363	-35,180	119,985
Total changes of items during the period	8,339	160,190	168,529	-13,363	-35,180	1,251,470
Current year-end balance	8,921	208,173	217,094	-	574,938	7,566,223

This consolidated fiscal year (from April 1, 2022 to March 31, 2023)

(Unit: JPY thousand)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Starting balance	300,686	—	9,019,199	-2,545,696	6,774,189
Changes of items during the period					
Dividends of surplus			-390,792		-390,792
Net income attributable to owners of the parent			799,550		799,550
Purchase of treasury stock				-50	-50
Sale of treasury stock		424,368		707,349	1,131,717
Transfer from retained earnings to capital surplus					-
Changes in ownership interests in parent arising from transactions with non-controlling shareholder		-30,689			-30,689
Other					-
Items other than shareholder' equity Net changes of items during the period					-
Total changes of items during the period	-	393,678	408,757	707,298	1,509,735
Current year-end balance	300,686	393,678	9,427,957	-1,838,397	8,283,925

	Accumulated other comprehensive income			stock acquisition rights	Non-controlling interests	Total net assets
	Other securities Valuation difference	Foreign currency translation adjustment	Other comprehensive income Total accumulated amount			
Starting balance	8,921	208,173	217,094	—	574,938	7,566,223
Changes of items during the period						
Dividends of surplus						-390,792
Net income attributable to owners of the parent						799,550
Purchase of treasury stock						-50
Sale of treasury stock						1,131,717
Transfer from retained earnings to capital surplus						-
Changes in ownership interests in parent arising from transactions with non-controlling shareholder						-30,689
Other						-
Items other than shareholder' equity Net changes of items during the period	-95,449	401,183	305,733	6,345	86,482	398,561
Total changes of items during the period	-95,449	401,183	305,733	6,345	86,482	1,908,296
Current year-end balance	-86,528	609,357	522,828	6,345	661,421	9,474,520

## (4) Consolidated Statement of Cash Flows

(Unit: JPY thousand)

	Previous consolidated fiscal year (April 1, 2021) To March 31, 2022)	This consolidated fiscal year (April 1, 2022) To: March 31, 2023)
Net cash provided by (used in) operating activities		
Net income before taxes	2,744,481	1,996,939
Depreciation and amortization	268,228	473,068
Impairment loss	12,156	1,045,536
Amortization of goodwill	464,634	702,505
Increase (decrease) in allowance for doubtful accounts	1,861	8,649
Increase (decrease) in provision for bonuses	29,343	35,174
Increase (decrease) in provision for directors' bonuses	39,184	-17,022
Interest and dividends income	-2,534	-7,810
Interest expenses	11,927	9,695
Foreign exchange losses (gains)	-12,239	-151,327
Equity in losses (earnings) from investment in affiliates	5,395	-
Loss (gain) on investments in partnership	-13,212	2,774
Loss on valuation of investment securities	-	38,457
Gain on forgiveness of debts	-67,782	-
Share-based compensation expenses	38,146	21,967
Loss on sale of businesses	-	111,657
Loss on liquidation of businesses	-	23,399
SubsidiaryHead office relocation expenses	2,454	1,805
Office transfer expenses	12,059	3,261
Decrease (increase) in notes and accounts receivable-trade	393,148	-842,041
Decrease (increase) in inventories	27,752	-7,685
Subsidy income	-70,107	-23,846
Organizational restructuring expenses	53,742	-
Gain on sales of noncurrent assets	-1,233	-
Loss on retirement of noncurrent assets	32,270	7,678
Loss (gain) on sales of shares of subsidiaries and associates	-707	-
Gain on reversal of subscription rights to shares	-13,363	-
Increase (decrease) in accounts payable-other	-295,968	249,490
Increase (decrease) in accrued expenses	-104,956	-73,019
Increase (decrease) in accrued consumption taxes	-32,756	-6,800
Decrease (increase) in other current assets	-52,545	107,761
Increase (decrease) in other current liabilities	280,451	106,781
Decrease (increase) in other noncurrent liabilities	-	-1,456
Other	-8,880	-43,391
Subtotal	3,740,949	3,772,202
Interest and dividends income received	1,917	7,341
Interest expenses paid	-8,272	-14,135
Income taxes paid	-704,194	-960,319
Income taxes refund	2,478	47,112
Payment of subsidiaryHead office relocation expenses	-2,454	-1,805
Payment of office transfer expenses	-	-29,821
Subsidies received	46,695	30,353
Net cash provided by (used in) operating activities	3,077,118	2,850,927

(Unit: JPY thousand)

	Previous consolidated fiscal year (April 1, 2021) To March 31, 2022)	This consolidated fiscal year (April 1, 2022) To: March 31, 2023)
<b>Net cash provided by (used in) investing activities</b>		
Proceeds from withdrawal of time deposits	-	35,000
Purchase of property, plant and equipment	-186,762	-639,050
Proceeds from sales of property, plant and equipment	2,270	3,472
Purchase of intangible assets	-192,709	-394,374
Purchase of investment securities	-83,060	-446,722
Proceeds from sales of investment securities	54,962	-
Proceeds from redemption of investment securities	-	10,000
Proceeds from distribution of investment in partnerships	13,212	-
Payments for transfer of business	-148,883	-403,998
Payments for lease and guarantee deposits	-129,330	-112,141
Proceeds from collection of lease and guarantee deposits	9,849	34,330
Decrease (increase) in short-term loans receivable	2,728	-
Payments of long-term loans receivable	-10,000	-
Collection of long-term loans receivable	-	10,000
Purchase of investments in subsidiaries resulting in change in scope of consolidation	-1,813,502	-
Payment on conditional acquisition of shares of subsidiaries	-56,193	-
Net cash provided by (used in) investing activities	-2,537,418	-1,903,485
<b>Net cash provided by (used in) financing activities</b>		
Increase (decrease) in short-term loans payable	620,989	-300,000
Repayment of long-term loans payable	-168,393	-184,220
Purchase of treasury stock	-246	-50
Proceeds from sales of treasury stock	-	1,106,103
Proceeds from issuance of common stock acquisition rights	-	11,468
Cash dividends paid	-314,428	-390,887
Payment of dividends to non-controlling interests	-20,034	-20,034
Expenditure on purchase of investments in subsidiaries not resulting in change in scope of consolidation	-664,456	-80,906
Net cash provided by (used in) financing activities	-546,569	141,472
Effect of exchange rate change on cash and cash equivalents	139,218	194,142
Increase (decrease) in cash and cash equivalents	132,349	1,283,057
Starting balance of cash and cash equivalents	5,041,396	5,173,746
Balance of cash and cash equivalents at end of period	5,173,746	6,456,803



(5) Notes to the Consolidated Financial Statements

(Notes Regarding the Going-Concern Assumption)

Not applicable

(Changes to Accounting Policies)

(Application of the Guidance on Accounting Standard for Fair Value Measurement)

[Guidance on Accounting Standard for Fair Value Measurement] (ASBJ Guidance No. 31, June 17, 2021). Have been applied since the start of the first quarter of the consolidated fiscal year. Pursuant to the provisional handling described in Paragraph 27-2 of the Accounting Standard for Fair Value Measurement, the new accounting policies provided for in the Accounting Standard for Fair Value Measurement have been applied to future accounts. This change has had no effect on the consolidated financial statements.

(Segment information etc.)

[Segment information]

1. Summary of reporting segments

The Group's reporting segments are constituent units of the Group for which separate financial information can be obtained. They are subject to review at regular intervals by the Board of Directors to make decisions on allocation of corporate resources and to assess business performance.

Our group-wide businesses segments are aggregated after considering the details of services and economic characteristics, and the two reporting segments are "Enterprise Business" and "Entertainment Business."

Enterprise Business mainly provides services such as System Testing for enterprise systems, support for introduction of services to enterprise systems, software development support services, and security-maintenance and operation support services.

Entertainment Business mainly provides services such as Debugging of console games, mobile games, and Pachinko and slot, contracted development services for game, and promotional support.

2. Methods of calculating amounts of net sales, profit or loss, assets, liabilities, and other items by reporting segment

The account processing methods of businesses reporting segment follow the accounting policies used to prepare the consolidated financial statements.

Figures for segment income are based on Operating income. Internal sales or transfers between segments are based on actual market prices and other considerations.

3. Information on net sales, profit or loss, assets, liabilities, and other amounts by reporting segment

Previous consolidated fiscal year (April 1, 2021 - March 31, 2022)

(Unit: JPY thousand)

	Reporting segment			Total	Adjustment amount (Note 1)	Amounts on consolidated financial statements (Note 2)
	Enterprise Business	Entertainment Business	Total			
Sales						
Net sales to external customers	11,491,525	17,687,264	29,178,789	29,178,789	-	29,178,789
Internal between segments Sales or transfers	-	-	-	-	-	-
Total	11,491,525	17,687,264	29,178,789	29,178,789	-	29,178,789
Segment profit	645,042	3,668,034	4,313,077	4,317,077	-1,616,875	2,696,201

(Note 1) The adjustment amount to segment income of JPY-1,616,875 thousand consists mainly of Companywide costs such as SG&A expenses not attributable to specific reporting segments.

(Note 2) Segment income was adjusted against the Operating income on the Consolidated Income Statement.

This consolidated fiscal year (from April 1, 2022 to March 31, 2023)

(Unit: JPY thousand)

	Reporting segment			Total	Adjustment amount (Note 1)	Amounts on consolidated financial statements (Note 2)
	Enterprise Business	Entertainment Business	Total			
Sales						
Net sales to external customers	16,739,876	19,777,816	36,517,693	36,517,693	-	36,517,693
Internal between segments Sales or transfers	100,583	37,970	138,553	138,553	-138,553	-
Total	16,840,460	19,815,786	36,656,246	36,656,246	-138,553	36,517,693
Segment profit	639,306	4,214,393	4,853,699	4,853,699	-1,853,030	3,000,669

(Note 1) The adjustment amount to segment income of JPY-1,853,030 thousand consists mainly of Companywide costs such as SG&A expenses not attributable to specific reporting segments.

(Note 2) Segment income was adjusted against the Operating income on the Consolidated Income Statement.

(Per-share Information)

	Previous consolidated fiscal year (April 1, 2021) To March 31, 2022)	This consolidated fiscal year (April 1, 2022) To: March 31, 2023)
Net assets per share	323.21 yen	395.65 yen
Net income per share	82.25 yen	36.50 yen
Diluted net income per share	- yen	36.46 yen

(Note 1) Diluted net income per share of shares in the previous consolidated fiscal year is not indicated because there are no potential shares with dilutive effects.

(Note 2) The bases of calculation of net income per share and diluted net income per share are shown below.

	Previous consolidated fiscal year (April 1, 2021) To March 31, 2022)	This consolidated fiscal year (April 1, 2022) To: March 31, 2023)
Net income per share		
Net income attributable to shareholder of the parent (JPY in thousand)	1,778,650	799,550
Net income attributable to shareholder of the parent related to common stock (JPY in thousand)	1,778,650	799,550
Average shares of common stock during the period (shares)	21,624,407	21,907,577
Diluted net income per share		
Number of increases in common stock (shares)	-	22,878
(Including stock acquisition rights (shares))	(-)	(22,878)
Summary of potential shares not included in calculation of diluted net income per share because they have no dilutive effects	-	-

(Important developments arising after the end of the fiscal year)

(Corporate consolidation through acquisition)

In its board of directors on March 17, 2023, we resolved to purchase shares of GPC K.K. ("GPC "), making it a subsidiary. In addition, on April 3, 2023, the Company acquired shares of GPC.

1. Overview of this corporate consolidation

(1) Name of acquired firm and details of its businesses

Name of acquired firm GPC K.K.

Details of businesses Support for introduction of sap/erp, development of open system, contracted development

(2) Main reasons for acquisition

In order to enhance our businesses base in the sap and other erp domains

(3) Date of corporate consolidation

April 3, 2023

(4) Legal form of corporate consolidation

Purchase of shares

(5) Company name after consolidation

No change to name.

(6) Percentage of voting rights acquired

100%

(7) Main evidence leading to the decision on acquisition

Through acquisition of stock in cash.

2. Price of acquisition and breakdown of price by type

We will refrain from disclosing any information due to the obligation of confidentiality arising from share transfer agreements.

3. Details and amounts of main costs related to acquisition

Advisory expenses etc. JPY5,300 thousand

4. Resulting amount of goodwill, its cause, and its redemption method and redemption period

To be determined

5. Amounts and main details of assets received and liabilities underwritten on the date of the corporate consolidation

To be determined

(Transactions Under Common Control, etc.)

Purchase of additional shares of subsidiary

In its board of directors on March 17, 2023, it was resolved to purchase additional shares in LOGIGEAR CORPORATION, a consolidated subsidiary, making it a wholly owned subsidiary.

1. Overview of this corporate consolidation

(1) Name of acquired firm and details of its businesses

Name of acquired firm LOGIGEAR CORPORATION

Details of businesses: System Testing, etc.

(2) Date of corporate consolidation

April 11, 2023 (stock acquisition date)

(3) Legal form of corporate consolidation

Purchase of shares from non-controlling shareholder

(4) Company name after consolidation

No change to name.

(5) Other matters related to outline of transactions

Percentage of voting rights held immediately prior to acquisition 85.5%

Percentage of voting rights newly acquired 14.5%

Percentage of voting rights after acquisition 100.0%

2. Overview of account processing used

Based on the Accounting Standard for Business Combinations (ASBJ Statement No. 21, January 16, 2019) and the Guidance on the Accounting Standard for Business Combinations and the Accounting Standard for businesses Separation (ASBJ Guidance No. 10, January 16, 2019), among transactions under common control, the account processing is planned to be conducted as transactions with non-controlling shareholder.

3. Price of purchase of additional shares of subsidiary and breakdown of price by type

Price of acquisition	Cash paid for additional acquisitions	JPY323,104 thousand
Acquisition cost		JPY323,104 thousand

4. Matters related to changes in our equity in transactions with non-controlling shareholder

(1) Main factors contributing to changes in capital surplus

Purchase of additional shares of subsidiary

(2) Amount of capital surplus decreased due to transactions with non-controlling shareholder

To be determined