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Securities code: 3676

(Date of issuance) June 9, 2023

(Start date for electronic provision of documents) June 5, 2023

To our shareholders

3-20-2 Nishi-Shinjuku, Shinjuku-ku, Tokyo

DIGITAL HEARTS HOLDINGS Co., Ltd.

Representative Director and President Yasumasa Ninomiya

Notice of the 10th Ordinary General Meeting of Shareholders

We would like to express our sincere thanks for your continued support.

This is to notify you that our 10th ordinary general meeting of shareholder will be held as follows.

When convening this general meeting of shareholder, we take measures to electronically provide information (matters to be electronically provided) as a reference document for the general meeting of shareholder and such information is posted to our website on the Notice of the Convocation of the 10th Ordinary General Meeting of shareholder on our website. Therefore, we ask that you access and confirm the following website.

Our website <https://www.digitalhearts-hd.com/ir/library/meeting/>



In addition to the above website, this document is also posted to the website of the Tokyo Stock Exchange (TSE). Access the following TSE website (TSE-Listed Company Information Service): Enter and search the securities code "3676" into the "Stock Name (Company Name)" or "Code." From the "Basic Information," select the "Documents for Public Reference" section, "Notices of Convocation for General Meeting of shareholder" and "Materials for General Meeting of shareholder" as well as the "Basic Information."

Tokyo Stock Exchange website (TSE-listed company information service)

<https://www2.jpix.co.jp/tseHpFront/JJK010010Action.do?Show=Show>



As you are entitled to exercise your voting rights by way of either of the following methods, we respectfully ask that you review the reference materials for your general meeting of shareholder and take steps to exercise your voting rights.

[If you wish to exercise your voting rights in writing]

Indicate whether you are for or against the agenda items set forth in the enclosed voting rights exercise form and return this form to us so that we receive it by no later than 18:00 on June 26, 2023 (Monday).

[If you wish to exercise your voting rights online]

Enter whether you are for or against the agenda items by no later than 18:00 on June 26, 2023 (Monday), in accordance with the on-screen instructions accessing the <https://evote.tr.mufg.jp/> website for exercising voting rights as designated by us. When exercising voting rights online, you are asked to read the Guidance Notes on the Exercise of Voting Rights through the Internet as presented on page 4.

Kindest regards

Notes

1. Date and time June 27, 2023 (Tuesday), 3:00 p.m.
2. Location 3-20-2 Nishi-Shinjuku, Shinjuku-ku, Tokyo
Conference Room 2, 7F, Tokyo Opera City Tower
3. Agenda of the Meeting
 1. To report the contents of our business report, the contents of our consolidated financial statements, and the results of an audit of our consolidated financial statements as conducted by an Accounting Auditor and our Audit & Supervisory Board for our 10th fiscal year (April 1, 2022, to March 31, 2023).
 2. To report on the contents of our financial statements for our 10th fiscal year (April 1, 2022, to March 31, 2023).

Matters for approval

 - Proposal 1 Election of six (6) Directors
 - Proposal 2 Election of one (1) Substitute Audit & Supervisory Board Member

- When attending this meeting on the day in question, please submit the enclosed voting rights exercise form to the reception desk at the venue.
- Among matters concerning measures for the provision of electronics, the following matters are not indicated in the documents to be issued to shareholder who have requested delivery of documents in accordance with relevant laws and regulations and the provisions of Article 13 of the Article of Incorporation.
 - Consolidated financial statements: "Consolidated Statement of Changes in shareholder' Equity" and "Notes to the Consolidated Financial Statements"
 - Non-consolidated financial statements: "Statement of Changes in shareholder' Equity" and "Notes to the Financial Statements"

Accordingly, the documents that are issued to the shareholder who requested the issuance of the documents constitute a part of the consolidated financial statements and financial statements that were audited by the Accounting Auditor or our Audit & Supervisory Board Members in preparing the Accounting Audit Report or Audit Report.

Irrespective of whether or not a request for the issuance of a document is made for this general meeting of shareholder, a document that mentions matters concerning electronic provision measures exclusive of the above matters shall be sent uniformly to shareholder.




- If any amendment is made to matters concerning measures to provide electronics, a statement to that effect, before and after the amendment, shall be posted to each of the websites listed above.
- A Notice of Resolutions as concerns this general meeting of shareholder and a shareholder newsletter will be posted to our website (<https://www.digitalhearts-hd.com/en>) in lieu of being physically mailed.
- No gift will be provided to attending shareholder. We ask for your understanding on this point.
- In order to prevent the spread of COVID-19 infections, we will conduct our general meeting of shareholder with the highest priority given to the safety and security of our shareholder and ask for your help in preventing infections.



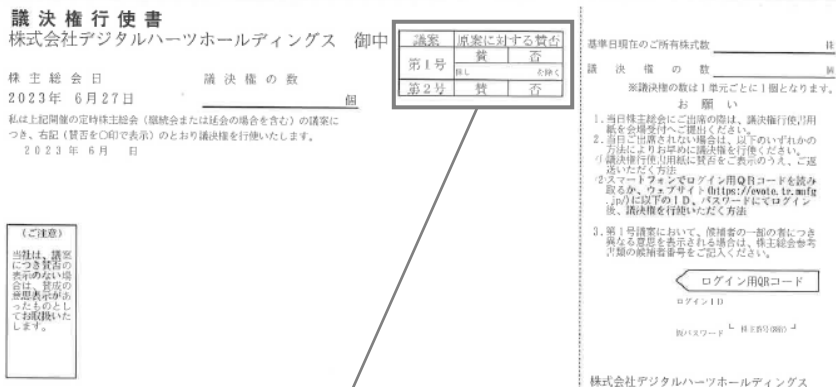
Guide to Exercising Your Voting Rights

The right to vote at a general meeting of shareholders is an important right belonging to shareholders. We ask that you study the reference materials for your general meeting of shareholder and exercise your voting rights accordingly.

There are three ways to exercise voting rights as outlined below:

 <p style="text-align: center;">At a general meeting of shareholder If you are attending</p> <p>Submit the enclosed voting rights exercise form to the reception desk at the venue.</p> <p style="text-align: center;">Date and time</p> <hr/> <p style="text-align: center;">June 27, 2023 (Tuesday) 3:00 p.m.</p>	 <p style="text-align: center;">For voting rights in writing (by postal mail) If exercised</p> <p>Indicate whether you are for or against the agenda items set forth in the enclosed voting rights exercise form and mail this form to us without affixing a stamp to the envelope.</p> <p style="text-align: center;">Deadline for exercising your voting rights</p> <hr/> <p style="text-align: center;">June 26, 2023 (Monday) Should be received by 6:00 p.m.</p>	 <p style="text-align: center;">For voting rights online via the Internet If exercised</p> <p>Indicate whether you are for or against the agenda items by following the instructions set forth on the following page.</p> <p style="text-align: center;">Deadline for exercising your voting rights</p> <hr/> <p style="text-align: center;">June 26, 2023 (Monday) Should be entered and submitted by 6:00 p.m.</p>
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Guide to Filling Out the Voting Rights Exercise Form



議決権行使書
株式会社デジタルハーツホールディングス 御中

株主総会日 議決権の数
2023年 6月 27日 1 個

私は上記開催の定時株主総会（取締役または监事会の場合を含む）の議案につき、右記（賛否を○印で表示）のとおり議決権を行使いたします。
2023年 6月 日

議案	原案に対する賛否
第1号	賛 <input type="checkbox"/> 否 <input type="checkbox"/>
第2号	賛 <input type="checkbox"/> 否 <input type="checkbox"/>

（ご注意）
当社は、議案につき賛否の表示のない場合は、賛否の表示がなかったものとしてお取り扱いいたします。

基本日現在のご所有株式数 株
議決権の数 1 票
※議決権の数は1単位ごとに1票となります。

お願い
1. 当株主総会にご出席の際は、議決権行使用紙を会場受付へご提出ください。
2. 当日ご出席されない場合は、以下のいずれかの法によりお早めに議決権を行使ください。
① 議決権行使用紙に賛否をご表示のうえ、ご返送いただく方法
② スマートフォンでログイン用QRコードを読み取る。ウェブサイトURL: <https://www.dh.com/jp/> に以下のID、パスワードにてログイン後、議決権を行使いただく方法

3. 第1号議案において、候補者の一部につき異なる意思を表示される場合は、株主総会参考資料の銘柄番号等をご記入ください。

ログイン用QRコード
ログインID
パスワード

株式会社デジタルハーツホールディングス

Proposal 1	In case you approve all the candidates → Please circle the "approval" "賛" column
	In case you disapprove all the candidates → Please circle the "disapproval" "否" column
	In case you disapprove certain candidates → Please circle the "approval" "賛" column and fill in the candidate number(s) of the candidate(s) you disapprove
Proposal 2	In case you approve → Please circle the "approval" "賛" column
	In case you disapprove → Please circle the "disapproval" "否" column

- If you exercise your voting rights both in writing (postal mail) and online via the Internet, the exercise of your voting rights online via the Internet will be treated as the only valid exercising of your voting rights. In addition, if you exercise your voting rights multiple times online via the Internet, the most recent exercising of your voting rights online via the Internet will be treated as the only valid exercising of your voting rights.
- If no indication is made of whether you are for or against each agenda item in the voting rights exercise form returned, the statement is treated as having expressed an intent to vote in favor.

Guidance Notes on the Exercise of Voting Rights through the Internet

The exercise of voting rights through the Internet is allowed through either of the following two methods:

- (1) Reading the QR code
- (2) Entering the Code for Exercise of Voting Rights and password.

(1) Reading the QR code

Step 1: Read the QR code on the lower right-hand side of the Form for Exercise of Voting Rights with your smartphone.

You are able to log-in to the website for exercising voting rights without entering the Code for Exercise of Voting Rights and password.

*Note: "QR code" is a registered trademark of Denso Wave Incorporated.

Step 2: Please continue by following the directions on the screen and enter your approval or disapproval of each resolution.

(2) Entering the Code for Exercise of Voting Rights and password

Step 1: Access to the website for exercising voting rights

Website URL for exercise of voting rights: <https://evote.tr.mufg.jp/>

Step 2: Enter "Code for Exercise of Voting Rights" indicated on the Form for Exercise of Voting Rights and click "Login." When accessing for the first time, it will move on to the password change screen.

Step 3: Enter the initial password indicated on the Form for Exercise of Voting Rights and set up a new password for actual use.

Step 4: Please continue by following the directions on the screen and enter your approval or disapproval of each resolution.

By exercising your voting rights online via the Internet
For operating the computer and smartphone
Contact us at the contact information presented to the right
if you have any questions.

Help Desk, Securities Agency Division, Mitsubishi UFJ Trust and
Banking Corporation
0120-173-027
(Toll-free / Hours of operation: 9:00 a.m. to 9:00 p.m.)

Institutional investors can use the Electronic Voting Rights Exercise Platform for Institutional Investors administered by ICJ, Inc.

(Appendix)

Business Report
(April 1, 2022
to March 31, 2023)

I. Matters concerning the current state of our corporate group

1. Progress and results of the businesses

■ Analysis of operating results (consolidated)

	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

Note: The provisional accounting treatment for business combinations was finalized in the fiscal year ended March 2023, and each numerical value corresponding to the fiscal year ended March 2022 reflects the contents of the finalization of the provisional accounting treatment. For details, see the notes to the consolidated financial statements "8. Determination of provisional accounting treatment for business combinations".

Against a backdrop of exponentially increasing use of Internet of Things (IoT) technologies and accelerating digital transformation (DX), the digital markets in which the Group does business are undergoing diversification of content and services at an extremely rapid pace. At the same time, as individual companies are facing chronic shortages in the IT human resources needed 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.

Against this backdrop, our aim is to achieve further growth through focusing on expanding Enterprise Business, where demand is growing rapidly, under the support of Entertainment Business, a highly profitable businesses.

In this consolidated fiscal year, both businesses performed well, as net sales of Enterprise Business, a key businesses, continued to increase substantially, by approximately 1.5 times, thanks in part to the effects of M&A activities, and Entertainment Business realized double-digit growth in net sales against a backdrop of factors including the booming console-game market.

This resulted in considerable growth in both net sales and Operating income in this consolidated fiscal year, as net sales were JPY 36,517,693 thousand (up 25.2% from the previous period), JPY 3,000,669 thousand (up 11.3% from the previous period), and ordinary income was JPY 3,152,548 thousand (up 13.6% from the previous period). At the same time, net income attributable to owners of the parent stood at JPY 799,550 thousand (down 55.0% from the previous period), thanks to factors including the recording of goodwill Impairment losses at a consolidated subsidiary as an Extraordinary losses.

Business results by segment are reviewed below.

	FY2021 (JPY in thousand)	FY2022 (JPY in thousand)	Change (%)
Net 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	—

Note: The provisional accounting treatment for business combinations was finalized in the fiscal year ended March 2023, and each numerical value corresponding to the fiscal year ended March 2022 reflects the contents of the finalization of the provisional accounting treatment. For details, see the notes to the consolidated financial statements "8. Determination of provisional accounting treatment for business combinations".

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

(1) Enterprise Business

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

During this consolidated fiscal year, we made strategic investments to build a solid foundation for economic growth, centered on AGEST, Inc. ("AGEST"), which was newly formed as a core company in the Enterprise Business as a result of our organizational restructuring in April 2022. Specifically, aiming toward the securing of engineers that are essential to growth in businesses and the securing of further new transactions, the Group focused on increasing the recognition of its AGEST and establishing "Tech" brands by developing work environments specializing in engineers, renovating its corporate website, and actively holding regular meetings of various IT seminars. In addition to conducting tests in the final process of development, we also established educational institutions and cutting-edge technology research institutes in industry-academia collaboration to cultivate "next-generation QA engineers" who possess both knowledge of software development and advanced test expertise, with a view to establishing "QA solutions compatible with shiftrights" that offer high-value-added support for quality from upstream processes in development. Furthermore, we also endeavored to expand our services by leveraging our unique knowledge of test specialized companies, including the "Mutation Testing".

In addition, we are actively using M&A to accelerate the pace at which Enterprise Business grow. In this consolidated fiscal year, we strengthened our order-taking system by inheriting the quality-assessment businesses of Sobal Corporation through an absorption-type split and securing approximately 130 experienced test engineers. Furthermore, aiming toward the expansion of businesses in the ERP domain, we also endeavored to increase the number of specialized engineers and acquire expertise, such as by enhancing Group-wide coordination with companies that became our subsidiary in the previous period and resolved to make GPC K.K., which provides SAP introduction support, a subsidiary, in April 2023.

This resulted in a large increase in net sales of Enterprise Business in this consolidated fiscal year, to ¥16,840,460 thousand (up 46.5% from the previous period), thanks 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 JPY 639,306 thousand (down 0.9% from the previous period), thanks to the effects of the increased sales, despite proactive strategic investments aimed at future growth.

(2) Entertainment Business

This segment provides domestic debugging services to detect bug or defect in console games, mobile games, and more, as well as global 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 in securing new transactions backed by growing demand in the robust console-game market. In addition, against a backdrop of soaring prices and other factors, we also made progress on efforts to increase employee satisfaction and secure exceptional human resources, including the adoption of a resolution to increase the hourly salary of testers for debugging in April 2023. At the same time, in Global and other services, as the outlook for Asian game markets, including China, is becoming increasingly uncertain due to factors such as the impact of the spread of COVID-19 infections, we steadily secured new transactions in areas such as game localization and LQA through enhancing Group-wide coordination. In addition, efforts toward continuous growth were advanced in South Korean subsidiary through Company name changes aimed at unifying branding and restructuring of the businesses base, including expansion of marketing functions. Furthermore, the Company concluded a capital and business alliance with GameWith, Inc., and has been working to expand the services provided and engage in mutual coordination in the recruitment of game human resources and other efforts.

This resulted in considerable growth in both net sales and segment income in the Entertainment Business during this consolidated fiscal year, as net sales totaled JPY 19,815,786 thousand (up 12.0% from the previous period) and segment income was JPY 4,214,393 thousand (up 14.9% from the previous period).

2. Status of capital investments

Capital investments made in the current consolidated fiscal year totaled JPY 1,004 million, and this mainly consisted of purchases of debugging aircraft and the development of new facilities in conjunction with the organizational restructuring implemented on April 1, 2022.

3. Status of the procurement of funds

Funds required by our group are raised through self-financing and the borrowing of funds. In this consolidated fiscal year, JPY 1.7 billion was borrowed from financial institutions.

4. Issues to be addressed

Our corporate group regards the following five points as key issues and will work to address these issues in order to reinforce our earnings base and achieve further growth:

(1) Securing and cultivating human resources

To enable our group to continue to increase its corporate value, we recognize that securing exceptional human resources and the development of existing human resources who will be responsible for the future are important issues for management.

In particular, System Testing, which are our focus businesses, are required to perform tests planned and designed by engineers. In addition, they require specialized knowledge related to quality improvement, including not only manual testing but also Vulnerability Testing and test automation. Therefore, it is essential to improve our technological capabilities and expertise through securing and cultivating engineer human resources.

To this end, our corporate group has endeavored to build a base of exceptional human resources through strengthening new graduates and mid-career hiring by creating an attractive environment for engineers, centered on AGEST, Inc., and providing a proprietary engineer development program that condenses the authoritative know-how of software testing in Japan and overseas. Furthermore, through the active use of external resources, including freelance engineers and business partners, we have built a system for responding to rapidly increasing demand.

In addition, even in our major domestic debugging, it is essential to constantly secure testers as numerous temporary employees to develop an organizational structure capable of expediently and continuously providing high-quality services in accordance with the liquid development schedules of customer or client companies. To this end, our corporate group has secured a wealth of testers through the strategic deployment of test centers laboratories centered on DIGITAL HEARTS Co., Ltd.

Going forward, our group will continue to work to expand the pool of human resources through developing work styles and educational systems suited to the needs of our diverse human resources.

(2) Increasing value added to services

To intensify the development of new contents and services against the backdrop of the growth of the Internet of Things (IoT) and the acceleration of digital transformation (DX) in the digital-related markets in which our corporate group operates, we recognize the ability to flexibly accommodate changes in the market environment and the diversification of client needs as a critical management issue.

Our corporate group will provide comprehensive services in accordance with customer or client requirements across a wide range of processes from development to maintenance and operations. This will be done by combining the competencies and expertise of the entire Group in a way that transcends businesses and regional boundaries while we leverage the competitive edge and diversity we have cultivated primarily in the Entertainment Business as our driving force. In addition, we will strive to provide high value-added services by proactively working on the development of new services.

(3) Deploying services overseas

Our corporate group also considers the deployment of services overseas as a critical management issue that must be addressed if we wish to achieve sustainable growth.

To this end, through overseas subsidiary in the United States, the United Kingdom, China, South Korea, Taiwan, Vietnam, and elsewhere, our group has deployed businesses for test services for

enterprise systems, debugging of games, localization services, and other services and is working to build an overseas businesses base to achieve sustainable growth.

We will continue to expand our businesses operations globally in accordance with a basic policy of providing services in markets where we can expect high levels of profit and growth.

(4) Expanding businesses domains and promoting new businesses

Even as we maintain our Entertainment Business as a significant source of revenue, our corporate group recognizes that the promotion of new businesses along with the expansion of existing business domains is an important management issue for establishing stable growth from a diverse range of revenue sources.

To this end, we have been proactively working to expand the size of our businesses in multifaceted ways using mergers and acquisitions, among other options, and to develop new services in the pursuit of a unique identity. We will continue to focus on the cultivation of new businesses domains and the creation and growth of new businesses as well as on putting together a stable businesses portfolio-based on a diverse range of revenue sources.

(5) Maintaining a stable financial base

Our corporate group-centered on Entertainment Business with strong cash-flow generation capabilities-has sustained a high level of profitability and has maintained a sound financial structure while providing stable dividends and other returns to shareholder.

However, we understand that the strengthening of our financial base is an even more important management issue than before as we face a severe external environment, including the risk of a prolonged slump in the global economy. We will continue to fortify our cash-flow management and continue to work to secure a stable financial base, such as through taking flexible measures by way of procuring external funds from financial institutions when necessary.

We respectfully ask for the continued support and encouragement of our shareholders.

5. Status of assets and income (loss)

Category	FY No. 7 FY2019	FY No. 8 FY2020	FY No. 9 FY2021	FY No. 10 (This consolidated fiscal year) FY2020
Net sales (JPY in thousand)	21,138,200	22,669,577	29,178,789	36,517,693
Ordinary income (JPY in thousand)	1,372,376	1,975,394	2,774,078	3,152,548
Net income attributable to owners of the parent (JPY in thousand)	792,130	974,492	1,778,650	799,550
Net income per share (JPY)	36.31	45.15	82.25	36.50
Total assets (JPY in thousand)	10,637,014	14,338,792	17,610,296	19,581,635
Net assets (JPY in thousand)	5,438,469	6,314,752	7,566,223	9,474,520
Net assets per share (JPY)	228.62	263.32	323.21	395.65

Notes: 1. Net income per share is calculated based on the weighted-average shares outstanding during the period.

2. Indicated monetary amounts are rounded down to the nearest thousand JPY. Provided, however, that net income per share and net assets per share amounts are rounded to two decimal places.

3. The provisional accounting treatment for business combinations was finalized in the fiscal year ended March 2023, and each numerical value corresponding to the fiscal year ended March 2022 reflects the contents of the finalization of the provisional accounting treatment. For details, see the notes to the consolidated financial statements "8. Determination of provisional accounting treatment for business combinations".

6. Status of significant parent companies and subsidiary

(1) Relationship to parent companies

Not applicable

(2) Status of significant subsidiary

Company Name	Capital stock	Of ours Stake owned	Main lines of business
DIGITAL HEARTS Co., Ltd.	JPY 276 million	100.0%	Debugging, game-translating, LQA, and more
AGEST, Inc.	JPY 100 million	100.0%	System Testing, security-related services, support for introduction of services, software-development support, and more
DIGITAL HEARTS USA Inc.	USD 1,464 thousand	100.0%	Localization and more
DIGITAL HEARTS (Shanghai) Co., Ltd.	RMB 6 million	100.0%	Debugging, localization, and more
Aetas, Inc.	JPY 89 million	60.0%	Operations of a game information website and more
FLAME Hearts Co., Ltd.	JPY 60 million	100.0%	Commissioned development of games and graphics production
DIGITAL HEARTS Seoul Co., Ltd.	KRW 50 million	100.0%	Localization, marketing, and more
LOGIGEAR CORPORATION	USD 5,146 thousand	85.5%	System Testing and more
LOGIGEAR VIETNAM CO., LTD.	VND 8,352 million	85.5% (85.5%)	System Testing and more
Digital Hearts Linguitronics Taiwan Co., Ltd.	NTD 5,000 thousand	55.0% (55.0%)	Localization and more
DIGITAL HEARTS CROSS Marketing and Solutions Limited	USD 13,490 thousand	100.0%	Intermediate holding company
DIGITAL HEARTS CROSS Shanghai Co., Ltd.	RMB 25 million	100.0% (100.0%)	Marketing
DH & Luminous Media International Corporation	USD 1,300 thousand	51.0% (51.0%)	Marketing
KOL Media Limited	USD 1 thousand	100.0% (100.0%)	Marketing
DIGITAL HEARTS CROSS Tokyo Co., Ltd.	JPY 25 million	100.0% (100.0%)	Marketing
MK Partners, Inc.	USD 6 thousand	52.3% (52.3%)	System Consulting
TPP SOFT, JSC	USD 101 thousand	52.1% (52.1%)	Software development support
identity Inc.	JPY 100 million	100.0%	Human resources platform-related businesses and more
DEVELOPING WORLD SYSTEMS LIMITED	GBP 450	85.5% (85.5%)	Support for introduction of Oracle products, maintenance and operation support, and more
DWS North America, Inc.	-	85.5% (85.5%)	Support for introduction of Oracle products, maintenance and operation support, and more
CEGB Co., Ltd.	JPY 15 million	100.0%	Introduction of SAP, operation consulting, software development support, and more

Notes: 1. A figure in parentheses in the "Our stake" column denotes the percentage corresponding to indirect ownership (included number).

2. LOGIGEAR JAPAN CORPORATION, Red Team Technologies Co., Ltd., and ANET Corporation were excluded from the scope of consolidation because they were extinguished through an absorption-type merger in which AGESE, Inc. became the surviving company.

3. Orgosoft Co., Ltd., a consolidated subsidiary, changed its name to DIGITAL HEARTS Seoul Co., Ltd. on November 1, 2022.

7. Major business contents (as of March 31, 2023)

businesses	Major services
Enterprise Business	Provision of the following services for enterprise systems
QA solution	System Testing for detecting bug or defect in enterprise systems, security-testing services, support for introduction of services, software-development support, and other such services
IT services and others	Services such as dispatching engineers, security monitoring, and maintenance and operation support
Entertainment Business	Provision of the following services for entertainment content, including console games, mobile games, and amusement devices
Domestic debugging	A service to detect software bug or defect on a user perspective basis and report them to customer or client companies, primarily domestic console games, mobile games, and Amusement dept. devices
Global and others	Global services, including the localization, LQA, and marketing support that is essential to introducing game titles in overseas markets as well as Creative Services including contracted development services for game and 2D/3D graphics production, along with Media Services that include operation of the 4Gamer.net game information site

8. Major places of business and other details (as of March 31, 2023)

(1) The Company

Name	Address
Head office	Shinjuku-ku, Tokyo

(2) Subsidiary

Company Name	Address
DIGITAL HEARTS Co., Ltd.	Shinjuku-ku, Tokyo
AGEST, Inc.	Shinjuku-ku, Tokyo
DIGITAL HEARTS USA Inc.	United States
DIGITAL HEARTS (Shanghai) Co., Ltd.	China
Aetas, Inc.	Chuo-ku, Tokyo
FLAME Hearts Co., Ltd.	Minato-ku, Tokyo
DIGITAL HEARTS Seoul Co., Ltd.	South Korea
LOGIGEAR CORPORATION	United States
LOGIGEAR VIETNAM CO., LTD.	Vietnam
Digital Hearts Linguitronics Taiwan Co., Ltd.	Taiwan
DIGITAL HEARTS CROSS Marketing and Solutions Limited	British Virgin Islands
DIGITAL HEARTS CROSS Shanghai Co., Ltd.	China
DH & Luminous Media International Corporation	British Virgin Islands
KOL Media Limited	Hong Kong
DIGITAL HEARTS CROSS Tokyo Co., Ltd.	Shinjuku-ku, Tokyo
MK Partners, Inc.	United States
TPP SOFT, JSC	Vietnam
identity Inc.	Shinjuku-ku, Tokyo
DEVELOPING WORLD SYSTEMS LIMITED	United Kingdom
DWS North America, Inc.	United States
CEGB Co., Ltd.	Bunkyo-ku, Tokyo

9. Status of employees (as of March 31, 2023)

Segment	Number of employees (person(s))		Increase or decrease from the end of the preceding consolidated fiscal year (number of persons)	
Enterprise Business	1,034	(143)	105	(13)
Entertainment Business	471	(3,570)	-54	(104)
Companywide (shared services)	241	(27)	12	(-14)
Total	1,746	(3,740)	63	(103)

Notes: 1. The number of employees is the number of persons in employment.

2. The annual average number of temporary employees is indicated in parentheses in the column corresponding to the number of employees.

3. The number of temporary employees includes permanent part-time employees and temporary employees.

4. "Company-wide (common)" refers to employees belonging to the Administrative Department or other such sections that cannot be classified into specific segments.

10. Major lenders (as of March 31, 2023)

Lender	Outstanding balance of loans owing
MUFG Bank, Ltd.	JPY 3,100,000 thousand
Sumitomo Mitsui Banking Corporation	JPY 1,500,000 thousand
Resona Bank, Limited	JPY 3500,000 thousand

II. Matters concerning shares of the Company (as of March 31, 2023)

1. Total number of issuable shares 76,800,000 shares
2. Total number of shares outstanding 23,890,800 shares(Including 1,632,090 treasury shares)
3. Number of shareholders 6,387 persons
4. Major shareholder (top 10 shareholders)

Name of Shareholder	Number of shares held	Stock ownership ratio (%)
Eiichi Miyazawa	8,878,590	39.89
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,352,600	10.57
NORTHERN TRUST CO.(AVFC) RE FIDELITY FUNDS	1,886,764	8.48
Custody Bank of Japan, Ltd. (Trust Account)	1,348,600	6.06
A-1 Limited Liability Company	1,324,900	5.95
FIDELITY INVESTMENT TRUST: FIDELITY JAPAN FUND	306,492	1.38
STATE STREET BANK AND TRUST COMPANY 505103	235,400	1.06
J.P. MORGAN BANK LUXEMBOURG S.A. 381593	196,800	0.88
FIDELITY INVESTMENT TRUST: FIDELITY PACIFIC BASIN FUND	192,200	0.86
NORTHERN TRUST CO.(AVFC)RE NON TREATY CLIENTS ACCOUNT	191,300	0.86

Note: We hold 1,632,090 treasury shares but are excluded from the above list of major shareholder. The shareholding ratio (stake) is calculated net of treasury shares.

5. Status of shares issued to officers of the Company as compensation for the execution of duties during the current fiscal year

	Number of shares	Number of persons to whom shares have been issued
Directors (excluding Outside Directors)	8,295 shares	3 persons

III. Matters concerning the stock acquisition rights of companies

1. Status of stock acquisition rights issued as compensation for the execution of duties as held by our executives as of the end of the fiscal year

Not applicable

2. Status of stock acquisition rights issued to employees and others as compensation for the execution of duties during the current fiscal year

Not applicable

3. Material matters concerning stock acquisition rights

(1) Our officers

Not applicable

(2) Material matters concerning stock acquisition rights

(i) 7th stock acquisition rights issued in accordance with a Board of Directors resolution as held on June 30, 2022

Numbers of stock acquisition rights	1,194 stock acquisition rights
Type and number of shares to be issued for stock acquisition rights	1,194,000 shares of common stock (1,000 shares per stock acquisition rights)
Amount to be paid in by the stock acquisition rights	JPY 8,303 per stock acquisition rights
Exercise price of stock acquisition rights	Initial exercise price: JPY 1,776 per share The Exercise Price shall be adjusted to the Daily Value on or after the date of the revision if the amount rounded down to the nearest JPY (hereinafter referred to as the "Daily Value") equal to 92% of the closing price on ordinary transactions on our common stock on the Tokyo Stock Exchange on the immediately preceding trading day (or, if there is no closing price on that day, the closing price on that day) of the stock acquisition rights on the immediately preceding trading day as prescribed in the stock acquisition rights's issuance procedures is greater than or less than JPY 1 or less than the Exercise Price in effect immediately prior to the date of the revision; and the Exercise Price shall be adjusted to the Daily Value on that revision. Provided, however, that, if the revised exercise price as per the modification date falls below JPY 1,776 (hereinafter referred to as the Lower Limit Exercise Price), the exercise price shall be the Lower Limit Exercise Price.
Exercise period of stock acquisition rights	From July 20, 2022 To July 19, 2024

(ii) 8th stock acquisition rights issued in accordance with a Board of Directors resolution as held on June 30, 2022

Numbers of stock acquisition rights	1,194 stock acquisition rights
Type and number of shares to be issued for stock acquisition rights	1,194,000 shares of common stock (1,000 shares per stock acquisition rights)
Amount to be paid in by the stock acquisition rights	JPY 1,302 per stock acquisition rights
Exercise price of stock acquisition rights	Initial exercise price: JPY 1,776 per share The exercise price may be adjusted by resolution of the Board of Directors between July 20, 2022, and July 18, 2024 (including the same date) if necessary for our capital policies. If an amendment to the exercise price is resolved, we shall promptly notify the stock acquisition rights to that effect and the exercise price shall be adjusted to an amount equal to 100% of the closing price on our common stock ordinary transactions on the Tokyo Stock Exchange on the trading day immediately preceding the date on which the notice is given (or, if there is no closing price on that day, the closing price immediately preceding the date of the notice). Provided, however, that, if the exercise price as modified falls below JPY 1,776 (hereinafter referred to as the Lower Limit Exercise Price), the exercise price shall be the Lower Limit Exercise Price. We are unable to revise the exercise price of any of the unpublished facts concerning any of the companies in our or our corporate group that, if announced, could potentially have a substantial effect on our stock price.
Exercise period of stock acquisition rights	From July 20, 2022 To July 19, 2024

Note: We have concluded a third-party allotment agreement (the "Third-party allotment agreement") with BofA Securities Japan Co., Ltd., as the allottee, after the 7th and 8th stock acquisition rights have been notified in accordance with the Financial Instruments and Exchange Act. The following contents are prescribed in this Third-Party Allotment Agreement.

- Designation of exercise of the 7th stock acquisition rights by us (There are no provisions concerning the designation of exercise with respect to the 8th stock acquisition rights).
- Suspension of the exercise of this stock acquisition rights by us
- Request for purchase of the stock acquisition rights by the planned allottee
- We shall implement measures to restrict the exercise of this stock acquisition rights in accordance with the provisions of paragraph (1) of Article 434 of the Securities Listing Regulations as prescribed by the Tokyo Stock Exchange, Inc., paragraph (1) of Article 436 of the Ordinance for Enforcement of the Exchange, and the "Regulations Concerning the Treatment of Third-Party Allotment of Shares" as prescribed by the Japan Securities Dealers Association.

This Third-Party Allotment Agreement stipulates that the approval of our Board of Directors is required at the time of the transfer of this stock acquisition rights and that, even if it is transferred, the rights and obligations of the aforementioned allottee will be assumed to the transferee.

IV. Matters concerning officers of the Company

1. Names of and other details pertaining to Director and Audit & Supervisory Board Members (as of March 31, 2023)

Position	Name	Responsibilities and important concurrent positions
Representative Director and President	Yasumasa Ninomiya	CEO Representative Director & President, AGEST, Inc. Representative Director & President, DIGITAL HEARTS Co., Ltd.
Director and Chairman	Eiichi Miyazawa	
Director and Executive Vice President	Toshiya Tsukushi	CFO Representative Director & President, DIGITAL HEARTS Co., Ltd. Representative of FLAME Hearts Co., Ltd., Inc. President, Director DIGITAL HEARTS CROSS Marketing and Solutions Limited Director Director, AGEST, Inc.
Director	Takashi Yanagiya	Outside Director, Alpha Systems, Inc.; Outside Director, Showa Sangyo Co., Ltd.; Chairman, Board of Trustees, Meiji University; Chairman, Board of Trustees, Nakano Gakuen
Director	Emiko Murei	Associate Professor, Graduate School of Accounting Professionals, Aoyama Gakuin University
Director	Ryo Chikasawa	Partner, Mori Hamada & Matsumoto
Standing Audit & Supervisory Board Member	Masahide Date	
Audit & Supervisory Board Member	Keiya Kazama	
Audit & Supervisory Board Member	Toshifumi Nikawa	
Audit & Supervisory Board Member	Yoko Okano	

- Notes: 1. Directors Takashi Yanagiya, Emiko Murei, and Ryo Chikasawa are Outside Directors as prescribed in item xv of Article 2 of the Companies Act. Takashi Yanagiya and Emiko Murei satisfy the criteria for independence as prescribed by the Tokyo Stock Exchange. Both individuals have been designated as independent officers in accordance with provisions as set forth by the Tokyo Stock Exchange and notified accordingly to the Tokyo Stock Exchange. Ryo Chikasawa has not been notified to the Tokyo Stock Exchange in accordance with the internal regulations of the law firm to which he belongs.
2. Audit & Supervisory Board Members Toshifumi Nikawa and Yoko Okano are Outside Audit & Supervisory Board Members as prescribed in item xvi of Article 2 of the Companies Act. Both individuals have been notified to the Tokyo Stock Exchange as independent officers.
3. Standing Audit & Supervisory Board Member Masahide Date has accounting experience at a DIGITAL HEARTS Co., Ltd. and possesses substantial knowledge of finance and accounting.
4. Audit & Supervisory Board Member Keiya Kazama is a certified public accountant and certified tax accountant and possesses substantial knowledge of finance and accounting in part from being in charge of the finance and accounting departments at us and our group companies.
5. Audit & Supervisory Board Member Toshifumi Nikawa has many years of experience at financial institutions and possesses substantial knowledge of finance and accounting.
6. Audit & Supervisory Board Member Yoko Okano has many years of experience as an attorney and possesses a wealth of experience and expertise.
7. Director Gaku Ishiwata resigned from his office due to expiration of his term on June 28, 2022.
8. Director and Executive Vice President Toshiya Tsukushi was appointed COO on April 1, 2023.

2. Overview of contracts limiting liability

Outside Director and Audit & Supervisory Board Member (External) have concluded contracts to limit liability for damages as provided for in paragraph (1) of Article 423 of the Companies Act in accordance with the provisions of paragraph (1) of Article 427 of the same Act. The maximum amount of the liability for damages under these agreements is the minimum amount of liability as prescribed in relevant laws and regulations.

3. Summary of content of executive liability insurance policy

We have concluded a liability insurance agreement for officers as prescribed in paragraph (1) of Article 430-3 of the Companies Act with an insurance company. The scope of insured persons as provided for in this insurance agreement encompasses the officers of the Company and the officers of subsidiaries of the Company and all premiums shall be assumed in full by the Company. This insurance agreement covers damages arising from the assumption of liability by insured persons concerning the execution of duties thereby and from received claims related to the pursuit of the liability of insured persons.

4. Remuneration for Director and Audit & Supervisory Board Members

(1) We determined the policy on determining the details of the remuneration of individuals for our Director on February 19, 2021, by way of a Board of Directors resolution, after giving maximum respect to a report submitted by the Nomination and Remuneration Committee, the majority of whose members comprise Outside Director. The contents thereof are as follows.

The Board of Directors has respected, to the maximum extent possible, the contents of the report as submitted by the Nomination and Remuneration Committee, the majority of whose members comprise external Director, and determined the remuneration of Director for the current fiscal year accordingly to the extent of the maximum amount of remuneration as approved at a general meeting of shareholder, and has determined the Board of Directors accordingly.

Basic policy

The basic policy on the remuneration of the Directors of the Company treats remuneration as being linked to shareholder earnings so as to fully function as an incentive for sustainably increasing the value of the company, such that the remuneration of each Director shall be set to an appropriate level based on the duties thereof.

Specifically, the remuneration of an Executive Director shall consist of basic remuneration as fixed remuneration, bonuses as performance-linked remuneration, and share-based remuneration and determined at a meeting of the Board of Directors based on a report submitted by the Nomination and Remuneration Committee. An Outside Director in charge of supervisory functions shall be paid only the basic remuneration in light of the duties thereof.

Policy on determining the amount of basic remuneration (monetary remuneration) for an individual Director

The basic remuneration for our Director shall be fixed and monthly and determined in accordance with the position, responsibilities, and number of years in office (hereinafter referred to as "position and other factors") upon comprehensively taking into account the level of basic remuneration at other companies, our performance, and the level of employee salaries.

Policy on determining the details of performance-linked remuneration and the method by which the amount or number thereof is calculated

For performance-linked remuneration, a cash bonus reflecting key performance indicators (KPI) is paid to raise awareness of the need to increase performance each fiscal year and an amount calculated according to the extent to which financial KPIs, such as consolidated operating income, have been attained for the given fiscal year and the extent to which ESG-related non-financial KPIs have been attained shall be paid within a certain period of time after the results for the given fiscal year have been finalized. Target KPIs and their values shall be set at the time a plan for the fiscal year is formulated to ensure consistency with the plan and reviewed as needed based on a report submitted by the Nomination and Remuneration Committee in response to environmental changes.

The details of non-monetary remuneration and the policy on determining the method by which the amount or number thereof is calculated

For non-monetary remuneration, share-based remuneration subject to transfer restrictions shall be granted for the purpose of providing an incentive to increase the corporate value of the Company on a sustainable basis and sharing value with shareholders and the number of shares to be granted as determined upon comprehensively taking position and other factors into account shall be provided at a certain time each year. Shares subject to transfer restrictions shall be administered in a dedicated account opened with a securities firm during the term of the restrictions on the transfer thereof in order to prevent their disposition, such as by way of the transfer thereof or the attachment of a security right therein, during the term of the restrictions on the transfer thereof.

Policy on determining the percentages of remuneration for an Director individual accounted for by the amount of monetary remuneration, the amount of performance-linked remuneration, and the amount of non-monetary remuneration

The Nomination and Remuneration Committee shall investigate remuneration percentages by type of Executive Director based on remuneration levels benchmarked against companies of a comparable scale of business as the Company or companies belonging to related industries and business

categories as the Company with the weight of performance-linked remuneration and share-based remuneration rising for higher-ranking positions.

Matters concerning the determination of the details of remuneration for an individual Director

With respect to the amount of remuneration for an individual Director, the Board of Directors shall resolve the amounts of basic remuneration and bonuses for an individual Director and the number of shares to be allocated as share-based remuneration based on the contents of a report submitted by the Nomination and Remuneration Committee, the majority of whose members comprise Outside Directors, with the utmost respect given for such report.

(2) Total amount of remuneration corresponding to the current fiscal year

	Total amount of remuneration etc.	Total amounts of remuneration etc. by type			Be subject Number of officers
		Basic remuneration	Performance-linked remuneration	Non-monetary remuneration	
Directors (Outside Directors)	JPY 136,204 thousand (JPY 16,849 thousand)	JPY 80,050 thousand (JPY 16,849 thousand)	JPY 39,184 thousand (-)	JPY 16,970 thousand (-)	7 persons (4 persons)
Audit & Supervisory Board Members (Outside Audit & Supervisory Board Members)	JPY 18,124 thousand (JPY 6,330 thousand)	JPY 18,124 thousand (JPY 6,330 thousand)	- (-)	- (-)	4 persons (2 persons)
Total (Outside Officers)	JPY 154,328 thousand (JPY 23,179 thousand)	JPY 98,174 thousand (JPY 23,179 thousand)	JPY 39,184 thousand (-)	JPY 16,970 thousand (-)	11 persons (6 persons)

Notes: 1. The amount of remuneration etc. for Director does not include the amount corresponding to the employee Director who also serves as an employee.

2. The above indicates the amount including one Director (of whom one is an Outside Director) who resigned at the conclusion of the 9th ordinary general meeting of shareholder as held on June 28, 2022.

3. Bonuses are paid as performance-linked remuneration and the above mentions the amount of provision for directors' bonuses corresponding to the current fiscal year. The method by which the amount of performance-linked remuneration is calculated is as described in [(1) 3] Policy on determining the details of performance-linked remuneration and the method by which the amount or number thereof is calculated. The following contents have been set up as performance indicators to serve as the basis for calculating the amount of performance-linked remuneration so as to be consistent with the annual plan. Achievements or result of performance indicators for the current fiscal year is as follows.

KPI		Target value	Achievements or result	Valuation weight
Financial KPI	Operating income	JPY 3.2 billion	JPY 3.0 billion	80%
	ROIC	15.0%	21.9%	
Non-financial KPIs	Number of IT human resources and Qualitists Percentage of female managers Employment rate of persons with disabilities	Set for each indicator	-	20%

※ "Qualitist" is our unique name, which refers to quality-improvement specialists.

4. Non-monetary remuneration consists of the granting of shares of our common stock as share-based remuneration subject to transfer restrictions and the number of shares to be granted as determined upon comprehensively taking performance, position, and other factors into account shall be provided at a certain time each year. The status of payments in the current fiscal year is "ii. 5. Indicated in "Status of shares issued to our executives as compensation for the execution of duties" during the current fiscal year.

5. It was resolved at the 3rd ordinary general meeting of shareholder as held on June 29, 2016, that the total amount of monetary remuneration for Director shall be no more than JPY 340 million per year (of which the amount per year for Outside Director shall be no more than JPY 30 million; exclusive of salaries for employees who also serve as employees). The number of Director as of the conclusion of this general meeting of shareholder is six (of whom three are Outside Director).

It was resolved at the 8th ordinary general meeting of shareholder as held on June 24, 2021, that the amount of remuneration for the granting of shares subject to transfer restrictions to Director, which is distinct from monetary remuneration and exclusive of Outside Director, shall be no more than JPY 260 million per year (exclusive of salaries for employees given Director concurrent serving as employees). The number of Director persons excluding Outside Director as of the conclusion of this general meeting of shareholder is three.

It was resolved at the 3rd ordinary general meeting of shareholder as held on June 29, 2016, that the total amount of monetary remuneration for Audit & Supervisory Board Members shall be no more than JPY 24 million per year. The number of Audit & Supervisory Board Members as of the conclusion of this general meeting of shareholder is four (of whom three are Audit & Supervisory Board Member (External)).

5. Matters concerning Outside officers

(1) Relationship between the entity where an officer holds an important concurrent position and us

Name	Entity where an officer holds a concurrent position	Concurrent position	Relationship with the other juridical person or entity
Takashi Yanagiya	ALPHA SYSTEMS INC.	Outside Director	There is no special relationship between the Company and the entity where the officer holds a concurrent position.
	Showa Sangyo Co., Ltd.	Outside Director	There is no special relationship between the Company and the entity where the officer holds a concurrent position.
	Meiji University	Chairman, Board of Trustees	There is no special relationship between the Company and the entity where the officer holds a concurrent position.
	Nakano Gakuen	Chairman, Board of Trustees	There is no special relationship between the Company and the entity where the officer holds a concurrent position.
Emiko Murei	Aoyama Gakuin University Graduate School	Associate Professor	There is no special relationship between the Company and the entity where the officer holds a concurrent position.
Ryo Chikasawa	Mori Hamada & Matsumoto	Partner Attorney at Law	While we have concluded a legal advisory agreement with the entity where the officer holds a concurrent position in this case, the amount of remuneration under this arrangement equals less than 1% of the sales of the other entity and less than 1% of our consolidated sales.

(2) Status of major activities during the current fiscal year

Category	Name	Status of major activities and outline of duties carried out in connection with the roles expected of the Outside Director
Outside Director	Takashi Yanagiya	He attended 16 out of 16 meetings of the Board of Directors held in the current fiscal year. He primarily expresses, based on knowledge derived from his extensive experience as a corporate manager, his opinions on a proactive basis from this perspective at meetings of the Board of Directors and fulfills an appropriate role in ensuring the validity and appropriateness of decision-making, such as by supervising and giving advice from an objective standpoint. He also attended seven out of seven meetings of the Nomination and Remuneration Committee held in the current fiscal year as a member of this committee and carried out supervisory functions in the process of selecting candidates for positions as officers of the Company and the process of determining the remuneration of officers from an objective and neutral standpoint.
Outside Director	Emiko Murei	She attended twelve out of thirteen meetings of the Board of Directors held subsequent to his assumption of office on June 28, 2022. She primarily expresses, based on specialized knowledge obtained as a university teacher and certified public accountant, her opinions on a proactive basis from this perspective at Board of Directors and fulfills appropriate roles in ensuring the validity and appropriateness of decision-making, such as by supervising and giving advice from an objective standpoint. She also attended five out of five meetings of the Nomination and Remuneration Committee held after assuming office on June 28, 2022, as a member of this committee and carried out supervisory functions in the process of selecting candidates for positions as officers of the Company and the process of determining the remuneration of officers from an objective and neutral standpoint.
Outside Director	Ryo Chikasawa	He attended 13 out of 13 meetings of the Board of Directors held subsequent to his appointment on June 28, 2022. He primarily expresses, based on specialized knowledge obtained as an attorney, his opinions on a proactive basis from this perspective at meetings of the Board of Directors and fulfills an appropriate role in ensuring the validity and appropriateness of decision-making, such as by supervising and giving advice from an objective standpoint. He also attended five out of five meetings of the Nomination and Remuneration Committee held after assuming office on June 28, 2022, as a member of this committee and carried out supervisory functions in the process of selecting candidates for positions as officers of the Company and the process of determining the remuneration of officers from an objective and neutral standpoint.
Outside Audit & Supervisory Board Member	Toshifumi Nikawa	He attended 16 out of 16 meetings of the Board of Directors and 12 out of 12 meetings of the Audit & Supervisory Board held in the current fiscal year. He primarily makes comments required to deliberate agenda items from this perspective at Board of Directors based on knowledge gained through working at a financial institution. He also makes timely, necessary statements on, among other matters, the Company's compliance system and development of internal controls by the Company at meetings of the Audit & Supervisory Board.
Outside Audit & Supervisory Board Member	Yoko Okano	She attended 16 out of 16 meetings of the Board of Directors and 12 out of 12 meetings of the Audit & Supervisory Board held in the current fiscal year. She primarily makes statements required to deliberate agenda items from this perspective at Board of Directors, based on specialized knowledge gained as an attorney and other factors. She also makes timely, necessary statements on compliance at meetings of the Audit & Supervisory Board.

V. Status of our Accounting Auditor

1. Name of our Accounting Auditor

Grant Thornton Taiyo LLC

2. Remuneration paid by the Accounting Auditor for the current fiscal year

	Amount of remuneration for Accounting Auditors corresponding to the current fiscal year
Amount paid	JPY 42,000 thousand
Total amount of money and other property benefits to be paid to the Accounting Auditor by the Company and our subsidiaries	JPY 42,000 thousand

Notes: 1. Our Audit & Supervisory Board confirmed, based on the Practical Guidelines for Coordinating with Accounting Auditors as published by the Japan Audit & Supervisory Board Members Association, the achievements or result of audit hours by audit item and by hierarchy in the previous fiscal year's audit plan, changes in the remuneration amount, and the status of the execution of duties by the Accounting Auditor and reviewed the validity of the audit plan and remuneration amount for the current fiscal year, and gave its consent as provided for in paragraph (1) of Article 399 of the Companies Act.

2. The audit agreement concluded by and between us and the Accounting Auditor does not clearly distinguish amounts of remuneration for auditing between audits based on the Companies Act and audits based on the Financial Instruments and Exchange Act. As it is also not possible to distinguish these amounts in any practical sense, the sum of these amounts is stated in the amount of remuneration corresponding to the current fiscal year.

3. While no policy on determining remuneration for audits to be paid to our Accounting Auditor has been set forth, remuneration is determined upon taking the number of days an audit takes to complete, the contents of the work involved, and other factors comprehensively into account.

4. Some of our consolidated subsidiaries have been subject to audits performed by auditing firms other than our Accounting Auditor.

3. Contents of non-audit services

Not applicable

4. Overview of contracts limiting liability

We and Accounting Auditor Taiyo LLC have concluded an agreement to limit liability for damages as provided for in paragraph (1) of Article 423 of the Companies Act in accordance with the provisions of paragraph (1) of Article 427 of the same Act. The maximum amount of the liability for damages under these agreements is the minimum amount of liability as prescribed in relevant laws and regulations.

5. Policy on determining the dismissal or non-reappointment of the Accounting Auditor

The Audit & Supervisory Board shall decide that the dismissal or non-reappointment of the Accounting Auditor shall be made a purpose of a general meeting of shareholder where the execution of the duties of the Accounting Auditor is impeded or where otherwise deemed necessary.

The Audit & Supervisory Board shall dismiss the Accounting Auditor with the unanimous consent of the Auditors of the Company where it is deemed that the Accounting Auditor falls under any of the items set forth in paragraph (1) of Article 340 of the Companies Act. In such cases, Audit & Supervisory Board Members elected by the Board of Directors shall report the fact of and the grounds for the dismissal of the Accounting Auditor at the first general meeting of shareholder to be convened subsequent to the dismissal of the Accounting Auditor.

6. Matters concerning any suspension of business currently in effect

Not applicable

7. Matters concerning any suspension of business to which the Company has been subject in the last two years

Not applicable

8. Matters concerning an Accounting Auditor who has resigned or who has been dismissed

Not applicable

VI. Company systems and policies

1. Matters concerning the development of systems for ensuring the appropriateness of operations

The contents of a basic policy on establishing internal control systems as resolved by the Board of Directors are as follows.

(1) System for ensuring that the execution of duties by our Director, employees, the Director of our subsidiary, and employees complies with laws, regulations, and Article of Incorporation

We and our group companies shall, in accordance with the Group Compliance Guidelines, construct a system for ensuring that the execution of duties by the Director and employees of us and our group companies complies with laws, regulations, and Article of Incorporation as well as with social norms, corporate ethics, and internal rules and for having such duties executed in an appropriate and sound manner.

We provide compliance training to the officers and employees of our Group in order to cultivate an awareness of compliance throughout the entire Group.

We and our group companies shall take decisive actions in accordance with the law against antisocial forces and organizations that pose a threat to the order and safety of civil society, ban any relationship therewith, and refrain from engaging in conduct that has the effect of aiding or abetting the activities thereof.

We and our group companies shall develop and operate internal controls in accordance with the Financial Instruments and Exchange Act and other relevant laws and regulations in order to ensure the reliability of financial reporting.

(2) System concerning the retention and control of information pertaining to the execution of duties by our Director

We shall record information pertaining to the execution of duties by the Director in documents or on electromagnetic media and appropriately retain and manage the foregoing in accordance with relevant laws and regulations and internal rules.

In response to any request to access such information as made by a Director or Audit & Supervisory Board Member, the information in question shall be promptly made available for perusal.

(3) Regulations and other systems concerning the control of the risk of loss to us and our subsidiary

We shall address risks that could potentially cause losses to the management of the Group in accordance with the Regulations Governing the Management of Group Risks. In addition, the Board of Directors, Risk Management Committee, and other bodies shall study a policy for dealing with especially serious risks and shall accurately identify and manage such risks.

In the event that a serious risk materializes, we shall establish an emergency response team headed by our President or a person appointed by our President and appropriately implement countermeasures on a timely basis.

Each Group company shall appropriately establish its own risk-management system and crisis-management system.

- (4) Systems to ensure that the efficient execution of the duties of our Director and the Director of the subsidiary

We shall formulate a management strategy for the entire Group and a basic policy to constitute the basis of the management of the Group, provide guidance to Group companies, and conduct regular checks of the state of progress for the entire Group through the Board of Directors of Group companies and Group companies shall formulate and implement businesses plans based on the aforementioned strategy and basic policy.

We shall prescribe standards applicable to the chain of command, authority, and other organizational matters in the Group and Group companies shall develop rules and systems accordingly.

- (5) System for ensuring the appropriateness of operations of the corporate group that comprises us and our subsidiary

We shall prescribe Regulations Governing the Management of Affiliated Companies, engage in appropriate management and provide appropriate guidance in accordance with the status of Group companies based on these regulations and the relevant laws and regulations, and treat the determination of important matters at Group companies as matters to be submitted to and approved for Board of Directors of the Company.

We shall build a unity of purpose for the entire Group and instruct and supervise Group companies through the Director of Group companies.

We shall dispatch officers to Group companies to monitor and supervise these companies and our Internal Audit Department shall conduct audits of us and our Group companies and otherwise strengthen our audit system in collaboration with Audit & Supervisory Board Members from the standpoint of ensuring compliance on the part of our company and our Group companies with relevant laws and regulations and with internal regulations.

We shall establish an internal reporting system for the Group in order to enable officers and employees of our Group to directly report on compliance matters concerning us and our Group companies to the Internal Audit Department and Audit & Supervisory Board Members.

Each Group company shall report important information to us via our President and the status of progress with respect to sales and businesses, monthly financial statements, and other matters concerning the operations of the Group company in general regularly to our Administrative Department.

- (6) Matters concerning an employee whose assignment has been requested by our Audit & Supervisory Board Members for the purpose of assisting the Auditor in his or her duties (auxiliary employee), matters concerning the independence of this employee from our directors, and matters for ensuring the effectiveness of instructions issued to this employee

Where an Audit & Supervisory Board Member has requested the assignment of an auxiliary employee, we shall assign a full-time employee or employee with a concurrent position.

The auxiliary employee shall comply with our Employment Regulations but the right to issue commands and orders shall belong to our Audit & Supervisory Board Members and personnel matters pertaining to the auxiliary employee, such as any transfer, personnel evaluation, or disciplinary action affecting the auxiliary employee, shall be determined with the consent of our Audit & Supervisory Board Members.

(7) System for reporting to our Audit & Supervisory Board Members

Our Director and employees shall make required reports and provide information as requested by our Audit & Supervisory Board Members.

The Director and employees of us and our Group companies shall report statutory matters as well as matters that substantially affect our Group, the status of internal audits, and the status of reports made through the Group's internal reporting system to our Audit & Supervisory Board Members.

(8) System for ensuring that persons who report to our Audit & Supervisory Board Members are not subject to disadvantageous treatment as a result thereof

The Company bans the imposition of disadvantageous treatment on any director or employee of the Company or any of its Group companies who has submitted a report to an Audit & Supervisory Board Member of the Company on the grounds that such a report was made and shall ensure that the directors and employees of the Company and its Group companies are fully aware of this ban.

(9) Matters concerning the policy on procedures applicable to prepayments or reimbursements of costs incurred for the execution of duties by our Audit & Supervisory Board Members and the treatment of costs or debts incurred for the execution of such duties

Where an Audit & Supervisory Board Member of the Company makes a request for the prepayment of costs for the execution of his or her duties, the costs for which the request was made shall be promptly processed except where it is demonstrated that the costs for which the request was made do not need to be incurred for the execution of duties by the Audit & Supervisory Board Member in question.

Our Director shall take measures to secure a budget for the costs to be incurred for the execution of duties by our Audit & Supervisory Board Members so as to ensure the effectiveness of audits.

(10) Other systems to ensure that audits are effectively conducted by our Audit & Supervisory Board Members

Our Audit & Supervisory Board Members shall, where required, conduct hearings of opinions to be obtained from the Director and important employees of the Company and its Group companies.

Our Audit & Supervisory Board Members shall regularly meet with the Director of us and our Group companies.

Our Audit & Supervisory Board Members shall attend important meetings of us and our Group companies and may verify the status of deliberations concerning and reporting on important matters at these meetings.

Our Audit & Supervisory Board Members shall regularly exchange information and opinions with the Internal Audit Department and the Accounting Auditor and conduct audits in collaboration with each other.

2. Outline of the operational status of systems for ensuring the appropriateness of operations

The main operational status of the aforementioned internal-control systems in our 10th fiscal year (April 1, 2022, to March 31, 2023) is as follows.

(1) Compliance initiatives

The Company's compliance initiatives entail efforts to raise awareness of compliance matters among the directors of the Company and its Group companies through the sharing of information and provision of training related to compliance through meetings of the Compliance Committee and other meetings held by the Company and its Group companies in accordance with the Group Compliance Guidelines.

In addition, the Company endeavors to increase the effectiveness of compliance by establishing a reporting system applicable to the entire Group on the basis of an internal reporting system for the Group.

(2) Initiatives concerning the management of the risk of loss and risks

With respect to initiatives concerning the management of risks for the entire Group, risks are ascertained, evaluated, and otherwise managed through meetings of the Compliance Committee and other meetings held by the Company and its Group companies.

(3) Initiatives for ensuring the appropriateness and efficiency of the execution of duties

Our board of directors comprises six Director, including three Outside Directors, and four Audit & Supervisory Board Members, including two Audit & Supervisory Board Member (External). In businesses of our 10th fiscal year (April 1, 2022, to March 31, 2023), 16 Board of Directors meetings were held to allow the Board of Directors to engage in deliberations to confirm the status of the execution of duties by Director, confirm the status of the operations at individual Group companies, analyze the performance of us and our Group companies, and deal with other relevant matters and oversee the status of the execution of duties by Director of us and our Group companies and other relevant matters. In addition, officers dispatched by the Company are appropriately involved in important decision-making matters pertaining to management at Group companies and such matters are also submitted to and approved at meetings of the Board of Directors of the Company in accordance with the Regulations Governing the Management of Affiliated Companies as prescribed by the Company and rules of authority as prescribed by each Group company.

(4) Execution of duties by Audit & Supervisory Board Members

Audit & Supervisory Board Members shall attend meetings of the Board of Directors and other committees of the Company and major meetings held by subsidiaries to confirm the status of deliberations and reports concerning important matters and share information at meetings of the Board of Auditors in accordance with the audit plan. In addition, Audit & Supervisory Board Members shall endeavor to ascertain a broad range of risks through operational audits conducted in collaboration with the Internal Audit Department and interviews with officers and employees and shall regularly meet with the Accounting Auditor.

3. Basic policy on control of the Company

There are no particular stipulations that have been made by the Company with respect to a basic policy concerning persons with control over decisions on the financial and business policies of the Company.

4. Matters concerning transactions with a parent company

Not applicable

5. Policy on the determination of dividends from surplus

The Company's basic policy is to pay dividends with a dividend payout ratio of at least 20% while regarding the ongoing and stable redistribution of profits to shareholders as an important management issue and working to secure internal reserves required to invest in business growth and reinforce management practices. In addition, our basic policy is to distribute dividends from surplus twice a year, which shall consist of an interim dividend and a year-end dividend, and all such dividends shall be determined through Board of Directors resolutions in order to enable their flexible implementation as set forth in the Article of Incorporation.

In accordance with this basic policy, the annual dividend from surplus for the current term came to be JPY 21.00 per share (JPY 10.50 for the interim dividend and JPY 10.50 for the year-end dividend). The annual dividend from surplus for the next term is slated to be JPY 21.00 per share (JPY 10.50 for the interim dividend and JPY 10.50 for the year-end dividend).

We will also work to further increase our corporate value by effectively harnessing our internal reserves after dividends as funds for further enhancing our existing businesses and investing in new businesses and endeavoring to sustainably improve our performance and maintain and increase our ROE.

Matters concerning the year-end dividend

(1) Matters concerning the allocation of dividends to shareholder and the total amount thereof

We have a common stock of JPY 10.50 per share; the total amount is JPY 233,716,455

(2) Effective date of the distribution of the dividend from surplus

June 12, 2023

Note: Monetary amounts indicated in this businesses report are rounded down to the nearest unit.

Consolidated Balance Sheet

(As of March 31, 2023)

(Unit: JPY thousand)

Account	Amount	Account	Amount
(Assets)		(Liabilities)	
Current assets	12,528,879	Current liabilities	9,930,990
Cash and deposits	6,456,803	Short-term loans payable	5,106,750
Notes and accounts receivable-trade and contract assets	5,377,205	Accounts payable-other	1,620,348
Short-term investment securities	39,810	Accrued expenses	1,165,158
Inventories	25,125	Income taxes payable	677,031
Income taxes receivable	29,041	Accrued consumption taxes	442,140
Other	691,524	Provision for bonuses	136,348
Allowance for doubtful accounts	-90,632	Provision for directors' bonuses	22,162
Noncurrent assets	7,052,756	Other	761,050
Property, plant and equipment	1,169,633	Noncurrent liabilities	176,124
Buildings	641,093	Deferred tax liabilities	45,355
Vehicles	2,906	Net defined benefit liability	7,764
Tools, furniture and fixtures	483,969	Asset retirement obligations	90,581
Land	17,568	Other	32,423
Lease assets	24,096	Total liabilities	10,107,115
Intangible fixed assets	4,188,720	(Net assets)	
Goodwill	3,468,425	Shareholders' equity	8,283,925
Other	720,294	Capital stock	300,686
Investments and other assets	1,694,401	Capital surplus	393,678
Investment securities	494,517	Retained earnings	9,427,957
Long-term loans receivable	20,000	Treasury stock	-1,838,397
Deferred tax assets	297,965	Accumulated other comprehensive income	522,828
Lease and guarantee deposits	790,322	Valuation difference on available-for-sale securities	-86,528
Other	91,595	Foreign currency translation adjustment	609,357
		stock acquisition rights	6,345
		Non-controlling interests	661,421
		Total net assets	9,474,520
Total assets	19,581,635	Total liabilities and net assets	19,581,635

Note: Indicated monetary amounts are rounded down to the nearest thousand JPY.

Consolidated Income Statement

(April 1, 2022
to March 31, 2023)

(Unit: JPY thousand)

Account	Amount	
Net sales		36,517,693
Cost of sales		25,885,083
Gross profit		10,632,610
Selling, general, and administrative expenses		7,631,941
Operating income		3,000,669
Non-operating income		
Interest income	7,810	
Foreign exchange gains	151,327	
Subsidy income	23,846	
Other	37,184	220,169
Non-operating expenses		
Interest expenses	9,695	
Commission fee	9,400	
Loss on valuation of investment securities	38,457	
Other	10,736	68,289
Ordinary income		3,152,548
Extraordinary income		
Settlement payments income	75,572	75,572
Extraordinary loss		
Loss on retirement of noncurrent assets	7,678	
Impairment loss	1,045,536	
SubsidiaryHead office relocation expenses	1,805	
Office transfer expenses	3,261	
Loss on liquidation of businesses	23,399	
Settlement payments	37,842	
Loss on sale of businesses	111,657	1,231,181
Net income before taxes		1,996,939
Income taxes-current	1,032,241	
Income taxes-deferred	77,287	1,109,528
Current net income		887,411
Net income attributable to non-controlling shareholder		87,861
Net income attributable to owners of the parent		799,550

Note: Indicated monetary amounts are rounded down to the nearest thousand JPY.

Consolidated Statement of Changes in shareholder' Equity

(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	—	9,021,248	-2,545,696	6,776,238
Determination of provisional accounting treatment Effect amount			-2,048		-2,048
Determination of provisional accounting treatment Balance at the start of the current period reflecting	300,686	—	9,019,199	-2,545,696	6,774,189
Changes 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
Disposal of treasury stock		424,368		707,349	1,131,717
Changes in ownership interests in parent arising from transactions with non-controlling shareholder		-30,689			-30,689
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	219,101	228,022	—	572,078	7,576,339
Determination of provisional accounting treatment Effect amount		-10,927	-10,927		2,860	-10,116
Determination of provisional accounting treatment Balance at the start of the current period reflecting	8,921	208,173	217,094	—	574,938	7,566,223
Changes during the period						
Dividends of surplus						-390,792
Net income attributable to owners of the parent						799,550
Purchase of treasury stock						-50
Disposal of treasury stock						-1,131,717
Changes in ownership interests in parent arising from transactions with non-controlling shareholder						-30,689
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

Note: Indicated monetary amounts are rounded down to the nearest thousand JPY.

Notes to the Consolidated Financial Statements

1. Notes Regarding the Going-Concern Assumption

Not applicable

2. Notes on Important Matters Forming the Basis for Preparation of Consolidated Financial Statements

(1) Matters concerning the scope of consolidation

Numbers of consolidated subsidiary and names of major consolidated subsidiary

24 consolidated subsidiary

Names of major companies

DIGITAL HEARTS Co., Ltd.

AGEST, Inc.

DIGITAL HEARTS USA Inc.

DIGITAL HEARTS(Shanghai)Co., Ltd.

Aetas, Inc.

FLAME Hearts Co., Ltd.

DIGITAL HEARTS Seoul Co., Ltd.

LOGIGEAR CORPORATION

LOGIGEAR VIETNAM CO., LTD.

Digital Hearts Linguitronics Taiwan Co., Ltd.

DIGITAL HEARTS CROSS Marketing and Solutions Limited

DIGITAL HEARTS CROSS Shanghai Co., Ltd.

DH & Luminous Media International Corporation

KOL Media Limited

DIGITAL HEARTS CROSS Tokyo Co., Ltd.

MK Partners, Inc.

TPP SOFT, JSC

identity Inc.

DEVELOPING WORLD SYSTEMS LIMITED

DWS North America, Inc.

CEGB Co., Ltd.

LOGIGEAR JAPAN CORPORATION, Red Team Technologies Co., Ltd., and ANET Corporation were excluded from the scope of consolidation from the current consolidated fiscal year because they were extinguished through an absorption-type merger in which AGESE, Inc. became the surviving company.

In addition, during this consolidated fiscal year, Orgosoft Co., Ltd., a consolidated subsidiary, changed its name to DIGITAL HEARTS Seoul Co., Ltd. on November 1, 2022.

Names of major non-consolidated subsidiary

DIGITAL HEARTS PLUS Co., Ltd.

Reasons for exclusion from the scope of consolidation

This is because the effects of total assets, net sales, net income (amount corresponding to equity), retained earnings (amount corresponding to equity), and other factors on the consolidated financial statements are minor and immaterial as a whole.

(2) Application of the equity method

Number of non-consolidated subsidiary or affiliates to which the equity method is applied

Not applicable

Names of major non-consolidated subsidiary and affiliates to which the equity method is not applied

Names of non-consolidated subsidiary to which the equity method is not applied

DIGITAL HEARTS PLUS Co., Ltd.

Reason for not applying the equity method

This is because the effects of net income (amount corresponding to equity) and retained earnings (amount corresponding to equity) on the consolidated financial statements are minor and immaterial as a whole.

(3) Matters concerning the fiscal year of consolidated subsidiary

[Company whose fiscal year end is October 31]

CEGB Co., Ltd.

[Company whose fiscal year end is December 31]

DIGITAL HEARTS(Shanghai)Co., Ltd.

LOGIGEAR CORPORATION

DIGITAL HEARTS CROSS Marketing and Solutions Limited

11 other companies

In preparing the consolidated financial statements, three of the aforementioned consolidated subsidiary use financial statements based on a provisional settlement of accounts with a settlement date of March 31. For logigear corporation and eleven other companies, consolidated settlement of accounts is conducted based on the full settlement of accounts for the subsidiary in question as the differences in the settlement date do not exceed three months.

Any material transaction occurring between the date of the consolidated settlement of accounts and the date of the consolidated financial statements is adjusted as required for consolidation.

(4) Matters concerning accounting policies

Valuation standard and method for assets

(i) Short-term investment securities

Held-to-maturity debt securities

Cost method

Other securities

a Securities other than those for which there is no market price

Stated at market value (all valuation differences are included directly in net assets and the cost of securities sold is calculated using the moving-average method).

(b) Shares, etc. without a market price

Stated primarily at cost determined by the moving-average method.

(ii) Inventories

Inventories held for ordinary sale

Valuation standards are based on the cost method (method of writing down the book value due to a decline in profitability).

a Products

Moving average method

b Work in process

Individual method

c Supplies

first-in, first-out method

Method of depreciation of depreciable assets

(i) Property, plant and equipment (excluding lease assets)

The declining-balance method is used.

Provided, however, that buildings and accompanying facilities acquired on or after April 1, 2016, are depreciated using the straight-line method.

The main useful lives are as follows.

a Buildings 3 to 18 years

b Vehicles 6 years

c Tools, furniture and fixtures 3 to 20 years

(ii) Intangible fixed assets (excluding lease assets)

Straight-line method is used.

Software for internal use is depreciated using the straight-line method based on the estimated useful life (five years) within the Company and the expected useful life (three years or less) of the software for market sale.

(iii) Lease assets

Lease assets related to finance lease transactions that do not transfer ownership

Straight-line method with the lease period as the useful life and the residual value as zero.

Accounting standard for allowances

(i) Allowance for doubtful accounts

An allowance for doubtful accounts is provided for estimated amounts of uncollectible accounts based on the achievements or result ratio for ordinary receivables and taking into account the individual collectability of certain receivables, such as doubtful accounts and claims in bankruptcy or reorganization.

(ii) Provision for bonuses

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

(iii) Provision for directors' bonuses

To provide for the payment of bonuses to officers, an amount is provided for based on the estimated amount of bonuses to be paid.

Accounting method for retirement benefits

Some consolidated subsidiary use the simplified method that treats the amount that would be required if all employees voluntarily terminated their employment at the end of the period for retirement benefits as the retirement benefit obligation to calculate the liability for retirement benefits and retirement benefit expenses.

Standard for recording revenues and expenses

In accordance with the following five-step approach, our grouping records revenue in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the transfer of goods and services to customer or client.

The provision of services, which are the major transactions of our group, is based on our performance obligation to provide contracted services in accordance with the contents of the agreement. As our performance obligations will be satisfied at the time operations are actually provided, revenue and expenses are recognized at this point.

The payment terms and conditions applicable to our major transactions constitute the payment terms at the end of the following month after the provision of performance obligations and do not include any material financial factors in the agreements.

Step 1: Identifying contracts with customer or client

Step 2: Identify performance obligations in contracts

Step 3: Calculate the transaction price

Step 4: Allocate the transaction price to the performance obligations under the agreement

Step 5: Recognize revenue at the point in time of satisfaction or as the performance obligations are satisfied

(i) Enterprise Business

The Enterprise Business provides QA solutions, including System Testing, security-testing, and services to support the introduction of services through the dispatch of engineers, system maintenance, and operation support, and other services.

Service transactions under quasi-proxy agreements, which are major services, are recognized revenue when the provision of services is completed and billable.

For commissioned transactions for which the customer or client's acceptance inspection is required with respect to deliverables, revenue is recognized in accordance with the extent to which contracts progress because the customer or client's assets increase as contracts progress and the customer or client gains control of the relevant assets and the Group's performance obligations are satisfied accordingly. The extent to which agreements are in progress is calculated based on the percentage of inputs used to satisfy performance obligations (costs incurred) to the total inputs expected to be received before the full satisfaction of these performance obligations. In addition, for some transactions the performance obligations are satisfied over the life of the agreement, and revenue is recorded ratably over the term of the agreement in which the performance obligations are satisfied.

(ii) Entertainment Business

Entertainment Business mainly provides domestic debugging services for detecting the bug or defect of game software, translation and LQA of games, 2D/3D graphics production, marketing support, and other services.

Domestic debugging services, which are the major services, are service-providing transactions under quasi-delegated agreements, and revenue is recognized when the provision of services is completed and billable.

Other important matters for preparation of consolidated financial statements

(i) Standard for translating important assets or liabilities denominated in foreign currencies into Japanese currency

Monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the spot exchange rate on the consolidated closing date and any translation difference is accounted for as profit or loss. Assets and liabilities of foreign subsidiary are converted to Japanese yen at the spot exchange rate on the consolidated closing date, and revenues and expenses are converted to Japanese yen at the average rate during the period. Foreign exchange differences are included in foreign currency translation adjustments and non-controlling interests in net assets.

(ii) Amortization method and period of goodwill

Depreciation is computed by the straight-line method over three to ten years.

3. Notes on Changes to Accounting Policies

(Changes to Accounting Policies)

Implementation Guidance on Accounting Standard for Fair Value Measurement] (ASBJ Guidance No. 31, June 17, 2021). The Accounting Standard for Fair Value Measurement (hereinafter referred to as the "Guidance on Application of the Accounting Standard for Fair Value Measurement") has been applied since the start of the current consolidated fiscal year and the new accounting policy as prescribed in the Guidance on Accounting Standard for Fair Value Measurement has been applied to future accounts in accordance with the provisional handling described in Paragraph 27-2 of the Guidance on Accounting Standard for Fair Value Measurement. This change has had no effect on the consolidated financial statements.

4. Notes on Accounting Estimates

(Valuation of goodwill)

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

Amount of goodwill recorded in the consolidated financial statements	JPY 3,468,425 thousand
Enterprise Business (LOGIGEAR CORPORATION, DEVELOPING WORLD SYSTEMS LIMITED, and identity Inc.)	JPY 2,205,063 thousand
Entertainment Business (DIGITAL HEARTS CROSS Marketing and Solutions Limited)	JPY 475,143 thousand

(2) Information on the contents of important accounting estimates pertaining to identified items

Method for calculating the amount recorded in the consolidated financial statements for the current consolidated fiscal year

Our corporate group groups assets according to the classification of administrative accounts based on businesses units. If the total amount of undiscounted future cash flows from this asset group is less than the book value of the asset group for which there is an indication of impairment, the book value is written down to the recoverable amount and the reduction amount is recorded as an Impairment losses.

In the current consolidated fiscal year, it was determined that no Impairment losses was recognized for an asset group for which indicators of impairment were identified by comparing the total amount of undiscounted future cash flows to the carrying amount of the asset group for which the undiscounted future cash flows exceeded the carrying amount. 12. For asset-groups for which it is determined that some Impairment losses should be recognized as indicated in the notes to the Impairment losses, the recoverable amount is calculated based on the value in use. The Impairment losses is recognized by discounting future cash flows at 10.69%.

Major assumptions used in calculating the amount recorded in the financial statements for the current consolidated fiscal year

For indicators of goodwill impairment, the Company reviews whether there is a significant decline in excess earnings power based on a comparison of the planned businesses at the time of acquisition of the subject subsidiary with the achievements or result and the updated businesses plan. In assessing excess earnings power, estimates of future cash-flows under businesses planning are based on certain assumptions about future expectations and other factors. These assumptions reflect future uncertainties.

While the impact of COVID-19 infectious diseases continues to be uncertain from the following consolidated

fiscal year, estimates of future cash flows are made assuming that these effects are limited.

(3) Effect on the consolidated financial statements for the following consolidated fiscal year

While we carefully consider identifying indicators of impairment and recognizing Impairment losses and believe that the aforementioned estimates of undiscounted future cash flows are reasonable, changes in the conditions and assumptions underlying these estimates due to changes in market conditions and other factors could materially impact the consolidated financial statements for the following fiscal year and beyond.

5. Notes to the Consolidated Balance Sheet

Accumulated depreciation deducted directly from assets

Property, plant and equipment	JPY 1,172,751 thousand
Buildings	JPY 325,568 thousand
Vehicles	JPY 2,321 thousand
Tools, furniture and fixtures	JPY 811,663 thousand
Lease assets	JPY 33,198 thousand

6. Notes to the Consolidated Statement of Changes in shareholder' Equity

(1) Matters concerning shares outstanding

Type of shares	Beginning of the current consolidated fiscal year	Increase	Down	End of this consolidated fiscal year
Common stock Corporation	23,890,800	—	—	23,890,800

(2) Matters concerning dividends

Dividends paid

Resolution	Type of shares	Total amount of dividends (JPY in thousand)	Per share Dividends (JPY)	Record date	Effective date
May 12, 2022 Board of Directors	common stock	162,230	7.50	March 31, 2022	June 10, 2022
November 10, 2022 Board of Directors	common stock	228,560	10.50	September 30, 2022	December 6, 2022

Dividends whose record date falls in the current consolidated fiscal year and whose effective date falls in the following consolidated fiscal year

Resolution	Type of shares	Source of dividends	For dividends Total amount (JPY in thousand)	Per share Dividends (JPY)	Record date	Effective date
May 11, 2023 Board of Directors	common stock	Retained earnings	233,716	10.50	March 31, 2023	June 12, 2023

(3) Number of shares to be issued by us as of the end of the current consolidated fiscal year as a stock acquisition rights

1,771,000 shares of common stock

7. Notes on Financial Instruments

(1) Matters concerning the status of financial instruments

Policy on financial instruments

Our policy on fund management is to invest surplus funds in safe financial assets and not engage in speculative transactions unless there is a reasonable reason for doing so. In addition, in principle, the Company's policy is to raise funds through self-financing for working capital and small amounts of capital investment and through loans from banks and other financial institutions and corporate bonds for other investments that require large amounts of funds.

Contents of financial instruments, their risks, and the risk management system

- (i) Notes and accounts receivable-trade, which are trade receivables, are exposed to customer or client credit risks. With respect to this risk, the credit standing of customer or client enterprise is regularly ascertained in accordance with rules of credit management and other relevant matters and risk is mitigated through ascertaining the balance of receivables from time to time.
- (ii) Investment securities, which constitute available-for-sale securities, are subject to risks of fluctuations in market prices and other factors. The Group regularly reviews its holdings by ascertaining fair values, the financial condition of issuers, and other relevant factors.
- (iii) Lease and guarantee deposits consist mainly of lease and guarantee deposits arising from the lease of businesses stations. While these are exposed to the credit risk of the lender, the credit standing of the lender is ascertained when entering into a lease agreement and efforts are made to ascertain the credit standing of the lender as needed.
- (iv) Accounts payable-other, which are trade payables, are mostly due within one year. While these expose us to liquidity risks, our group mitigates these risks through budgetary management of cash flows and other means.
- (v) While borrowings are exposed to the risk of fluctuations in interest rates, the Group manages risks by allowing borrowing periods to be shortened to flexibly accommodate changes in interest rates and by ascertaining interest rate trends and other factors from time to time.

Supplemental explanation on matters concerning the fair value of financial instruments

Fair values of financial instruments include values based on quoted market prices and, in the absence of quoted market prices, reasonably estimated values. As variable factors are incorporated in calculating this value, the use of different assumptions could also cause this value to fluctuate.

(2) Fair value of financial instruments

The carrying amounts, fair values, and differences between the above amounts are reviewed below. Shares with no quoted market price are not included in the following table (see Note 3).

(Unit: JPY thousand)

	Amount recorded in the consolidated balance sheet	Fair value	Difference
Marketable securities and investment securities			
Held-to-maturity debt securities	39,810	39,810	—
Other securities	314,024	314,024	—

(Note 1) Matters concerning the method by which the fair value of financial instruments is calculated

(1) Assets

Cash and deposits, notes and accounts receivable-trade

Notes are omitted because their fair values approximate their carrying amounts due to their short maturities.

(2) Liabilities

Short-term loans payable and accounts payable-other

Notes are omitted because their fair values approximate their carrying amounts due to their short maturities.

(Note 2) Matters concerning the calculation of the fair value of financial instruments

Marketable securities and investment securities

Notes on securities by purpose of holding are as follows.

- (1) The carrying amount and fair value of held-to-maturity debt securities by type and the difference between the above amounts and the corresponding amounts on the consolidated balance sheet are as follows. There were no held-to-maturity bonds sold during the current consolidated fiscal year.

(Unit: JPY thousand)

Category	Type	Amount recorded in the consolidated balance sheet	Fair value	Difference
Securities whose fair value does not exceed their carrying amount on the consolidated balance sheet	Other	39,810	39,810	—
Total		39,810	39,810	—

- (2) The amounts reported on the consolidated balance sheet and acquisition costs for available-for-sale securities by type and the differences between the above amounts are as follows. There were no other securities sold during the current consolidated fiscal year.

(Unit: JPY thousand)

Category	Type	Amount recorded in the consolidated balance sheet	Acquisition cost	Difference
Securities whose carrying amount does not exceed their acquisition cost	Shares	314,024	446,722	-132,698
Total		314,024	446,722	-132,698

(Note 3) Shares, etc. without market price

(Unit: JPY thousand)

Category	Amount recorded in the consolidated balance sheet
Unlisted stocks	100,917
Shares of unconsolidated subsidiary	22,350
Investments in silent partnership	57,225

(*) These are not included in "Available-for-sale securities".

(Note 4) Planned redemption amount after the consolidated closing date of securities with maturity dates

(Unit: JPY thousand)

	Within 1 year	Due after one year Within 5 years	Due after 5 years 10 years or less	Due after 10 years
Marketable securities and investment securities				
Held-to-maturity debt securities	39,810	—	—	—
Available-for-sale securities with maturities	—	—	60,000	—
Total	39,810	—	60,000	—

(3) Matters concerning the breakdown of fair values of financial instruments by appropriate category

The fair values of financial instruments are classified into the following three levels in accordance with the observability and significance of the inputs used in determining fair values:

Level 1 fair value : Fair value determined using quoted prices in active markets for identical assets or liabilities (unadjusted)

Level 2 fair value : Fair value calculated using directly or indirectly observable inputs other than Level 1 inputs

Level 3 fair value: Fair value calculated using significant unobservable inputs

If multiple inputs are used that significantly impact the calculation of fair value, then fair value is classified into the level that has the lowest priority in determining fair value within the level to which those inputs belong.

Financial assets and financial liabilities as stated on the consolidated balance sheet at fair value

(Unit: JPY thousand)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Marketable securities and investment securities				
Investment securities				
Shares	314,024	—	—	314,024

Financial assets and financial liabilities that are not recorded on the consolidated balance sheet at fair value

(Unit: JPY thousand)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Marketable securities and investment securities				
Short-term investment securities				
Other	—	39,810	—	39,810

Note: Explanation of valuation techniques and inputs used in determining fair values

Marketable securities and investment securities

For securities with short-term remaining maturities, the fair value is based on the book value as the fair value is assumed to approximate the book value. In addition, listed stocks are valued using quoted prices and, as they are traded in active markets, their fair values are classified as Level 1 fair values.

8. Determination of provisional accounting treatment for business combinations

Business combinations between LOGIGEAR CORPORATION and DEVELOPING WORLD SYSTEMS LIMITED, which are our consolidated subsidiary, as conducted on January 17, 2022, had been finalized in the current consolidated fiscal year, although provisional accounting treatments were carried out in the previous consolidated fiscal year.

As a result of the finalization of this provisional accounting treatment, important revisions have been made to the initial allocation of acquisition costs. The amount of goodwill, as calculated on a provisional basis, of JPY 619,095 thousand has decreased by JPY 167,559 thousand to JPY 451,536 thousand due to the finalization of the accounting treatment. This also resulted in increases of JPY 223,545 thousand in intangible assets (customer or client related assets) and JPY 55,886 thousand in deferred tax liabilities.

The effect of this change on the consolidated income statement for the previous consolidated fiscal year was minor.

9. Notes on Revenue Recognition

(1) Breakdown of revenues from contracts with customer or client

(Unit: JPY thousand)

	Reportable segments		Total
	Enterprise Business	Entertainment Business	
Revenue from contracts with customer or client	16,739,876	19,777,816	36,517,693
Other income	—	—	—
Net sales to external customer or client	16,739,876	19,777,816	36,517,693

(2) Basis for understanding the revenues from contracts with customer or client

In accordance with the following five-step approach, our grouping records revenue in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the transfer of goods and services to customer or client.

The provision of services, which are the major transactions of our group, is based on our performance obligation to provide contracted services in accordance with the contents of the agreement. As our performance obligations will be satisfied at the time operations are actually provided, revenue and expenses are recognized at this point.

The payment terms and conditions applicable to our major transactions constitute the payment terms at the end of the following month after the provision of performance obligations and do not include any material financial factors in the agreements.

Step 1: Identify a Contract with a Customer

Step 2: Identify performance obligations in agreements

Step 3: Calculate the transaction price

Step 4: Allocate transaction prices to performance obligations in agreements

Step 5: Recognize revenues as performance obligations are satisfied or satisfied

Enterprise Business

The Enterprise Business provides QA solutions, including System Testing, security-testing, and services to support the introduction of services through the dispatch of engineers, system maintenance, and operation support, and other services.

Service transactions under quasi-proxy agreements, which are major services, are recognized revenue when the provision of services is completed and billable.

For commissioned transactions for which the customer or client's acceptance inspection is required with respect to deliverables, revenue is recognized in accordance with the extent to which contracts progress because the customer or client's assets increase as contracts progress and the customer or client gains control of the relevant assets and the Group's performance obligations are satisfied accordingly. The extent to which agreements are in progress is calculated based on the percentage of inputs used to satisfy performance obligations (costs incurred) to the total inputs expected to be received before the full satisfaction of these performance obligations. In addition, for some transactions the performance obligations are satisfied over the life of the agreement, and revenue is recorded ratably over the term of the agreement in which the performance obligations are satisfied.

Entertainment Business

Entertainment Business mainly provides domestic debugging services for detecting the bug or defect of game software, translation and LQA of games, 2D/3D graphics production, marketing support, and other services.

Domestic debugging services, which are the major services, are service-providing transactions under quasi-delegated agreements, and revenue is recognized when the provision of services is completed and billable.

- (3) Information concerning the relationship between the fulfillment of the obligation to perform under contracts with customer or client and the cash flow from said contracts and the amount and timing of revenue expected to be recognized from contracts with customer or client existing at the end of the current consolidated fiscal year in the following consolidated fiscal year and subsequent fiscal years

Contract assets and contract liabilities

Notes and accounts receivable-trade apply to claims arising from contracts with customer or client. The amounts of contractual assets and contractual liabilities as well as the amounts of revenue recognized from performance obligations that have been satisfied in previous periods were immaterial at the end of the previous consolidated fiscal year and in the current consolidated fiscal year. Disclosure of contractual liabilities is also omitted because the balances are immaterial and no material changes have been experienced.

Transaction price allocated to the remaining performance obligation

As there are no material transactions in which the expected terms of individual contracts exceed one year in our group, information on remaining performance obligations is omitted using the practical expedient. In addition, there are no material amounts in the consideration arising from contracts with customer or client that are not included in the transaction prices.

10. Notes Concerning Per Share Information

- | | |
|----------------------------------|------------|
| (1) Net assets per share amount | JPY 395.65 |
| (2) Net income per share | JPY 36.50 |
| (3) Diluted net income per share | JPY 36.46 |

The basis for calculating the net income per share and diluted net income per share is as follows.

Net income per share	
Net income attributable to owners of the parent	JPY 799,550 thousand
Net income attributable to shareholder of parent company related to common stock	JPY 799,550 thousand
Weighted-average shares outstanding during the common stock	21,907,577 shares
Diluted net income per share	
Common stock growth	22,878 shares

11. Notes on Material Subsequent Events

(Business combination through acquisition)

It was resolved at the Board of Directors held on March 17, 2023, that we would acquire shares in GPC K.K. ("GPC") and make it a subsidiary. In addition, the shares of GPC were acquired on April 3, 2023.

1. Overview of the business combination

(1) Name of the acquired company and details of the businesses

Name of the acquired company: GPC K.K.

Contents of businesses Support for the introduction of SAP/ERP, development of open system, contracted development

(2) Major reasons for effecting the business combination

To reinforce our businesses base in the sap and other ERP domains

(3) Date of business combination

April 3, 2023

(4) Legal form of the business combination

Share acquisition

(5) Name of the company after the combination

There is no change to the name.

(6) Percentage of voting rights to be acquired

100%

(7) Major evidence leading to the determination of the acquirer

This was due to the acquisition of shares by us in exchange for cash.

2. Acquisition cost of the acquired company and breakdown of consideration by type

Consideration for acquisition (cash and deposits) JPY 206,425 thousand

Acquisition cost JPY 206,425 thousand

3. Contents and amounts of major acquisition-related costs

Advisory fees and other costs JPY 5,300 thousand

4. Amount of goodwill arising, cause of goodwill arising, amortization method, and amortization period

It has not been finalized at this time.

5. Amounts of assets acquired and liabilities assumed on the date of the business combination and the major breakdown thereof

It has not been finalized at this time.

6. Contents of conditional acquisition consideration as prescribed in the business combination agreement and the accounting policy for the current consolidated fiscal year and beyond

(1) Contents of conditional acquisition consideration

Calculations are made according to the level of achievement of business results and other factors during the 36-month period after closing.

(2) Accounting policies for the current consolidated fiscal year and beyond

With respect to the increase in goodwill resulting from the payment of conditional acquisition consideration, the cost of acquisition is revised to deem it to have been paid at the time of the acquisition of businesses and the amount of goodwill and amortization of goodwill are revised.

(Transactions under common control)

Purchase of additional shares of subsidiary

It was resolved at the Board of Directors held on March 17, 2023, that we would acquire additional shares in LOGIGEAR CORPORATION, a consolidated subsidiary, and make it a wholly-owned subsidiary.

1. Overview of the business combination

(1) Name of the acquired company and details of the businesses

Name of acquired company: LOGIGEAR CORPORATION

Contents of businesses: System Testing, etc.

(2) Date of business combination

April 11, 2023 (share acquisition date)

(3) Legal form of the business combination

Purchase of shares from non-controlling shareholder

(4) Name of the company after the combination

There is no change to the name.

(5) Other matters concerning the outline of transactions

Voting rights held immediately prior to the acquisition of shares: 85.5%

Ratio of voting rights to be newly acquired: 14.5%

Voting rights ratio after acquisition: 100.0%

2. Overview of accounting treatments used

In accordance with the Accounting Standard for Business Combinations (ASBJ Statement No. 21, January 16, 2019) and the Implementation Guidance on the Accounting Standard for Business Combinations and the Accounting Standard for businesses Separations (ASBJ Guidance No. 10, January 16, 2019), the Company plans to account for transactions under common control as transactions with non-controlling shareholder.

3. Breakdown of the acquisition cost and type of consideration of the shares of subsidiary to be additionally acquired

Consideration for acquisition	Cash paid for additional acquisitions	JPY 323,104 thousand
Acquisition cost		JPY 323,104 thousand

4. Matters concerning changes in our interest in transactions with non-controlling shareholder

(1) Major 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

It has not been finalized at this time.

12. Notes on Impairment losses

In this consolidated fiscal year, we and our consolidated subsidiary recorded Impairment losses on the following asset-groups.

(1) Outline of asset-groups for which Impairment losses has been recognized

Location	Application	Type	Amount (JPY in thousand)
British Virgin Islands (DIGITAL HEARTS CROSS Marketing and Solutions Limited)	—	Goodwill	1,045,536
Total			1,045,536

(2) Background to the Impairment losses

DIGITAL HEARTS CROSS Marketing and Solutions Limited ("DIGITAL HEARTS CROSS "), our consolidated subsidiary, is expected to experience delays in forecasting earnings as originally anticipated in its subsidiary due to changes in the game-market conditions in China and other Asian countries, as well as the aftermath of the spread of COVID-19 infections. As a result of revisions to businesses plans going forward, goodwill incurred at the time of the acquisition of shares in digital hearts cross was impaired and an Impairment losses was recorded.

(3) Breakdown of Impairment losses

Goodwill	JPY 1,045,536 thousand
Total	JPY 1,045,536 thousand

(4) Grouping method

In applying impairment accounting, our Group groups assets according to the classification of management accounting based on businesses units.

(5) Method of calculating the recoverable amount

The recoverable amount is calculated based on the value in use and the discount rate on future cash flows was 10.69%.

13. Notes on subsidiaryHead office relocation expenses

This is a Head office relocation expenses of the domestic subsidiary.

14. Notes on Loss on liquidation of businesses

Personnel reduction costs resulting from revisions to the businesses structure of foreign subsidiary and other costs are posted to Extraordinary losses.

15. Notes on Loss on sale of businesses

Loss on sale of businesses are recorded as Extraordinary losses due to the transfer of businesses of foreign subsidiary.

Balance Sheet

(As of March 31, 2023)

(Unit: JPY thousand)

Account	Amount	Account	Amount
(Assets)		(Liabilities)	
Current assets	1,103,373	current liabilities	8,807,685
Cash and deposits	517,789	Short-term loans payable	8,585,000
Prepaid expenses	59,467	Accounts payable-other	66,225
Accounts receivable - other	297,687	Accrued expenses	22,536
Other	228,429	Income taxes payable	53,387
Noncurrent assets	11,067,947	Deposits received	11,259
Property, plant and equipment	137,463	Provision for bonuses	12,725
Buildings	95,723	Provision for directors' bonuses	19,662
Vehicles	2,906	Dividends payable	1,381
Tools, furniture and fixtures	38,833	Other	35,507
Intangible fixed assets	187,530	Total liabilities	8,807,685
Software	79,885	(Net assets)	
Trademark rights	2,629	Shareholders' equity	3,443,809
Other	105,015	Capital stock	300,686
Investments and other assets	10,742,953	Capital surplus	3,472,413
Investment securities	472,167	Legal capital surplus	300,686
Shares of subsidiaries and associates	8,352,609	Other capital surplus	3,171,727
Long-term loans to subsidiaries and affiliates	2,888,000	Retained earnings	1,509,106
Deferred tax assets	80,926	Other retained earnings	1,509,106
Other	201,004	Retained earnings brought forward	1,509,106
Allowance for doubtful accounts	-1,251,755	Treasury stock	-1,838,397
		Valuation and translation adjustments	-86,519
		Valuation difference on available-for-sale securities	-86,519
		stock acquisition rights	6,345
		Total net assets	3,363,635
Total assets	12,171,321	Total liabilities and net assets	12,171,321

Note: Indicated monetary amounts are rounded down to the nearest thousand JPY.

Income Statement

(April 1, 2022
to March 31, 2023)

(Unit: JPY thousand)

Account	Amount	
Operating revenue		
Consulting fee income	1,592,020	
Fiduciary obligation fee	530,386	
Dividends from subsidiaries and affiliates	30,030	2,152,437
Operating expenses		1,995,682
Operating income		156,755
Non-operating income		
Interest income	17,016	
Reversal of allowance for doubtful accounts	112,953	
Other	2,204	132,174
Non-operating expenses		
Interest expenses	23,325	
Foreign exchange losses	2,904	
Commission fee	9,194	
Loss on valuation of investment securities	38,457	
Other	3,234	77,116
Ordinary income		211,813
Extraordinary loss		
Loss on valuation of stocks of subsidiaries and affiliates	956,640	956,640
Current net loss before taxes		744,826
Income taxes-current	51,635	
Income taxes-deferred	28,527	80,163
Net loss		824,990

Note: Indicated monetary amounts are rounded down to the nearest thousand JPY.

Statement of Changes in shareholder' Equity

(April 1, 2022
to March 31, 2023)

(Unit: JPY thousand)

	Shareholders' equity					
	Capital stock	Capital surplus			Retained earnings	
		Legal capital surplus	Other Capital surplus	Capital surplus Total	Other Retained earnings Retained earnings brought forward Retained earnings	Retained earnings Total
Balance at the start of the period	300,686	300,686	2,747,359	3,048,045	2,724,889	2,724,889
Changes during the period						
Dividends from surplus					-390,792	-390,792
Net loss					-824,990	-824,990
Purchase of treasury stock						
Disposal of treasury stock			424,368	424,368		
Items other than shareholder' equity Net changes during the period						
Total changes during the period	—	—	424,368	424,368	-1,215,782	-1,215,782
Balance at end of current period	300,686	300,686	3,171,727	3,472,413	1,509,106	1,509,106

	Shareholders' equity		Valuation and translation adjustments		stock acquisition rights	Total net assets
	Treasury stock	Total shareholders' equity	Other Short-term investment securities Valuation difference	Evaluation and translation Total difference		
Balance at the start of the period	-2,545,696	3,527,924	8,890	8,890	—	3,536,815
Changes during the period						
Dividends from surplus		-390,792				-390,792
Net loss		-824,990				-824,990
Purchase of treasury stock	-50	-50				-50
Disposal of treasury stock	707,349	1,131,717				1,131,717
Items other than shareholder' equity Net changes during the period			-95,409	-95,409	6,345	-89,064
Total changes during the period	707,298	-84,115	-95,409	-95,409	6,345	-173,179
Balance at end of current period	-1,838,397	3,443,809	-86,519	-86,519	6,345	3,363,635

Note: Indicated monetary amounts are rounded down to the nearest thousand JPY.

Notes to the Financial Statements

1. Notes Regarding the Going-Concern Assumption

Not applicable

2. Notes on Matters Relating to Important Accounting Policies

(1) Valuation standard and method for securities

Shares of subsidiary and affiliates

Stated at cost determined by the moving-average method.

Other securities

Other than shares without market price

Stated at market value (all valuation differences are included directly in net assets and the cost of securities sold is calculated using the moving-average method).

Shares, etc. without market price

Stated primarily at cost determined by the moving-average method.

Contributions to limited liability partnerships for investment businesses and similar partnerships (which are considered securities under paragraph (2) of Article 2 of the Financial Instruments and Exchange Act) are accounted for on a net basis using the most recent financial statements available according to the reporting date of the settlement of accounts as prescribed in the partnership agreement as a basis.

(2) Method of depreciation of noncurrent assets

Property, plant and equipment

The declining-balance method is used.

Provided, however, that buildings and accompanying facilities acquired on or after April 1, 2016, are depreciated using the straight-line method.

The main useful lives are as follows.

Buildings	6 to 15 years
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Vehicles	6 years
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Tools, furniture and fixtures	3 to 15 years
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Intangible fixed assets

Straight-line method is used.

Software for internal use is depreciated using the straight-line method over its estimated useful life (five years).

(3) Accounting standard for allowances

Allowance for doubtful accounts

To provide for losses arising from doubtful accounts on claims owing to subsidiary, an amount deemed necessary based on the financial position of the companies in question is recorded.

Provision for bonuses

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

Provision for directors' bonuses

To provide for the payment of bonuses to officers, an amount is provided for based on the estimated amount of bonuses to be paid.

(4) Standard for recording revenue

The Company applies the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and other standards. Revenue is recognized in the amount expected to be received in exchange for the good or service at the point in time when control of a promised good or service is transferred to the customer or client.

Our revenues are comprised of management guidance fees from subsidiary and business outsourcing fees. In the case of management guidance fees and outsourcing fees, revenue is recognized at the point in time because the obligation of providing contracted services to subsidiary suits the nature of the contract and because the obligations of fulfilling these obligations will be satisfied at the point in time when services are actually provided.

(5) Other important matters forming the basis for preparation of financial statements

Standard for translating assets and liabilities denominated in foreign currencies into Japanese currency

Monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the spot exchange rate as of the balance sheet date and foreign exchange gains and losses are accounted for as gains or losses.

3. Notes on Changes to Accounting Policies

(Changes to Accounting Policies)

Implementation Guidance on Accounting Standard for Fair Value Measurement] (ASBJ Guidance No. 31, June 17, 2021). The Accounting Standard for Fair Value Measurement (hereinafter referred to as "Guidance on Application of the Accounting Standard for Fair Value Measurement") has been applied since the start of the fiscal year, and the new accounting policy as prescribed in the Accounting Standard for Fair Value Measurement Guidance has been applied to future accounts in accordance with the provisional handling described in Paragraph 27-2 of the Accounting Standard for Fair Value Measurement. This change has had no effect on the financial statements.

4. Notes on Accounting Estimates

(Valuation of stocks of subsidiaries and affiliates)

(1) Amount recorded in the financial statements for the current fiscal year JPY 8,352,609 thousand

(Of this, LOGIGEAR CORPORATION JPY 1,633,642 thousand; DIGITAL HEARTS CROSS Marketing and Solutions Limited JPY 1,263,119 thousand; identity Inc. JPY 1,605,450 thousand)

(2) Information on the contents of important accounting estimates pertaining to identified items

How to calculate the amount recorded in the financial statements for the current fiscal year

Shares of subsidiaries and associates held by us are those for which there is no market price, and some shares of subsidiaries and associates are acquired at a higher price than net assets because the amount equivalent to goodwill is included. In determining whether or not a valuation loss is required, if the actual value decreases significantly from the book value, the amount is written down to the actual value and recorded as a loss on valuation of stocks of subsidiaries and affiliates.

In the current fiscal year, it was determined that no loss on valuation of shares in subsidiaries and affiliates would be recognized if the actual value was compared with the book value and there was no marked decline. In addition, as indicated in Extraordinary losses in the income statement, losses on valuation of stocks of some subsidiaries and affiliates are reduced to the actual value and the corresponding reduction is recognized in loss on valuation of stocks of subsidiaries and affiliates.

Major assumptions used in calculating the amount recorded in the financial statements for the current fiscal year

Determination of the decline in the real value of shares of subsidiaries and affiliates and determination of the likelihood of recovery are examined based on comparisons between the planned businesses at the time of acquisition of the subject subsidiary and the achievements or result and the most recent businesses plan. In formulating an businesses program, estimates are made based on certain assumptions regarding future expectations and other factors. These assumptions reflect future uncertainties.

While the impact of COVID-19 infectious diseases continues to be uncertain from the following fiscal year onward, estimates of future cash flows are made assuming that these effects are limited.

(3) Effect on the financial statements for the following fiscal year

While we carefully consider the determination of the need for valuation losses on stocks of subsidiaries and affiliates and believe that the aforementioned estimates of real value are reasonable, changes in the conditions and assumptions underlying these estimates due to changes in market conditions and other factors could materially impact the financial statements for the following fiscal year and beyond.

5. Notes to the Balance Sheet

(1) Accumulated depreciation deducted directly from assets

Property, plant and equipment	JPY 92,439 thousand
Buildings	JPY 33,488 thousand
Vehicles	JPY 2,321 thousand
Tools, furniture and fixtures	JPY 56,630 thousand

(2) Monetary claims and monetary liabilities to subsidiaries and affiliates

Monetary claims or monetary liabilities owing to these affiliates other than those indicated separately are as follows.

Short-term monetary claims on subsidiaries and affiliates	JPY 497,946 thousand
Short-term monetary liabilities to subsidiaries and affiliates	JPY 3,503,321 thousand

6. Notes to the Income Statement

Transactions with subsidiaries and affiliates

Operating transactions (share of revenue)	JPY 2,147,529 thousand
Operating transactions (expenses)	JPY 85,784 thousand
Transactions other than operating transactions (revenue portion)	JPY 16,455 thousand
Transactions other than operating transactions (expenditures)	JPY 12,234 thousand

7. Notes to the Statement of Changes in shareholder' Equity

Matters concerning treasury stock

Type of shares	Beginning of current fiscal year	Increase	Down	End of current fiscal year
Common stock	2,260,031	29	627,970	1,632,090

(Outline of grounds for change)

A breakdown of the increase in the number of treasury shares is as follows.

Increase due to purchase of shares less than one unit	29 shares
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A breakdown of the decrease in the number of treasury shares is as follows.

Disposal of treasury shares by Board of Directors resolution	10,970 shares
Disposal of treasury shares upon exercise of stock acquisition rights	617,000 shares

8. Notes on Tax Effect Accounting

Breakdown of major causes of deferred tax assets and deferred tax liabilities

(Unit: JPY thousand)

Deferred tax assets	
Provision for bonuses	3,896
Investment securities	70,429
Share-based compensation expenses	28,604
Shares of subsidiaries and associates	1,669,895
Allowance for doubtful accounts	383,287
Other	16,262
Subtotal deferred tax assets	<u>2,172,375</u>
Valuation allowance	<u>-2,089,000</u>
Total deferred tax assets	83,374
Deferred tax liabilities	
Valuation difference on available-for-sale securities	<u>2,447</u>
Total deferred tax liabilities	<u>2,447</u>
Net deferred tax assets	<u><u>80,926</u></u>

9. Notes on transactions with related parties

Subsidiary and affiliates

Type	Company Name Or Name	Ownership of voting rights (owned) Percentage (%)	With related parties Relationship	Transaction details	Transaction amount (JPY in thousand)	Account	Ending balance (JPY in thousand)
subsidiary	DIGITAL HEARTS Co., Ltd.	(Owned) Direct 100.0	Concurrent position of officer Management guidance Borrowing of funds Entrusted services	To management guidance fees Received (Note 1)	1,293,398	Accounts receivable - other	168,840
				Entrusted services (Note 2)	257,268		
				Borrowing of funds	2,985,000	Short-term loans payable	2,985,000
				Interest expenses paid (Note 3)	11,322	Accrued expenses	6,237
subsidiary	FLAME Hearts Co., Ltd.	(Owned) Direct 100.0	Concurrent position of officer Management guidance Loan of funds Entrusted services	To management guidance fees Received (Note 1)	85,447	Accounts receivable - other	7,907
				Entrusted services (Note 2)	18,432		
				Collection of funds	200,000	Affiliated companies Long-term loans receivable (Note 4)	1,680,000
				Interest income (Note 3)	5,997	Other (Current assets)	4,543
subsidiary	LOGIGEAR CORPORATION	(Owned) Direct 85.5	Concurrent position of officer Loan of funds	Fund Loan	855,000	Affiliated companies Long-term loans receivable	855,000
				Interest income (Note 3)	5,663	Other (Current assets)	7,392
subsidiary	identity Inc.	(Owned) Direct 100.0	Concurrent position of officer Loan of funds	Fund Loan	113,000	Other (Current assets)	113,000
				Interest income (Note 3)	532	Other (Current assets)	301
subsidiary	Digital Hearts Linguitronics Taiwan Co., Ltd.	(Owned) Indirect 55.0	Concurrent position of officer Loan of funds	Fund Loan	8,250	Other (Current assets)	8,250
				Interest income (Note 3)	105	Other (Current assets)	79
subsidiary	DIGITAL HEARTS Seoul Co., Ltd.	(Owned) Direct 100.0	Concurrent position of officer Loan of funds	Fund Loan	189,000	Other (Current assets)	189,000
				Interest income (Note 3)	1,336	Other (Current assets)	985
subsidiary	AGEST, Inc.	(Owned) Direct 100.0	Concurrent position of officer Management guidance Borrowing of funds Entrusted services	To management guidance fees Received (Note 1)	86,811	Affiliated companies Accounts receivable - other	83,608
				Entrusted services (Note 2)	243,756		
				Borrowing of funds	500,000	Affiliated companies Short-term loans payable	500,000
				Interest expenses paid (Note 3)	911	Accrued expenses	911

- Notes: 1. Management guidance fees are reasonably determined upon consultation between the two parties after comprehensively taking into account the cost of providing services and other factors.
2. Fiduciary obligation fees and subcontracting fees are reasonably determined upon taking into account personnel costs and other factors.
3. With respect to the lending and borrowing of funds, the interest rate is reasonably determined upon taking market interest rates and other factors into account.
4. An allowance for doubtful accounts of JPY 1,251,755 thousand, a provision for doubtful accounts of JPY 106,979 thousand, and a reversal of allowance for doubtful accounts of JPY 112,953 thousand are recorded against loans to subsidiary.

Executives and Individuals: Major shareholder

Type	Company Name Or Name	For voting rights Owned (owned) Percentage (%)	Related parties Relationship to	Transaction details	Transaction amount (JPY in thousand)	Account	Ending balance (JPY in thousand)
Officer	Eiichi Miyazawa	(owned) Direct 39.90	Director and Chairman of the Company	Disposal of treasury stock (Note)	4,998	—	—

Note: This resulted from the allocation of treasury stock in conjunction with the transfer-restricted stock-compensation plan.

10. Notes Concerning Per Share Information

(1) Net assets per share amount	JPY 151.12
(2) Net loss per share	JPY 37.66
(3) Diluted net loss per share	JPY 37.62

11. Notes on Loss on Valuation of Shares of Affiliated Companies

Loss on valuation of stocks of subsidiaries and affiliates recorded in Extraordinary losses resulted from impairment losses on stocks of DIGITAL HEARTS CROSS Marketing and Solutions Limited consolidated subsidiary.

12. Notes on Material Subsequent Events

The notes are omitted because the same contents are indicated in the notes to the consolidated financial statements.

Certified copy of the audit report on the consolidated financial statements as issued by the Accounting Auditor

Independent Auditor's Report

May 19, 2023

To the Board of Directors of
DIGITAL HEARTS HOLDINGS Co., Ltd.

Grant Thornton Taiyo LLC
Tokyo Office

Designated limited liability partner	Certified Public Accountant	Kenichi Nakamura
Executive partners		
Designated limited liability partner	Certified Public Accountant	Jun Ono
Executive partners		

Auditor's opinion

We conducted an audit of consolidated financial statements consisting of the consolidated balance sheet, consolidated income statement, consolidated statement of changes in shareholder' equity, and notes to the consolidated financial statements corresponding to the consolidated fiscal year extending from April 1, 2022, to March 31, 2023, of the DIGITAL HEARTS HOLDINGS Co., Ltd. in accordance with the provisions of paragraph (4) of Article 444 of the Companies Act.

It is our opinion that the aforementioned consolidated financial statements properly present, in all material respects, the financial situation and situation in terms of profit and loss as pertains to the period corresponding to the consolidated financial statements in question of the corporate group that comprises DIGITAL HEARTS HOLDINGS Co., Ltd., and its consolidated subsidiaries in accordance with generally accepted principles of auditing in Japan.

Evidence for the auditor's opinion

We conducted our audit in accordance with generally accepted principles of auditing in Japan. Our responsibilities under these principles of auditing are described under "Auditor's responsibilities in auditing of consolidated financial statements." In accordance with rules of professional ethics in Japan, we are independent from the Company and its consolidated subsidiaries and fulfill other ethical responsibilities of an auditor. We believe that we have obtained sufficient and appropriate grounds for auditing to serve as the basis for statement of our opinion on the audit.

Other contents

The contents thereof are the businesses Report and supplementary schedules. Management is responsible for preparing and disclosing other information. The Audit & Supervisory Board Members and the Audit & Supervisory Board are also responsible for monitoring the execution of Director duties in maintenance and operation of the reporting process for the contents thereof.

Our opinion on the consolidated financial statements does not include any other contents, and we do not express an opinion on the other contents.

In conducting an audit of the consolidated financial statements, our responsibilities are to read the other contents thoroughly and examine whether there are any material differences between the contents indicated in the report and the consolidated financial statements or the knowledge gained by us in the process of auditing and to pay attention to whether there are any other indications of material error in the contents other than such material differences.

We are required to report the fact thereof if, based on the work performed, we determine that there are material errors in the contents thereof.

There are no other matters that need to be reported to us regarding the contents thereof.

Responsibilities of management, the Audit & Supervisory Board Members, and the Audit & Supervisory Board regarding the consolidated financial statements

Management is responsible for proper preparation of consolidated financial statements conforming to generally accepted principles of corporate accounting in Japan. This includes the development and operation of internal controls as deemed necessary by management for the purpose of preparation of consolidated financial statements that present information accurately and are free from material misrepresentation due to malfeasance or error.

In preparing the consolidated financial statements, management is responsible for assessing the propriety of preparing consolidated financial statements based on the going-concern assumption and disclosing, as necessary, matters related to the going-concern assumption in accordance with generally accepted principles of corporate accounting in Japan.

The Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for monitoring the performance of the duties of the directors in maintenance and operation of the financial reporting process.

Responsibilities of Audit & Supervisory Board Members in an audit of the consolidated financial statements

Our responsibilities are to secure, based on our audit, reasonable assurance concerning whether or not the consolidated financial statements as a whole are free from material misrepresentation due to malfeasance or error and to state, in the audit report, an independent opinion on the consolidated financial statements. Misstatement may arise due to malfeasance or error, and it is judged to constitute material misstatement if it reasonably can be expected to impact decision-making by users of the consolidated financial statements, either individually or in sum.

Through the audit process in accordance with generally accepted principles of auditing in Japan, we implemented the following measures based on our judgment as specialists and a professional spirit of skeptical inquiry:

- Identification and assessment of the risks of material misrepresentation due to malfeasance or error; Drafting and implementation of audit procedures suited to the risks of material misrepresentation; Making judgments on selection and application of audit procedures; and, Securing sufficient and appropriate audit evidence to serve as the basis for statement of our opinion.
- While the purpose of a consolidated financial statements audit is not to offer an opinion on the efficacy of internal controls, in assessing risks we do consider internal controls related to the audit, in order to propose audit procedures appropriate to the circumstances.
- We assess the propriety of the accounting policies adopted by management and their methods of application as well as the reasonability of accounting estimates made by management and the appropriateness of related notes.
- We reach a conclusion on whether or not management's preparation of consolidated financial statements based on the going-concern assumption is appropriate and whether, based on audit evidence obtained, any material uncertainties can be identified with regard to phenomena or circumstances that could lead to material doubts regarding the going-concern assumption. If any material uncertainties are recognized regarding the going-concern assumption, attention must be drawn to the notes to the consolidated financial statements in the audit report. If the notes to the consolidated financial statements concerning material uncertainties are inappropriate, then an opinion must be expressed that mentions such exceptions to the consolidated financial statements. The auditor's conclusions are based on audit evidence obtained through the date of the audit report, and there is a possibility that future events or conditions could make it impossible for the Company to continue as a going concern.
- We assess whether or not the presentation and notes in the consolidated financial statements conform to generally accepted principles of corporate accounting in Japan; the presentation, structures, and content of the consolidated financial statements, including related notes; and whether or not the consolidated financial statements accurately present the transactions and accounting facts on which they are based.
- We obtain sufficient and appropriate audit evidence concerning the financial information of the Company and its consolidated subsidiary to serve as the basis for statement of our opinion on the consolidated financial statements. We are responsible for instructions, oversight, and implementation related to auditing of the consolidated financial statements. We are responsible for expression of an independent audit opinion.

We report to the Audit & Supervisory Board Members and the Audit & Supervisory Board on the scope and timing of the planned audit; any material discoveries of the audit, including material deficiencies in internal controls systems identified in the process of auditing; and other matters required under auditing standards.

We report to the Audit & Supervisory Board Members and the Audit & Supervisory Board on the fact that we maintain independence in accordance with rules of professional ethics in Japan and on any matters that reasonably could be considered to impact the independence of auditors and the content of any safeguards taken to eliminate or mitigate any such impediments.

Conflicts of interest

There are no conflicts of interest between the Company / consolidated subsidiaries and our firm or the Engagement Partners that should be disclosed under the provisions of the Certified Public Accountants Act.

End of document

Certified copy of the audit report of the Accounting Auditor

<u>Independent Auditor's Report</u>			<u>May 19, 2023</u>
<u>To the Board of Directors of DIGITAL HEARTS HOLDINGS Co., Ltd.</u>		<u>Grant Thornton Taiyo LLC Tokyo Office</u>	
Designated limited liability partner Executive partners	Certified Public Accountant	Kenichi Nakamura	
Designated limited liability partner Executive partners	Certified Public Accountant	Jun Ono	
Auditor's opinion			
We conducted an audit of financial statements consisting of the balance sheet, income statement, statement of changes in shareholder' equity, notes to the financial statements, and supplementary schedules related thereto (hereinafter referred to as "financial statements") corresponding to businesses of the 10th fiscal year, which extended from April 1, 2022, to March 31, 2023, of DIGITAL HEARTS HOLDINGS Co., Ltd. in accordance with the provisions of item (i) of paragraph (2) of Article 436 of the Companies Act.			
It is our opinion that the aforementioned financial statements properly present, in all material respects, the financial situation and situation in terms of profit and loss as pertains to the period corresponding to the financial statements in question in accordance with generally accepted principles of auditing in Japan.			
Evidence for the auditor's opinion			
We conducted our audit in accordance with generally accepted principles of auditing in Japan. Our responsibilities under these principles of auditing are described under "Auditor's responsibilities in auditing of financial statements." In accordance with rules of professional ethics in Japan, we are independent from the Company and fulfill other ethical responsibilities of an auditor. We believe that we have obtained sufficient and appropriate grounds for auditing to serve as the basis for statement of our opinion on the audit.			
Other contents			
The contents thereof are the businesses Report and supplementary schedules. Management is responsible for preparing and disclosing other information. The Audit & Supervisory Board Members and the Audit & Supervisory Board are also responsible for monitoring the execution of Director duties in maintenance and operation of the reporting process for the contents thereof.			
Our opinion on the financial statements does not include any other contents, and we do not express an opinion on the other contents.			
In auditing the financial statements, our responsibilities are to read the other contents thoroughly and examine whether there are any material differences between the contents thereof and the financial statements or the knowledge we have obtained in the process of auditing and to pay attention to whether there are any other indications of material mistakes in the contents thereof other than those that are materially different.			
We are required to report the fact thereof if, based on the work performed, we determine that there are material errors in the contents thereof.			
There are no other matters that need to be reported to us regarding the contents thereof.			

Responsibilities of management, Audit & Supervisory Board Members, and the Audit & Supervisory Board regarding the financial statements

Management is responsible for proper preparation of financial statements conforming to generally accepted principles of corporate accounting in Japan. This includes the development and operation of internal controls as deemed necessary by management for the purpose of preparation of financial statements that present information accurately and are free from material misrepresentation due to malfeasance or error.

In preparing the financial statements, management is responsible for assessing the propriety of preparing financial statements based on the going-concern assumption and disclosing, as necessary, matters related to the going-concern assumption in accordance with generally accepted principles of corporate accounting in Japan.

The Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for monitoring the performance of the duties of the directors in maintenance and operation of the financial reporting process.

Responsibilities of Audit & Supervisory Board Members in an audit of the financial statements

Our responsibilities are to secure, based on our audit, reasonable assurance concerning whether or not the financial statements as a whole are free from material misrepresentation due to malfeasance or error and to state, in the audit report, an independent opinion on the financial statements. Misstatement may arise due to malfeasance or error, and it is judged to constitute material misstatement if it reasonably can be expected to impact decision-making by users of the financial statements, either individually or in sum.

Through the audit process in accordance with generally accepted principles of auditing in Japan, we implemented the following measures based on our judgment as specialists and a professional spirit of skeptical inquiry:

- Identification and assessment of the risks of material misrepresentation due to malfeasance or error; Drafting and implementation of audit procedures suited to the risks of material misrepresentation; Making judgments on selection and application of audit procedures; and, Securing sufficient and appropriate audit evidence to serve as the basis for statement of our opinion.
- While the purpose of a financial statements audit is not to offer an opinion on the efficacy of internal controls, in assessing risks we do consider internal controls related to the audit, in order to propose audit procedures appropriate to the circumstances.
- We assess the propriety of the accounting policies adopted by management and their methods of application as well as the reasonability of accounting estimates made by management and the appropriateness of related notes.
- We reach a conclusion on whether or not management's preparation of financial statements based on the going-concern assumption is appropriate and whether, based on audit evidence obtained, any material uncertainties can be identified with regard to phenomena or circumstances that could lead to material doubts regarding the going-concern assumption. If any material uncertainties are recognized regarding the going-concern assumption, attention must be drawn to the notes to the financial statements in the audit report. If the notes to the financial statements concerning material uncertainties are inappropriate, then an opinion must be expressed that mentions such exceptions to the financial statements. The auditor's conclusions are based on audit evidence obtained through the date of the audit report, and there is a possibility that future events or conditions could make it impossible for the Company to continue as a going concern.
- We assess whether or not the presentation and notes in the financial statements conform to generally accepted principles of corporate accounting in Japan; the presentation, structures, and content of the financial statements, including related notes; and whether or not the financial statements accurately present the transactions and accounting facts on which they are based.

We report to the Audit & Supervisory Board Members and the Audit & Supervisory Board on the scope and timing of the planned audit; any material discoveries of the audit, including material deficiencies in internal controls systems identified in the process of auditing; and other matters required under auditing standards.

We report to the Audit & Supervisory Board Members and the Audit & Supervisory Board on the fact that we maintain independence in accordance with rules of professional ethics in Japan and on any matters that reasonably could be considered to impact the independence of auditors and the content of any safeguards taken to eliminate or mitigate any such impediments.

Conflicts of interest

There are no conflicts of interest between the Company and our firm or the Engagement Partners that should be disclosed under the provisions of the Certified Public Accountants Act.

End of document

Certified copy of the audit report of the Audit & Supervisory Board

Audit & Supervisory Board Member's Report

After carrying out deliberations, we prepared this audit report based on audit reports prepared by the respective Audit & Supervisory Board Members with respect to the execution of duties by the Director during the 10th fiscal year, which extended from April 1, 2022, to March 31, 2023. Accordingly, we hereby report as follows.

1. Method by which Audit & Supervisory Board Members and the Audit & Supervisory Board conducted the audit and the contents thereof

- (1) The Audit & Supervisory Board set forth an audit policy and the allocation of duties, received a report on the status of the conduct of an audit and the results thereof from each Audit & Supervisory Board Member, received reports from the Director and the Accounting Auditor on the status of the execution of their duties, and, where required, requested explanations.
- (2) In accordance with the standards applicable to audits conducted by Audit & Supervisory Board Members as prescribed by the Audit & Supervisory Board, each Audit & Supervisory Board Member endeavored to communicate with Director, the Internal Audit Department, and other employees and parties and develop an environment for collecting and auditing information and conducted an audit in the following manner.
 - (i) Each Audit & Supervisory Board Member attended Board of Directors and other important meetings, received reports from Director and employees on the status of the execution of their duties, requested explanations as required, perused important approval documents and other materials, and investigated the status of operations and assets at head office and major businesses offices. In addition, each Audit & Supervisory Board Member endeavored to communicate and exchange information with directors, auditors, and other parties at subsidiaries and received reports on business from subsidiaries as required.
 - (ii) Each Audit & Supervisory Board Member received regular reports and requested explanations as required from Director, employees, and other parties and disclosed opinions on the contents of Board of Directors resolutions concerning the development of a system for ensuring the compliance of the execution of duties by the Director as stated in the businesses Report with the relevant laws and regulations and the Article of Incorporation and any other system as prescribed in paragraphs (1) and (3) of Article 100 of the Ordinance for Enforcement of the Companies Act as required to ensure the appropriateness of operations of the corporate group that comprises the stock company and its subsidiary as well as systems developed according to these resolutions (internal control systems) and on the status of the development and operations thereof.
 - (iii) Each Audit & Supervisory Board Member monitored and verified to check whether the Accounting Auditor maintained its independence and conducted an appropriate audit, received a report from the Accounting Auditor on the status of the execution of its duties, and requested explanations as required. Each Audit & Supervisory Board Member received notifications from the Accounting Auditor to the effect that a "system for ensuring that duties are properly carried out" (matters enumerated in the items of Article 131 of the Ordinance on Company Accounting) has been developed in accordance with the "quality-control standards applicable to audits" (Business Accounting Council, October 28, 2005) and asked for explanations as required.

In accordance with the aforementioned approach, the business report and supplementary schedules, financial statements (balance sheet, income statement, statement of changes in shareholders' equity, and notes to the financial statements) and supplementary schedules, and consolidated financial statements (consolidated balance sheet, consolidated income statement, consolidated statement of changes in shareholders' equity, and consolidated notes to the financial statements) corresponding to the fiscal year in question were examined.

2. Audit results

(1) Audited businesses reports and other documents

- (i) In our opinion, the businesses Report and supplementary schedules correctly present the condition of the companies in accordance with the relevant laws, regulations, and Article of Incorporation.
- (ii) We found no misconduct or material fact in contravention of relevant laws, regulations, or Article of Incorporation in the execution of duties by the Director.
- (iii) In our opinion, the contents of Board of Directors resolutions concerning internal-control systems are appropriate. In our opinion, there are also no matters that need to be pointed out as regards the contents of the business report or the execution of duties by Directors in connection with these internal control systems.

(2) Results of the audit of the financial statements and supplementary schedules

In our opinion, the method by which an audit was conducted by Accounting Auditor Taiyo LLC and the results thereof are appropriate.

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

In our opinion, the method by which an audit was conducted by Accounting Auditor Taiyo LLC and the results thereof are appropriate.

May 19, 2023

DIGITAL HEARTS HOLDINGS Co., Ltd. Board of Audit & Supervisory Board Members

Standing Audit & Supervisory Board Member

Masahide Date

Audit & Supervisory Board Member

Keiya Kazama

Audit & Supervisory Board Member

(Outside Audit & Supervisory Board Member)

Toshifumi Nikawa

Audit & Supervisory Board Member

(Outside Audit & Supervisory Board Member)

Yoko Okano

End of document

Reference Materials for the General Meeting of Shareholders

Proposals and Reference Items

Proposal 1: Election of six Directors

The terms of office of all six (6) Directors will come to an end at the conclusion of this general meeting.

Therefore, the election of six (6) Directors (including three (3) Outside Directors) is requested.

The candidates for the position of Directors are as follows.

Candidate Number	Name (Date of birth)	Brief background description, positions, responsibilities, and any important concurrent positions	Be owned number of our shares
1	<p>[Re-elected] Yasumasa Ninomiya (Born August 18, 1972)</p>	<p>April 1995 Joined Osaka Yusen Hoso Corporation (now USEN-NEXT Holdings).</p> <p>April 2009 General Manager of the Personal Business Division of the same company</p> <p>December 2010 Director, U-NEXT Co., Ltd. (current USEN-NEXT Holdings)</p> <p>May 2011 Director, U-MX Co., Ltd.</p> <p>March 2017 Representative Director & President, Y.U-mobile Co., Ltd.</p> <p>July 2017 Executive Officer (overseeing sales) of the Company</p> <p>October 2017 Director and General Manager of the BS Business Division, DIGITAL HEARTS Co., Ltd.</p> <p>April 2018 Director & Vice-President of the same company</p> <p>June 2019 Director of the Company</p> <p>June 2021 Our Representative Director, President and CEO (current position)</p> <p>June 2021 Representative Director & President, DIGITAL HEARTS Co., Ltd.</p> <p>December 2021 Representative Director & President, AGEST, Inc. (current position)</p> <p>April 2022 Director, DIGITAL HEARTS Co., Ltd. (current position)</p>	13,764 shares
<p>[Grounds for election] Yasumasa Ninomiya has been overseeing operating activities for the entire Group as a Director since June 2019 and has been managing our group as a Representative Director and President since June 2021. In addition, he has management knowledge and experience, and is expected to continue to spearhead our Group management and help increase our corporate value.</p>			

Candidate Number	Name (Date of birth)	Brief background description, positions, responsibilities, and any important concurrent positions	Be owned Number of our shares
2	[Re-elected] Eiichi Miyazawa (Born July 19, 1972)	<p>April 2001 Established DIGITAL HEARTS Co., Ltd. Representative Director and President</p> <p>May 2006 Representative Director, President & CEO of the same company</p> <p>April 2010 Representative Director, President & CEO of the same company</p> <p>October 2013 Representative Director, President & CEO of the Company</p> <p>July 2017 Representative Director & Chairman of the Company (current position)</p>	8,878,590 shares
<p>[Grounds for election] Eiichi Miyazawa is the founder of the Company, has been spearheading the management of this corporate group since it was founded, possesses a wealth of experiences, achievements, and knowledge pertaining to management, and is expected to continue to help increase the corporate value of the Company.</p>			

Candidate Number	Name (Date of birth)	Brief background description, positions, responsibilities, and any important concurrent positions	Be owned Number of our shares
3	[Re-elected] Toshiya Tsukushi (Born June 23, 1965)	<p>April 1989 Joined Showa Shell Sekiyu K.K. (now Idemitsu Kosan Co.).</p> <p>September 1995 Joined Price Waterhouse Consultants Co., Ltd. (now IBM Japan, Ltd.).</p> <p>July 1999 Joined General Electric Capital Consumer Finance Co., Ltd. (current Shinsei Financial Co., Ltd.).</p> <p>December 2005 Executive Officer of the same company</p> <p>September 2006 Executive Officer and General Manager of the Business Development Group, Nissen Holdings Co., Ltd.</p> <p>March 2008 Director, Executive Officer, General Manager of the Financial Planning Office of the same company</p> <p>June 2009 Director, Executive Officer & CFO of the same company</p> <p>June 2017 Executive Officer & CFO of the Company</p> <p>October 2017 Director and General Manager of the Administration Division, DIGITAL HEARTS Co., Ltd.</p> <p>June 2018 Director & CFO of the Company</p> <p>March 2020 Representative Director & President, FLAME Hearts Co., Ltd. (current position)</p> <p>March 2021 Director, Metaps Entertainment Limited (current DIGITAL HEARTS CROSS Marketing and Solutions Limited) (current position)</p> <p>April 2021 Director (overseeing global operations), DIGITAL HEARTS Co., Ltd.</p> <p>June 2021 Director, Executive Vice President and CFO of the Company</p> <p>April 2022 Representative Director & President, DIGITAL HEARTS Co., Ltd. (current position)</p> <p>April 2022 Director, AGESE, Inc. (current position)</p> <p>April 2023 Director, Executive Vice President and COO of the Company (current position)</p>	10,206 shares
<p>[Grounds for election]</p> <p>Toshiya Tsukushi has been promoting management control of the entire Group and mergers and acquisitions in Japan and overseas as a Director since June 2018, and has been in charge of the management of our Group as a Director and Vice President since June 2021. He also has knowledge and experience in management and is expected to continue to spearhead our group management and help increase our corporate value.</p>			

Candidate Number	Name (Date of birth)	Brief background description, positions, responsibilities, and any important concurrent positions	Be owned Number of our shares
4	[Re-elected] [Outside / Independent] Takashi Yanagiya (Born November 13, 1951)	<p>October 2001 Full-Time Director, Nomura Securities Co., Ltd.</p> <p>April 2002 Representative Director & Senior Managing Director of the same company</p> <p>June 2003 Representative Executive Officer & Senior Managing Executive Officer of the same company</p> <p>April 2006 Representative Executive Officer, Executive Officer & Vice-President of the same company</p> <p>April 2008 Executive Officer & Vice-President of the same company</p> <p>October 2008 Executive Officer & Vice-President of the same company</p> <p>April 2012 Permanent Advisor of the same company</p> <p>August 2012 Advisor of the same company</p> <p>March 2013 Resigned from the same company</p> <p>June 2013 Outside Director, Alpha Systems, Inc. (current position)</p> <p>June 2014 Outside Director of the Company (current position)</p> <p>June 2015 Outside Director, Showa Sangyo Co., Ltd. (current position)</p> <p>May 2016 Chairman, Board of Trustees, Meiji University (current position)</p> <p>May 2016 Chairman, Board of Trustees, Nakano Gakuen (current position)</p>	— shares
<p>[Outline of grounds for election and expected roles]</p> <p>Takashi Yanagiya is expected to continue to provide useful advice to the Board of Directors of the Company and supervise the management of the Company from an objective standpoint based on his extensive experience as a company manager. If he is elected, it is expected that he will also be involved in selecting candidates for officers of the Company and determining officer remuneration and other matters from an objective and neutral standpoint as a member of the Nomination and Remuneration Committee.</p>			

Candidate Number	Name (Date of birth)	Brief background description, positions, responsibilities, and any important concurrent positions	Be owned Number of our shares
5	[Re-elected] [Outside / Independent] Emiko Murei (Born January 11, 1969)	<p>April 1992 Joined Chuo Shinko Audit Firm</p> <p>March 1995 Registered as a certified public accountant (until May 2005)</p> <p>February 2006 Registered as a certified public accountant (current position) Chief, MUREI C.P.A. Office (current position)</p> <p>April 2007 Specially appointed associate professor, Graduate School of Accounting, University of Hyogo</p> <p>April 2009 Associate professor, Graduate School of Accounting, University of Hyogo</p> <p>April 2012 Associate professor, Aoyama Gakuin University Graduate School of professional Accountancy</p> <p>June 2015 Outside Director, Kansai Super Market Ltd. (current KANSAI FOOD MARKET LTD.) (Audit & Supervisory Committee Member)</p> <p>June 2022 Outside Director of the Company (current position)</p> <p>April 2023 Professor, Aoyama Gakuin University Graduate School of professional Accountancy (current position)</p>	— shares
<p>[Outline of grounds for election and expected roles]</p> <p>Emiko Murei has a wealth of experience as a certified public accountant and university faculty member, and is expected to provide our Board of Directors with advice on sustainability, financial affairs, and accounting matters and supervise our management from an objective standpoint. If she is elected, it is expected that she will also be involved in selecting candidates for officers of the Company and determining officer remuneration and other matters from an objective and neutral standpoint as a member of the Nomination and Remuneration Committee. While she has no experience in managing a company other than as an outside officer, she is highly knowledgeable about corporate accounting as a certified public accountant and is believed to be someone who can appropriately execute her duties as an Outside Director.</p>			

Candidate Number	Name (Date of birth)	Brief background description, positions, responsibilities, and any important concurrent positions	Be owned Number of our shares
6	[Re-elected] [Outside] Ryo Chikasawa (Born May 16, 1984)	September 2008 Registered Lawyer (Daini Tokyo Bar Association) Joined the Mori Hamada & Matsumoto January 2019 Partner lawyer, Mori Hamada & Matsumoto (current position) June 2022 Outside Director of the Company (current position)	— shares
	<p>[Outline of grounds for election and expected roles]</p> <p>Ryo Chikasawa is qualified as an attorney and is expected to provide our Board of Directors with advice on corporate governance and compliance matters and supervise our management from an objective standpoint. If he is elected, it is expected that he will also be involved in selecting candidates for officers of the Company and determining officer remuneration and other matters from an objective and neutral standpoint as a member of the Nomination and Remuneration Committee. While he has no experience in managing a company, he is highly knowledgeable about global corporate legal affairs as an attorney and is believed to be someone who can appropriately execute her duties as an Outside Director.</p>		

- Notes: 1. There are no special interests between any of the candidates for Director and the Company. While we have concluded a legal advisory agreement with the law firm to which Ryo Chikasawa belongs, the amount of remuneration under this arrangement equals less than 1% of the sales of the same law firm and less than 1% of our consolidated sales.
2. Takashi Yanagiya, Emiko Murei, and Ryo Chikasawa are candidates for Outside Director.
3. Takashi Yanagiya is currently an Outside Director of the Company and his term of office will be nine (9) years as of the conclusion of this general meeting. Emiko Murei and Ryo Chikasawa are currently Outside Director of the Company and their term of office will be one year as of the conclusion of this general meeting.
4. We have concluded agreements to limit liability for damages as provided for in paragraph (1) of Article 423 of the Companies Act to the minimum liability amount as prescribed by law in accordance with the provisions of paragraph (1) of Article 427 of the same Act with Takashi Yanagiya, Emiko Murei, and Ryo Chikasawa. If the re-election of each person is approved, this agreement is slated to be continued with each person.
5. We have concluded a liability insurance agreement for officers as prescribed in paragraph (1) of Article 430-3 of the Companies Act with an insurance company and an outline of the contents of this agreement is as stated on page 21 of the businesses report. Each Director candidate is included in the scope of insured persons under this insurance agreement. If this agenda item is approved in its original form and each Director candidate assumes the office of Director of ours, the candidate will continue to be included in the scope of insured persons under this insurance agreement. In addition, this insurance agreement is slated to be renewed with the same contents during the terms of office of the Directors under this agenda item.
6. Takashi Yanagiya and Emiko Murei satisfy the criteria for independence as prescribed by the Tokyo Stock Exchange. We have designated both individuals as independent officers in accordance with provisions as set forth by the Tokyo Stock Exchange and notified the Tokyo Stock Exchange of the fact thereof. If the re-election of both persons is approved, the Company plans to continue to notify their status as independent officers to the Tokyo Stock Exchange. If the assumption of office of Ryo Chikasawa is approved, no notification of his status as an independent officer is expected to be made to the Tokyo Stock Exchange in accordance with the internal regulations of the law firm to which he belongs.

[Reference] Skills-matrix of Director candidates

The following is a skill-matrix of Director if Agenda Item 1 is approved in its original form.

Number	Name	Position	Age	Gender	In office Number of years	Expertise and experience					
						Corporate management Global	Finance Accounting M&A	Legal Affairs Risk Management	ESG Sustainability	IT technology (Quality and DX) Security)	Sales Marketing
1	Yasumasa Ninomiya	Representative Director President	50	Male	4	•			•	•	•
2	Eiichi Miyazawa	Director Chairman	50	Male	10	•			•	•	•
3	Toshiya Tsukushi	Director Executive Vice President	58	Male	5	•	•	•	•	•	
4	Takashi Yanagiya	Outside Director	71	Male	9	•	•	•	•		•
5	Emiko Murei	Outside Director	54	Female	1		•		•		
6	Ryo Chikasawa	Outside Director	39	Male	1	•	•	•	•		

Proposal 2: Election of one (1) Substitute Audit & Supervisory Board Member

In anticipation of a shortfall in the number of Audit & Supervisory Board Member (External) as mandated by law, one (1) Substitute Audit & Supervisory Board Member is requested in advance.

This agenda item is for the election of Toshifumi Nikawa and Yoko Okano, both of whom are currently elected. Where the individual assumes office as an Audit & Supervisory Board Member, his or her term of office will expire at the end of the term of office of the resigning Audit & Supervisory Board Member pursuant to provisions of the Article of Incorporation.

In addition, the election may be revoked by way of a Board of Directors resolution with the consent of the Audit & Supervisory Board only prior to the assumption of office as an Audit & Supervisory Board Member (External).

The consent of the Audit & Supervisory Board has been obtained with respect to this agenda item.

The candidate for an Audit & Supervisory Board Member to fill a vacancy is as follows.

Name (Date of birth)	Brief background description, positions, responsibilities, and any important concurrent positions	Be owned Number of our shares
[Outside / Independent] Satoru Koga (Born January 22, 1982)	August 2006 Joined Accenture PLC. December 2014 Registered as an attorney (Tokyo Bar Association) April 2016 Joined the Kimura Masanori Law Firm (current Kimura & Koga Law Firm). August 2020 Partner, Kimura & Koga Law Firm (current position)	— shares
	[Grounds for election] The Company would like to see Satoru Koga, who is qualified as an attorney, put to use his extensive knowledge of corporate legal affairs and compliance matters for audits as a Outside Audit & Supervisory Board Member of the Company. While he has no experience in directly managing a company, he is highly knowledgeable about corporate legal affairs and compliance matters as an attorney and is believed to be someone who can appropriately execute his duties as an Outside Audit & Supervisory Board Member.	

- Notes: 1. There are no special interests between Satoru Koga and the Company.
2. Satoru Koga is a candidate for Audit & Supervisory Board Member (External) to fill a vacancy.
3. If Satoru Koga assumes office as Audit & Supervisory Board Member (External), the Company plans to conclude an agreement to limit liability for damages as provided for in paragraph (1) of Article 423 of the Companies Act to the minimum liability amount as prescribed by law in accordance with the provisions of paragraph (1) of Article 427 of the same Act.
4. We have concluded a liability insurance agreement for officers as prescribed in paragraph (1) of Article 430-3 of the Companies Act with an insurance company and an outline of the contents of this agreement is as stated on page 21 of the businesses report. If this agenda item is approved in its original form and Satoru Koga assumes the office of External Audit & Supervisory Board Member of the Company, he will be included in the scope of insured persons under this insurance agreement.
5. Satoru Koga satisfies the requirements of an independent officer in accordance with provisions as set forth by the Tokyo Stock Exchange. If he assumes the office of Audit & Supervisory Board Member, we plan to designate him as an independent officer and notify the Tokyo Stock Exchange of the fact thereof.

End of document

Map for arriving at the venue for our general meeting of shareholders

3-20-2 Nishi-Shinjuku, Shinjuku-ku, Tokyo
Conference Room 2, 7F, Tokyo Opera City Tower
TEL 03-5333-1231

(Take any elevator from the second floor to arrive at the seventh floor.)

- We ask for your understanding because there are no gifts available on the day of the general meeting of shareholder.
- The exercise of voting rights at this general meeting of shareholder can be conducted in writing or via the Internet in advance. Therefore, please be sure to use the voting rights at this general meeting of shareholders.

- Transportation information
3-minute walk from the east exit of Hatsudai Station on the Keio New Line (heading towards the Toei Shinjuku Line)