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## Summary of Business Results for the Second Quarter Ended September 30, 2023 [Japan GAAP] (Consolidated)

November 9, 2023

Company name: DIGITAL HEARTS HOLDINGS Co., Ltd. Listed on the TSE  
 Stock code: 3676 URL: <https://www.digitalhearts-hd.com/>  
 Representative: Yasumasa Ninomiya, President and CEO  
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 Scheduled date of submission of financial reports : November 10, 2023  
 Scheduled commencement of dividend payment : December 5, 2023  
 Preparation of supplementary material for quarterly financial results : Yes  
 Holding of quarterly financial results meeting : Yes (for institutional investors and analysts)

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

### 1. Consolidated results for the second quarter ended September 30, 2023 (April 1, 2023 - September 30, 2023)

(1) Consolidated business results (Percentages are changes from the same period of the previous year.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
Six Months Ended September 30, 2023	18,669	6.3	729	-46.8	792	-47.8	-436	-
September 30, 2022	17,562	30.1	1,372	0.2	1,517	6.0	945	3.1

(Reference) Comprehensive income: Six months ended September 30, 2023: -228 million yen (-%)  
 Six months ended September 30, 2022: 1,589 million yen (57.1%)

	Net income per share	Diluted net income per share
	(yen)	(yen)
Six Months Ended September 30, 2023	-19.61	-
September 30, 2022	43.70	43.61

### (2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	(Millions of yen)	(Millions of yen)	(%)
As of September 30, 2023	19,291	8,448	41.6
As of March 31, 2023	19,581	9,474	45.0

(Reference) Shareholders' equity: 8,024 million yen (As of September 30, 2023) 8,806 million yen (As of March 31, 2023)

(Note) The figures for the second quarter ended September 30, 2022 reflect the finalization of provisional accounting treatment for business combination in the last fourth quarter ended March 31, 2023.

### 2. Dividends

	Annual dividends				
	Q1	Q2	Q3	Year End	Total
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)
Fiscal year ended March 31, 2023	—	10.50	—	10.50	21.00
Fiscal year ending March 31, 2024	—	10.50	—	—	—
Fiscal year ending March 31, 2024 (Forecasts)	—	—	—	10.50	21.00

(Note) Changes from the latest released dividend forecasts: None

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

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Yen)
Full fiscal year	40,000	9.5	2,500	-16.7	2,560	-18.8	550	-31.2	24.69

(Note) Changes from the latest released earnings forecasts: Yes

#### \* Notes

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

Newly included: 1 (Company name) GPC K.K

Excluded: -

(2) Application of specified accounting treatment used in preparation of quarterly consolidated financial statements: None

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

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

(4) Shares outstanding (common stock)

(a) Number of issued shares (including treasury stock)	As of September 30, 2023	23,890,800 shares	As of March 31, 2023	23,890,800 shares
(b) Number of treasury stock	As of September 30, 2023	1,614,278 shares	As of March 31, 2023	1,632,090 shares
(c) Average number of shares during the period	Six months ended September 30, 2023	22,262,993 shares	Six months ended September 30, 2022	21,645,768 shares

\* The certified public accountant or the audit procedures are not applicable to this Quarterly Financial Report.

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

- Any forward-looking statements included in this report such as earnings forecasts are based on the information available to the Company at this time and certain assumptions considered reasonable; and accordingly, actual results may differ significantly from the forecasts due to various factors.
- A financial results meeting for the second quarter for institutional investors and analysts is scheduled to be held on November 10, 2023. Materials for this meeting will be posted on TD net and the Company's website.

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# 1. Qualitative information on quarterly results

## (1) Explanation of business results

	FY2022 Q2 (JPY in thousand)	FY2023 Q2 (JPY in thousand)	Change (%)
Sales	17,562,732	18,669,500	6.3
Operating income	1,372,906	729,987	-46.8
Ordinary income	1,517,023	792,304	-47.8
Net income attributable to owners of the parent or quarterly net loss (-)	945,812	-436,669	—

In the digital markets in which our Enterprise Business operate, firms are investing more actively in IT thanks to factors such as the acceleration of DX (digital transformation), but there is also growing need for outsourcing services to improve the quality of software, including test processes, thanks to factors such as chronic shortages of IT human resources and sophisticated testing know-how accompanying increasingly complex software. In addition, in the game-related markets in which our Entertainment Business operate, in addition to the fact that simultaneous deployment of content overseas is becoming the mainstream, new content development using the latest technologies, including NFT games, is becoming active.

Under these conditions, we are now focusing on accelerating the pace of growth in Enterprise Business, where demand is rapidly growing, and shifting from the stable growth phase of our founding Entertainment Business to a growth trajectory.

Net sales during the cumulative period through the consolidated second quarter showed growth to JPY18.6695 billion (up 6.3% YoY), thanks to 120% or more growth in Enterprise Business, partly supported by M&A activities, despite decreased sales due to factors such as a reaction to the domestic Debugging in which the Entertainment Business performed favorably in the previous period. Profitability, however, deteriorated in overseas subsidiary due to factors such as the impact of lower sales in Entertainment Business and delayed new orders for testing resulting from the prolonged impact of COVID-19 in the United States, as well as increased expenses associated with preparations for the launch of equity-sharing Spin-Off and listing (hereinafter "Spin-Off Listing") of AGESE, Inc. ("AGESE"), the core subsidiary of the Enterprise Business, resulted in Operating income of JPY729,987 thousand (down 46.8% YoY) and ordinary income of JPY792,304 thousand (down 47.8% YoY). In addition, the net loss attributable to shareholder of the parent was JPY436,669 thousand (vs. net income of JPY945,812 thousand in the same quarter of the previous fiscal year), due to factors such as the recording of an Extraordinary losses on the Impairment losses of goodwill in a consolidated subsidiary.

Business results by segment are reviewed below.

	FY2022 Q2 (JPY in thousand)	FY2023 Q2 (JPY in thousand)	Change (%)
<b>Sales</b>	<b>17,562,732</b>	<b>18,669,500</b>	<b>6.3</b>
Enterprise Business	7,614,484	9,429,032	23.8
Entertainment Business	10,020,653	9,299,376	-7.2
Adjustment amount	-72,405	-58,908	—
<b>Operating income</b>	<b>1,372,906</b>	<b>729,987</b>	<b>-46.8</b>
Enterprise Business	104,541	35,062	-66.5
Entertainment Business	2,192,801	1,618,416	-26.2
Adjustment amount	-924,435	-923,491	—

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

## ① Enterprise Business

This segment mainly consists of System Testing for detecting defects in enterprise computer systems, security testing, QA Solutions for ERP introduction support, and other services, as well as IT services such as dispatching engineers, system maintenance and operation support, and other services.

During the cumulative period through the consolidated second quarter, in addition to continuing proactive hiring of engineers using “tech” brand-centered on the core subsidiary of AGEST-the Group promoted promotional activities aimed at improving AGEST recognition. In addition, not only did we perform testing in the final process of development, but we also endeavored to expand services such as code analysis and code risk assessment, to establish the high-value-added solution “QA for development” that responds to “shift left” that support quality from the upstream processes of development.

We also made progress on efforts to enhance governance-based structures in foreign subsidiary and promote Group-wide coordination centered on AGEST. Specifically, in addition to renewing the management structure of LOGIGEAR CORPORATION and other overseas subsidiary to expand businesses and improve profitability overseas, we also built a structure for enhancing services such as offshore development/testing that utilizes Vietnam's engineering resources for the Japanese market.

Furthermore, aiming toward the Spin-Off Listing of the AGEST, we also made progress on preparations for the construction of AGEST's own head office functions, the transfer of the head office, and group-wide organizational restructuring.

As a result, net sales in the Enterprise Business during the cumulative period through the consolidated second quarter grew to JPY9,429,032 thousand (up 23.8% YoY), thanks in part to the effects of M& A. Segment income, however, was JPY35,062 thousand (down 66.5% YoY) due to factors such as deterioration in profitability in overseas subsidiary and increased expenses related to preparations for Spin-Off Listing, including the impact of reallocation of human resources across the Group.

## ② Entertainment Business

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

In the domestic Debugging services during the cumulative period through the consolidated second quarter, amid a reaction to the Debugging for console games, which performed favorably in the previous period, the Group endeavored to maintain and increase market shares by striving to increase added value in services through promoting DHQ (digital hearts quality), a unique quality-control method that realizes the optimal QCD (quality/ cost/ delivery) at customer or client companies. We also endeavored to improve employee satisfaction and secure excellent human resources, through means including raising hourly wages of testers in April 2023, against a backdrop of factors such as soaring prices.

At the same time, in the global and other services, as the outlook for the Chinese game market remains uncertain, we steadily secured new transactions in areas such as game localization and LQA through enhancing Group-wide coordination. Furthermore, we made progress on efforts to expand businesses in new markets and new domains, including enhancing services in global markets, including Europe and the Middle East, through conclusion of strategic business alliance contracts with Localsoft, S.L., a Spanish game localization company, and commencing joint development of ai translation engines for entertainment content with Rozetta Corp., which has strengths in ai automated translation.

As a result, net sales in the Entertainment Business during the cumulative period through the consolidated second quarter were JPY9,299,376 thousand (down 7.2% YoY) and segment income was JPY1,618,416 thousand (down 26.2% YoY), largely due to the impact of the decline following the strong performance of the domestic Debugging in the previous period.

## (2) Description of financial standing

### (Assets)

The balance of current assets was JPY13,072,810 thousand, up JPY543,931 thousand from the level of JPY12,528,879 thousand at the end of the previous consolidated fiscal year (up 4.3% from the previous period).

This was due mainly to factors such as an increase of JPY540,455 thousand in cash and deposits.

The balance of non-current assets was JPY6,218,243 thousand, down JPY834,512 thousand (down 11.8% from the previous period), from the level of JPY7,052,756 thousand in non-current assets at the end of the previous consolidated fiscal year.

This was due mainly to factors such as a decrease of JPY1,045,065 thousand in goodwill.

### (Liabilities)

The balance of current liabilities was JPY10,644,208 thousand, up JPY713,218 thousand (up 7.2% from the previous period), from the current liabilities of JPY9,930,990 thousand at the end of the previous consolidated fiscal year.

This was due mainly to factors such as an increase of JPY500 million in short-term loans payable and JPY299,179 thousand in accrued expenses.

The balance of noncurrent liabilities was JPY198,136 thousand, up JPY22,011 thousand (up 12.5% from the previous period), from the balance of JPY176,124 thousand in noncurrent liabilities at the end of the previous consolidated fiscal year.

### (Net assets)

The balance of net assets was JPY8,448,709 thousand, down JPY1,025,810 thousand (down 10.8% from the previous period), from net assets of JPY9,474,520 thousand at the end of the previous consolidated fiscal year.

This was due mainly to factors such as a JPY436,669 thousand net loss attributable to shareholder of the parent, a JPY233,716 thousand decrease in surplus due to dividends, and a JPY327,465 thousand decrease in capital surplus due to transactions with non-controlling shareholder.

### (Analysis of cash flow)

Cash and deposits ([funds] hereinafter) at the end of the cumulative period through the consolidated second quarter stood at JPY6,997,259 thousand, up JPY147,223 thousand from the level of JPY6,850,035 thousand in funds at the end of the cumulative period through the consolidated second quarter.

The state of each type of cash flow, and major contributing factors to each, are summarized below.

#### (Cash flow from operating activities)

Funds from the operating activities totaled revenues of JPY1,156,308 thousand (vs. revenues of JPY1,430,261 thousand in the same quarter of the previous fiscal year).

This was due mainly to the positive contributors such as Impairment losses of JPY1,030,261 thousand, depreciation of JPY 259,957 thousand, and amortization of goodwill of JPY289,837 thousand, which exceeded negative contributors such as loss before income taxes and minority interests of JPY 252,841 thousand and payment of JPY 437,461 thousand on income taxes and minority interests.

#### (Cash flow from investing activities)

The investing activities resulted in expenditures of JPY592,406 thousand (vs. expenditures of JPY1,496,469 thousand in the same quarter of the previous fiscal year).

This was due mainly to factors such as expenditures of JPY 307,631 thousand on acquisition of property, plant and equipment.

#### (Cash flow from financing activities)

Funds from financing activities totaled expenditures of JPY200,382 thousand (vs. revenues of JPY1,488,444 thousand in the same quarter of the previous fiscal year).

This was due mainly to factors such as proceeds of JPY500 million from short-term loans payable, expenditures of JPY443,855 thousand on purchase of investments in subsidiary not resulting in change in scope of consolidation, and

JPY233,268 thousand payment of dividends.

(3) Explanation of forward-looking information such as forecasts of consolidated financial results

For forecasts of business results, the forecasts of business results announced on May 11, 2023 in “Summary of Business Results for the Fiscal Year Ended March 2023 (Japanese GAAP) (Consolidated)” have been revised. For more information, see “Notice Regarding Recording of Extraordinary Losses (Consolidated and Non-consolidated) and Revision of Financial Forecast for the Fiscal Year Ending March 31, 2024” announced November 9, 2023.

## 2. Quarterly Consolidated Financial Statements and Important Notes

### (1) Quarterly Consolidated Balance Sheet

(Unit: JPY thousand)

	Previous consolidated fiscal year (March 31, 2023)	Second quarter of this consolidated fiscal year (September 30, 2023)
<b>Assets</b>		
Current assets		
Cash and deposits	6,456,803	6,997,259
Notes and accounts receivable-trade and contract assets	5,377,205	5,414,107
Short-term investment securities	39,810	43,497
Inventories	25,125	28,275
Income taxes receivable	29,041	8,325
Other	691,524	684,779
Allowance for doubtful accounts	-90,632	-103,433
Total current assets	12,528,879	13,072,810
Noncurrent assets		
Property, plant and equipment	1,169,633	1,335,184
Intangible fixed assets		
Goodwill	3,468,425	2,423,359
Other	720,294	598,628
Total intangible fixed assets	4,188,720	3,021,988
Investments and other assets		
Investment securities	494,517	429,515
Other	1,199,884	1,431,555
Total investments and other assets	1,694,401	1,861,070
Total noncurrent assets	7,052,756	6,218,243
Total assets	19,581,635	19,291,054
<b>Liabilities</b>		
current liabilities		
Short-term loans payable	5,106,750	5,606,750
Accrued expenses	1,165,158	1,464,338
Income taxes payable	677,031	506,646
Provision for bonuses	136,348	133,190
Other	2,845,701	2,933,283
Total current liabilities	9,930,990	10,644,208
Noncurrent liabilities		
Net defined benefit liability	7,764	6,562
Other	168,360	191,574
Total noncurrent liabilities	176,124	198,136
Total liabilities	10,107,115	10,842,344



(Unit: JPY thousand)

	Previous consolidated fiscal year (March 31, 2023)	Second quarter of this consolidated fiscal year (September 30, 2023)
Net assets		
Shareholders' equity		
Capital stock	300,686	300,686
Capital surplus	393,678	70,445
Retained earnings	9,427,957	8,757,571
Treasury stock	-1,838,397	-1,818,333
Total shareholders' equity	8,283,925	7,310,369
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	-86,528	-91,924
Foreign currency translation adjustment	609,357	805,591
Total accumulated other comprehensive income	522,828	713,667
stock acquisition rights	6,345	—
Non-controlling interests	661,421	424,672
Total net assets	9,474,520	8,448,709
Total liabilities and net assets	19,581,635	19,291,054

## (2) Quarterly Consolidated Income Statement and Quality Consolidated Comprehensive Income Statement

(Quarterly Consolidated Income Statement)

(Cumulative period through the consolidated second quarter)

(Unit: JPY thousand)

	Cumulative period through the consolidated second quarter of the previous fiscal year (From April 1, 2022 to September 30, 2022)	Cumulative period through the consolidated second quarter of the previous fiscal year (From April 1, 2023 to September 30, 2023)
Sales	17,562,732	18,669,500
Cost of sales	12,376,911	13,868,735
Gross profit	5,185,820	4,800,764
Selling, general, and administrative expenses	3,812,913	4,070,777
Operating income	1,372,906	729,987
Non-operating income		
Interest income	2,390	8,417
Foreign exchange gains	138,859	50,765
Subsidy income	4,434	6,193
Other	10,639	6,148
Total non-operating income	156,324	71,523
Non-operating expenses		
Interest expenses	2,583	6,304
Commission fee	7,379	—
Other	2,243	2,901
Total non-operating expenses	12,207	9,206
Ordinary income	1,517,023	792,304
Extraordinary loss		
Loss on retirement of noncurrent assets	—	3,567
Impairment loss	—	1,030,261
Subsidiary/Head office relocation expenses	1,130	—
Office transfer expenses	3,520	—
Special retirement benefits	2,001	—
Other	—	11,317
Total extraordinary loss	6,652	1,045,146
Quarterly net income (-) before income taxes and minority interests	1,510,371	-252,841
Income taxes-current	397,771	313,891
Income taxes-deferred	104,701	-125,740
Total income taxes	502,472	188,150
Quarterly net income (-)	1,007,898	-440,992
Quarterly net income (loss) attributable to minority interests	62,086	-4,323
Net income (loss) attributable to owners of the parent shareholder or net loss (-) attributable to owners of the parent	945,812	-436,669

## (Quarterly Consolidated Statement of Comprehensive Income)

(Cumulative period through the consolidated second quarter)

(Unit: JPY thousand)

	Cumulative period through the consolidated second quarter of the previous fiscal year (From April 1, 2022 to September 30, 2022)	Cumulative period through the consolidated second quarter of the previous fiscal year (From April 1, 2023 to September 30, 2023)
Quarterly net income (-)	1,007,898	-440,992
Other comprehensive income		
Valuation difference on available-for-sale securities	-66,688	-5,395
Foreign currency translation adjustment	648,575	217,863
Total other comprehensive income	581,886	212,467
Quarterly comprehensive income	1,589,785	-228,524
(Breakdown)		
Quarterly comprehensive income attributable to owners of the parent	1,492,068	-245,830
Quarterly comprehensive income attributable to minority interests	97,716	17,305

## (3) Quality Consolidated Statement of Cash Flows

(Unit: JPY thousand)

	Cumulative period through the consolidated second quarter of the previous fiscal year (From April 1, 2022 to September 30, 2022)	Cumulative period through the consolidated second quarter of the previous fiscal year (From April 1, 2023 to September 30, 2023)
Net cash provided by (used in) operating activities		
Quarterly net income (-) before income taxes and minority interests	1,510,371	-252,841
Depreciation and amortization	206,344	259,957
Impairment loss	-	1,030,261
Amortization of goodwill	340,429	289,837
Increase (decrease) in allowance for doubtful accounts	-161	5,647
Increase (decrease) in provision for bonuses	30,738	-11,155
Increase (decrease) in provision for directors' bonuses	-22,515	-5,760
Interest and dividends income	-2,390	-8,417
Office transfer expenses	3,520	-
SubsidiaryHead office relocation expenses	1,130	-
Share-based compensation expenses	11,721	11,196
Interest expenses	2,583	6,304
Foreign exchange losses (gains)	-138,859	-50,765
Loss on retirement of noncurrent assets	-	3,567
Decrease (increase) in notes and accounts receivable-trade	-129,383	202,200
Decrease (increase) in inventories	-2,900	-2,988
Increase (decrease) in accounts payable-other	6,418	-212,782
Subsidy income	-	-6,193
Increase (decrease) in accrued expenses	-88,391	146,495
Increase (decrease) in accrued consumption taxes	-96,671	-51,096
Decrease (increase) in other current assets	109,495	-36,377
Increase (decrease) in other current liabilities	88,933	220,223
Decrease (increase) in other noncurrent assets	9,946	-
Decrease (increase) in other noncurrent liabilities	-	-2,756
Other	3,153	-1,806
Subtotal	1,843,512	1,532,752
Interest and dividends income received	696	11,703
Interest expenses paid	-6,633	-9,331
Income taxes paid	-449,776	-437,461
Income taxes refund	47,112	29,041
Payment of office transfer expenses	-3,520	-
Payment of Head office relocation expenses	-1,130	-
Subsidies received	-	29,605
Net cash provided by (used in) operating activities	1,430,261	1,156,308

(Unit: JPY thousand)

	Cumulative period through the consolidated second quarter of the previous fiscal year (From April 1, 2022 to September 30, 2022)	Cumulative period through the consolidated second quarter of the previous fiscal year (From April 1, 2023 to September 30, 2023)
Net cash provided by (used in) investing activities		
Proceeds from withdrawal of time deposits	35,000	-
Purchase of property, plant and equipment	-513,579	-307,631
Proceeds from sales of property, plant and equipment	-	6
Purchase of intangible assets	-179,911	-108,476
Purchase of investments in subsidiaries resulting in change in scope of consolidation	-	-102,796
Payment on conditional acquisition of shares of subsidiaries	-	-18,370
Payments for transfer of business	-371,390	-28,198
Purchase of investment securities	-446,722	-
Payments for lease and guarantee deposits	-33,658	-57,570
Proceeds from collection of lease and guarantee deposits	3,792	1,630
Decrease (increase) in short-term loans receivable	10,000	19,000
Proceeds from collection of long-term loans receivable	-	10,000
Net cash provided by (used in) investing activities	-1,496,469	-592,406
Net cash provided by (used in) financing activities		
Increase (decrease) in short-term loans payable	1,700,000	500,000
Cash dividends paid	-161,835	-233,268
Repayment of long-term loans payable	-184,220	-
Expenditure on purchase of investments in subsidiaries not resulting in change in scope of consolidation	-80,906	-443,855
Payment of dividends to non-controlling interests	-20,034	-16,913
Purchase of treasury stock	-50	-
Proceeds from sales of treasury stock	224,256	-
Proceeds from issuance of common stock acquisition rights	11,468	-
Purchase of treasury stock acquisition rights	-	-6,345
Repayments of lease obligations	-232	-
Net cash provided by (used in) financing activities	1,488,444	-200,382
Effect of exchange rate change on cash and cash equivalents	254,052	176,936
Increase (decrease) in cash and cash equivalents	1,676,288	540,455
Starting balance of cash and cash equivalents	5,173,746	6,456,803
Ending balance of cash and deposits	6,850,035	6,997,259

(4) Notes to the Quarterly Consolidated Financial Statements

(Notes Regarding the Going-Concern Assumption)

Not applicable

(Notes on marked changes to amounts of shareholder' equity)

During the cumulative period through the consolidated first quarter, we acquired shares in consolidated subsidiary and consolidated sub-subsidiaries, which resulted in a decline of JPY 327,465 thousand in capital surplus.

(Important impairment loss on noncurrent assets)

Impairment loss on noncurrent assets was recorded in the Enterprise Business. The amount of said impairment loss recorded was JPY1,030,261 thousand in the cumulative period through the consolidated second quarter.

(Corporate consolidations etc.)

(Important revisions to the initial allocation of purchase price in comparative information)

The provisional account processing of the corporate consolidation conducted on January 17, 2022 between LOGIGEAR CORPORATION, our consolidated subsidiary, and developing world systems limited, in the period ended March 2022, was finalized at the end of the previous consolidated fiscal year.

As a result of the finalization of this provisional account processing, important revisions to the initial allocation of purchase costs have been reflected in the comparative information included in the quarterly financial statements for the cumulative period through the second quarter of the consolidated fiscal year.

As a result, the provisionally estimated amount of goodwill has decreased by JPY163,123 thousand from JPY577,491 thousand to JPY414,367 thousand. In addition, on the quarterly consolidated income statement for the cumulative period through the consolidated second quarter of the previous fiscal year, selling, general, and administrative expenses increased by JPY10,089 thousand, Operating income, ordinary income, and net income before income taxes and minority interests decreased by JPY10,089 thousand, and net income and net income attributable to owners of the parent shareholder decreased by JPY4,280 thousand, respectively.

(Corporate consolidation through acquisition)

Based on a resolution of the board of directors held March 17, 2023, we acquired all of the shares outstanding of GPC K.K., making it a subsidiary.

1. Overview of this corporate consolidation

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

Name of acquired firm GPC K.K.

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

(2) Main reasons for acquisition

In order to enhance our businesses base in the SAP and other ERP domains

(3) Date of corporate consolidation

April 3, 2023

(4) Legal form of corporate consolidation

Purchase of shares

(5) Company name after consolidation

No change to name.

(6) Percentage of voting rights acquired

100%

(7) Main evidence leading to the decision on acquisition

Through acquisition of stock in cash.

2. Period of business results of the acquisition included in the quarterly consolidated financial statements

April 3, 2023 - September 30, 2023

3. Price of acquisition and breakdown of price by type

Price of acquisition (cash and deposits)	JPY206,425 thousand
Acquisition cost	JPY206,425 thousand

4. Details and amounts of main costs related to acquisition

Advisory expenses etc. 5.3 million yen

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

Goodwill and negative goodwill have not occurred.

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

Current assets	JPY332,455 thousand
Noncurrent assets	JPY4,133 thousand
Total assets	JPY336,589 thousand
current liabilities	JPY130,163 thousand
Total liabilities	JPY130,163 thousand

7. Details of conditional acquisition consideration provided in the corporate consolidation agreement and accounting policies for this consolidated fiscal year and beyond

(1) Details of conditional acquisition price

It is to be calculated based on the level of achievement of business results, etc. for 36 months after closing.

(2) Accounting policies for this consolidated fiscal year and beyond

With regard to the increase in goodwill resulting from payments of conditional acquisition consideration, the Company will revise the purchase price to consider that it was paid at the time of acquisition of businesses, and revise the amount of goodwill and amortization of goodwill.

(Transactions Under Common Control, etc.)

Purchase of additional shares of subsidiary

On March 17, 2023, we acquired additional shares in LOGIGEAR CORPORATION, a consolidated subsidiary, making it a wholly owned subsidiary in board of directors.

1. Overview of this corporate consolidation

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

Name of acquired firm LOGIGEAR CORPORATION

Details of businesses: System Testing, etc.

(2) Date of corporate consolidation

April 11, 2023 (stock acquisition date)

(3) Legal form of corporate consolidation

Purchase of shares from non-controlling shareholder

(5) Company name after consolidation

No change to name.

(6) Other matters related to outline of transactions

Percentage of voting rights held immediately prior to acquisition 85.5%

Percentage of voting rights newly acquired 14.5%

Percentage of voting rights after acquisition 100.0%

2. Overview of account processing used

Based on the Accounting Standard for Business Combinations (ASBJ Statement No. 21, January 16, 2019) and the Guidance on the Accounting Standard for Business Combinations and the Accounting Standard for businesses Separation (ASBJ Guidance No. 10, January 16, 2019), account processing has been conducted as transactions involving non-controlling shareholder.

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

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

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

(1) Main factors contributing to changes in capital surplus

Purchase of additional shares of subsidiary

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

JPY194,816 thousand