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Summary of Business Results for the Fiscal Year Ended March 31, 2025 [Japan GAAP] (Consolidated)

May 13, 2025

Company name: DIGITAL HEARTS HOLDINGS Co., Ltd. Listed on the TSE
Stock code: 3676 URL: https://www.digitalhearts-hd.com/
Representative: Toshiya Tsukushi, President and CEO
Contact: Hideto Itami, Executive Officer and CFO TEL: +81-3-3373-0081
Scheduled date of the ordinary general shareholder meeting : June 26, 2025
Scheduled commencement of dividend payment : June 11, 2025
Scheduled date of submission of financial reports : June 27, 2025
Preparation of supplementary material for fiscal year financial results : Yes
Holding of financial results meeting : Yes (for institutional investors and analysts)

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

1. Fiscal year ended March 2025 consolidated results (April 1, 2024 – March 31, 2025)

(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	
Fiscal year ended	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
March 31, 2025	39,748	2.5	2,430	19.1	2,278	10.7	629	255.8
March 31, 2024	38,790	6.2	2,039	-32.0	2,059	-34.7	176	-77.9

(Note) Comprehensive income: Fiscal year ended March 31, 2025: 1,046 million yen (155.9%)
Fiscal year ended March 31, 2024: 408 million yen (-66.3%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary income to total assets	Operating margin
Fiscal year ended	(Yen)	(Yen)	(%)	(%)	(%)
March 31, 2025	28.25	—	7.2	11.1	6.1
March 31, 2024	7.94	—	2.1	10.1	5.3

(Reference) Equity in earnings of affiliates: Fiscal year ended March 31, 2025: -38 million yen
Fiscal year ended March 31, 2024: —million yen

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	(Millions of yen)	(Millions of yen)	(%)	(Yen)
As of March 31, 2025	19,949	9,260	44.9	401.76
As of March 31, 2024	21,103	8,852	39.9	377.80

(Reference) Shareholders' equity: 8,953 million yen (As of March 31, 2025) 8,415 million yen (As of March 31, 2024)

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at year end
Fiscal year ended	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
March 31, 2025	3,119	-5	-2,555	7,593
March 31, 2024	1,759	-2,369	934	6,858

2. Dividends

	Annual dividends					Total dividends paid (annual)	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	Q1	Q2	Q3	Q4	Full fiscal year			
Fiscal year ended	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)	(Millions of yen)	(%)	(%)
March 31, 2024	―	10.50	―	10.50	21.00	467	264.5	5.4
March 31, 2025	―	10.50	―	12.50	23.00	512	81.4	5.9
Fiscal year ending March 31, 2026 (Forecasts)	―	11.50	―	11.50	23.00		30.9	

(Note) Year-end dividend for the fiscal year ending March 31, 2025: ordinary dividend 10.50 yen
commemorative dividend 2.00 yen

3. Consolidated earnings forecasts for the fiscal year ending March 2026 (April 1, 2025 - March 31, 2026)

(Percentages are changes from 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	39,750	0.0	2,640	8.6	2,640	15.9	1,660	163.7	74.49

* Notes

(1) Significant changes in the scope of consolidation during the period: Yes

Excluded: 2 (Company name) identity Inc. and one other company

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

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

(Note) For details, see Attached Materials 16 page “3. Consolidated Financial Statements and Important Notes (5) Notes to the Consolidated Financial Statements (Changes to Accounting Policies).”

In addition, from the first quarter consolidated accounting period, certain domestic consolidated subsidiaries have changed their depreciation methods, which corresponds to "cases where it is difficult to distinguish changes in accounting policies from changes in accounting estimates." For details, see Attached Materials 16 page “3. Consolidated Financial Statements and Important Notes (5) Notes to the Consolidated Financial Statements (Changes to accounting policies that are difficult to distinguish from changes in accounting estimates).”

(3) Shares outstanding (common stock)

(a) Number of issued shares (including treasury stock)	As of March 31, 2025	23,890,800 shares	As of March 31, 2024	23,890,800 shares
(b) Number of treasury stock	As of March 31, 2025	1,604,473 shares	As of March 31, 2024	1,615,011 shares
(c) Average number of shares during the period	Fiscal year ended March 31, 2025	22,282,372 shares	Fiscal year ended March 31, 2024	22,269,581 shares

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

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

・This document contains forward-looking statements with respect to future results, performance and achievements that are subject to risk and uncertainties and reflect management’s views and assumptions formed using information available at the time. Accordingly, forecasts may differ from actual results due to a variety of factors.

・A financial results meeting for institutional investors and analysts is scheduled to be held on May 14, 2025. Materials for this meeting will be posted on TD net and the Company’s website.

○ Contents of Attached Materials

1. Overview of Business Results etc.

(1) Overview of Company Business Results

	FY2023 (JPY in thousand)	FY2024 (JPY in thousand)	Change (%)
Sales	38,790,197	39,748,901	2.5
Operating income	2,039,705	2,430,067	19.1
Ordinary income	2,059,115	2,278,445	10.7
Net income attributable to owners of the parent	176,927	629,464	255.8

In the entertainment content-related market in which the DH Group Business operates, against a backdrop of accelerating simultaneous overseas deployment of games, demand for translation and marketing services is growing and new business opportunities are expanding due to the diversification of content such as video and manga apps. At the same time, in the digital-related markets in which our AGEST Group Business operate, demand for outsourcing of test processes continues to grow due to the chronic shortage of IT human resources, and against a backdrop of growing use of Agile development, there is a need to respond to improvements in quality in upstream development processes and improvements in efficiency and precision through the use of leading-edge technologies, including AI.

Under these conditions, we are proactively pursuing new challenges based on the ideal image of the DH Group Business of “To be the Global Quality Partner in the Entertainment Industry,” as the ideal image of the AGEST Group Business, and “To be the AI testing company supporting “Quality” of enterprise systems with leading-edge technology.” As part of these efforts, aiming to maximize the growth potential of both businesses, we are aiming to become a share-distribution-type Spin-Off and listing ("Spin-Off Listing") of AGEST, Inc. ("AGEST"), the core subsidiary of the AGEST Group Business, and are making steady progress on preparations to realize this goal.

In this consolidated fiscal year, we launched a fully independent two-group management structure under a new management structure, and promoted growth strategies specializing in the expertise of both businesses. The DH Group business endeavored to enhance and expand its services, including game localization and LQA (Linguistic Quality Assurance), while also promoting efforts to improve its presence in global markets. For example, it sought to raise corporate awareness of overseas game productions by actively participating in game events of the largest scale in each country, held in Japan, Europe, China, and South Korea. At the same time, AGEST Group Business endeavored to establish a solid position as a test specialized company in Japan through endeavoring to provide high-value-added QA solutions compatible with “Shift-Left,” and promoting the use of cutting-edge technologies in test domains, including the development of test tools using AI.

As a result of the above factors, both businesses performed solidly in this consolidated fiscal year, and both net sales and operating income increased, to JPY39,748,901 thousand net sales (up 2.5% YoY), JPY2,430,067 thousand operating income (up 19.1% YoY), and JPY2,278,445 thousand ordinary income (up 10.7% YoY). Net income attributable to owners of the parent also increased substantially, to JPY629,464 thousand (up 255.8% YoY), due in part to the impact of factors such as the recording of gains on sales of shares in subsidiaries and affiliates.

Business results by segment are reviewed below.

The business segments listed as reporting segments have been modified since the start of the fiscal year ended March 2025. Comparisons and analyses for the previous year.

	FY2023 (JPY in thousand)	FY2024 (JPY in thousand)	Change (%)
Sales	**38,790,197**	**39,748,901**	**2.5**
DH Group Business	23,488,586	23,906,371	1.8
AGEST Group Business	15,975,914	16,158,981	1.1
Adjustment amount	-674,303	-316,451	—
Operating income	**2,039,705**	**2,430,067**	**19.1**
DH Group Business	1,734,213	1,941,426	11.9
AGEST Group Business	305,492	488,641	60.0

Net sales of each segment includes internal sales or transfers between segments, and segment income is considered to be a Operating income.

① DH Group Business

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

In the Domestic debugging services during this consolidated fiscal year, amid the continued weakness of the domestic game-market, we succeeded in achieving growth in sales through steady acquisition of new large-scale transactions thanks to the success of our strategic operating activities, including focusing management resources on clients who are actively developing new titles. In addition, aiming toward future growth in Debugging demand accompanying the launch of new hardware, the Group endeavored to maintain and increase its large-share of the market through expanding test centers Kyoto Lab. and Nagoya Lab., as well as maintenance of Debugging equipment exclusively for new hardware.

In the Global and other services, meanwhile, we reliably secured new transactions and realized double-digit growth in Global service(*), which is considered a growth driver, through building structures capable of providing one-stop services in areas such as translation, LQA and marketing support, through enhanced coordination between group companies in Japan and overseas, and alliance partners. We also accelerated our efforts toward growth in the next period and beyond, through means including enhancing sales promotions for solutions using "ella" the original game-specific AI-translation engine that we launched during the period under review, and newly launching English-language Debugging in Japan.

Furthermore, combined with endeavoring to create new businesses seeds through more aggressive investment in fields where market growth is expected in the future, such as eSports, web3, and AI, we also sought to rebuild our businesses base for medium- to long-term growth through means including transferring all shares in identity Inc. ("ID"), a wholly-owned subsidiary that provides engineer-dispatched businesses.

As a result of the above factors, the DH Group Business in this consolidated fiscal year recorded growth in both net sales and segment income, to JPY23,906,371 thousand (up 1.8% YoY) and JPY1,941,426 thousand (up 11.9% YoY), respectively, thanks to steady growth in the Domestic debugging and favorable performance of Global service, despite the impact of the exclusion of ID from consolidation.

* Global service: Generic term for services that provide translation, LQA, marketing support, and overseas Debugging

② AGEST Group Business

This segment mainly consists of QA solutions including system testing to detect defects in enterprise systems, security testing such as vulnerability testing, and ERP implementation support. In addition, this segment provides SOC (Security Operation Center) operations that monitor software and networks, detect and counter attacks, and IT services and other services that provide system maintenance and operational support.

In this consolidated fiscal year, we reliably secured new projects and ongoing projects related to testing and ERP, and achieved growth in sales in the domestic businesses through continuing focus on hiring and training high-skill engineers and focusing on solutions-based operating activities suited to client issues in the domestic businesses. In addition, we also endeavored to establish high-value-added solutions, including “Shift-Left” test services that support quality from upstream processes in development, and “Shift-Right” test services that provide quality assurance during the post-test operation phase. At the same time, we endeavored to improve our competitiveness through full-fledged use of AI in the test domain, including our own test tool “TFACT” equipped with standard AI functions.

At the same time, in overseas businesses, where business results are sluggish, we endeavored to shift to a structure capable of generating stable earnings through accelerating the use of Vietnamese engineer in Japanese transactions and promoting revisions to our growth-strategy in businesses in Europe and the United States.

This resulted in considerable growth in both net sales and segment income in the AGEST Group Business in this consolidated fiscal year, as domestic businesses led business results, to JPY16,158,981 thousand (up 1.1% YoY) in net sales and JPY488,641 thousand (up 60.0% YoY) in segment income.

(2) Overview of financial standing in this period

(Assets)

The balance of current assets was JPY14,069,461 thousand, up JPY542,791 thousand from the level of JPY13,526,669 thousand at the end of the previous consolidated fiscal year (up 4.0% from the previous period).

This was due mainly to factors such as decreases of JPY457,508 thousand in notes and accounts receivable-trade and contract assets, despite increases of JPY735,166 thousand in cash and deposits and JPY277,113 thousand in other current assets.

The balance of non-current assets was JPY5,880,029 thousand, down JPY1,696,397 thousand (down 22.4% from the previous period), from the level of JPY7,576,426 thousand in non-current assets at the end of the previous consolidated fiscal year.

This was due mainly to factors such as decreases of JPY1,277,913 thousand in goodwill and JPY452,818 thousand in investment securities.

(Liabilities)

The balance of current liabilities was JPY10,473,095 thousand, down JPY1,553,324 thousand (down 12.9% from the previous period), from the current liabilities of JPY12,026,419 thousand at the end of the previous consolidated fiscal year.

This was due mainly to factors such as a decrease of JPY1,895,072 thousand in short-term loans payable, despite an increase of JPY396,875 thousand in accounts payable-other.

The balance of non-current liabilities was JPY215,700 thousand, down JPY8,614 thousand (down 3.8% from the previous period) from non-current liabilities of JPY224,314 thousand at the end of the previous consolidated fiscal year.

(Net assets)

The balance of net assets was JPY9,260,695 thousand, up JPY408,333 thousand from the level of JPY8,852,361 thousand in net assets at the end of the previous consolidated fiscal year (up 4.6% from the previous period).

This was due mainly to factors such as a decrease of JPY467,902 thousand in retained earnings due to dividends, despite net income attributable to shareholder of the parent of JPY629,464 thousand and an increase of JPY247,088 thousand in foreign currency translation adjustment.

(3) Overview of cash flow during the period

Cash and deposits ([funds] hereinafter) at the end of this consolidated fiscal year stood at JPY7,593,742 thousand, up JPY735,166 thousand from the level of JPY6,858,575 thousand in funds at the end of the previous consolidated fiscal year.

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

(Cash flow from operating activities)

Funds from the operating activities totaled revenues of JPY3,119,272 thousand (vs. revenues of JPY1,759,092 thousand in the previous consolidated fiscal year).

This was due mainly to factors contributing to increased funds, such as JPY1,645,449 thousand in net income before income taxes and minority interests, JPY566,387 thousand in depreciation and amortization, JPY460,067 thousand in amortization of goodwill, JPY1,184,076 thousand in loss on valuation of investment securities, and JPY795,560 thousand in increase (decrease) in accounts payable-other, exceeding factors contributing to decreased funds, such as JPY716,872 thousand in income taxes paid and JPY589,206 thousand on sales of shares in affiliates.

(Cash flow from investing activities)

Funds expended in light of the investing activities totaled JPY5,080 thousand (vs. expenditures of JPY2,369,234 thousand in the previous consolidated fiscal year).

This was due mainly to factors contributing to decreased funds, such as expenditures of JPY427,985 thousand on acquisition of property, plant, and equipment, expenditures of JPY307,987 thousand on acquisition of intangible fixed asses, and expenditures of JPY728,000 thousand on acquisition of investment securities, exceeding factors contributing to increased funds, such as JPY1,601,082 thousand on sale of shares of subsidiary resulting in changes in the scope of consolidation.

(Cash flow from financing activities)

Funds used in financing activities totaled expenditures of JPY2,555,521 thousand (vs. revenues of JPY934,080 thousand in the previous consolidated fiscal year).

This was due mainly to factors such as expenditures of JPY1,895,072 thousand on short-term loans payable and JPY467,509 thousand in dividends paid.

(4) Future outlook

We began preparing for the Spin-Off Listing in May 2023, with the aim of maximizing the growth potential of the DH Group Business and the AGEST Group Business. As part of these preparations, in April 2024 we launched a fully independent two-group management structure, and are promoting growth strategies. We are specializing in individual businesses domains.

Firstly, the DH Group Business is promoting the globalization of business with the goal of becoming a “The Global Quality Partner in the Entertainment Industry”. Specifically, we will aim to increase our market-share in global markets. To do so, we will build a structure for multilingual Debugging in Japan that enables us to provide "Japanese-quality" services to overseas game productions and enhance solutions using our unique strengths and know-how, including the enhancement of languages for "ella," a game-specific AI translation engine with strengths in translation using the world of games and characters. In addition, in the Domestic debugging, where we have been a founding businesses, we expect active development of new titles in the domestic game-market, thanks to the launch of the “Nintendo Switch 2”. As a result, we will continue to strive to maintain and increase our market shares through enhancing our structures for receiving orders, through hiring and training tester human resources and improving equipment for new hardware-specific debugging, as well as promoting the “DHQ (Digital Hearts Quality)” quality method, which is a unique quality method.

At the same time, AGEST Group Business is focusing on providing QA solutions using on its technological capabilities, with the aim of becoming an “AI-test company that supports the “quality” of enterprise systems with cutting-edge technologies.” Specifically, we will pursue added value unique to test specialized companies through enhancing the hiring and training of “next-generation QA engineers” who have expertise in advanced quality assurance and cutting-edge technologies, enhancing test services and promoting test automation in response to “Shift-Left,” which are different from conventional testing conducted in the final process of development. In addition, through the use of the “TFACT” β version of our proprietary test tool that incorporates the AI function, which was launched in January 2025, we will aim to reduce test number of man-hours and realize efficient implementation of highly accurate tests. Furthermore, we will strive to establish a new revenue model that is different from the human-month model, such as volume-based billing through the provision of products called “TFACT”, in order to enhance our structure for generating stable revenues.

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

■ full year consolidated business performance forecasts

	This period FY2024 (JPY in millions)	Next period FY2025(forecast) (JPY in millions)	Change (%)
Sales	39,748	39,750	0.0
Operating income	2,430	2,640	8.6
Ordinary income	2,278	2,640	15.9
Net income attributable to owners of the parent	629	1,660	163.7

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

2. Basic concept on choice of accounting standards

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

3. Consolidated Financial Statements and Important Notes

(1) Consolidated Balance Sheet

(Unit: JPY thousand)

	Previous consolidated fiscal year (March 31, 2024)	This consolidated fiscal year (March 31, 2025)
Assets		
Current assets		
Cash and deposits	6,858,575	7,593,742
Notes and accounts receivable-trade and contract assets	6,003,199	5,545,690
Short-term investment securities	42,549	—
Inventories	31,579	65,405
Income taxes receivable	51,943	3,890
Other	625,965	903,078
Allowance for doubtful accounts	-87,142	-42,346
Total current assets	13,526,669	14,069,461
Noncurrent assets		
Property, plant and equipment		
Buildings	1,143,685	1,162,760
Accumulated depreciation	-375,808	-417,586
Buildings, net	767,877	745,173
Vehicles	3,324	3,347
Accumulated depreciation	-721	-2,102
Vehicles, net	2,603	1,245
Tools, furniture and fixtures	1,619,553	1,861,818
Accumulated depreciation	-954,501	-1,199,219
Tools, furniture and fixtures, net	665,051	662,598
Land	17,568	17,568
Lease assets	79,488	102,105
Accumulated depreciation	-41,537	-53,307
Lease assets, net	37,950	48,797
Total property, plant and equipment	1,491,050	1,475,383
Intangible fixed assets		
Goodwill	2,313,341	1,035,427
Other	594,706	713,043
Total intangible fixed assets	2,908,048	1,748,471
Investments and other assets		
Investment securities	1,793,427	1,340,609
Long-term loans receivable	10,000	—
Deferred tax assets	294,932	246,897
Lease and guarantee deposits	918,727	883,231
Other	177,621	208,493
Allowance for doubtful accounts	-17,381	-23,057
Total investments and other assets	3,177,327	2,656,174
Total noncurrent assets	7,576,426	5,880,029
Total assets	21,103,096	19,949,490

(Unit: JPY thousand)

	Previous consolidated fiscal year (March 31, 2024)	This consolidated fiscal year (March 31, 2025)
Liabilities		
current liabilities		
Short-term loans payable	7,095,072	5,200,000
Accounts payable-other	1,883,132	2,280,008
Accrued expenses	1,217,779	982,267
Income taxes payable	338,369	574,690
Accrued consumption taxes	394,293	456,156
Provision for bonuses	160,252	150,622
Provision for directors' bonuses	13,156	22,332
Other	924,363	807,017
Total current liabilities	12,026,419	10,473,095
Noncurrent liabilities		
Deferred tax liabilities	34,978	22,606
Net defined benefit liability	11,913	16,232
Asset retirement obligations	108,611	109,190
Other	68,810	67,670
Total noncurrent liabilities	224,314	215,700
Total liabilities	12,250,734	10,688,795
Net assets		
Shareholders' equity		
Capital stock	300,686	300,686
Capital surplus	66,354	66,018
Retained earnings	9,137,264	9,298,826
Treasury stock	-1,818,333	-1,806,469
Total shareholders' equity	7,685,971	7,859,061
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	-107,144	10,734
Foreign currency translation adjustment	836,960	1,084,048
Total accumulated other comprehensive income	729,816	1,094,783
Non-controlling interests	436,573	306,850
Total net assets	8,852,361	9,260,695
Total liabilities and net assets	21,103,096	19,949,490

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

Consolidated Income Statement

(Unit: JPY thousand)

	Previous consolidated fiscal year (April 1, 2023 to March 31, 2024)	This consolidated fiscal year (April 1, 2024 to March 31, 2025)
Sales	38,790,197	39,748,901
Cost of sales	28,699,374	29,611,147
Gross profit	10,090,823	10,137,754
Selling, general, and administrative expenses	8,051,117	7,707,686
Operating income	2,039,705	2,430,067
Non-operating income		
Interest income	19,961	27,085
Foreign exchange gains	13,520	—
Subsidy income	10,505	14,736
Gain on investments in silent partnership	9,763	—
Cash-back income	—	8,228
Other	15,900	10,661
Total non-operating income	69,650	60,712
Non-operating expenses		
Interest expenses	19,530	32,823
Foreign exchange losses	—	90,254
Commission fee	2,692	—
Equity in losses of affiliates	—	38,721
Non-deductible consumption taxes	8,547	24,269
Provision of allowance for doubtful accounts	12,943	—
Other	6,528	26,265
Total non-operating expenses	50,240	212,334
Ordinary income	2,059,115	2,278,445
Extraordinary income		
Gain on sales of shares of subsidiaries and associates	—	589,206
Gain on reversal of loss on businesses restructuring	—	35,868
Total extraordinary income	—	625,075
Extraordinary loss		
Loss on retirement of noncurrent assets	15,317	9,901
Impairment loss	1,069,446	—
Loss on valuation of investment securities	—	1,184,076
Loss on valuation of investments in subsidiaries and associates	—	52,350
Office transfer expenses	2,255	—
Provision of allowance for doubtful accounts	—	6,678
Penalty fee	18,882	3,865
Loss on businesses restructuring	87,319	—
Other	11,071	1,200
Total extraordinary loss	1,204,292	1,258,072
Net income before taxes	854,823	1,645,449
Income taxes-current	711,836	949,909
Income taxes-deferred	-48,606	25,171
Total income taxes	663,229	975,080
Current net income	191,593	670,368
Net income attributable to non-controlling interests	14,665	40,904
Net income attributable to owners of the parent	176,927	629,464

Consolidated Statement of Comprehensive Income

(Unit: JPY thousand)

	Previous consolidated fiscal year (April 1, 2023 to March 31, 2024)	This consolidated fiscal year (April 1, 2024 to March 31, 2025)
Current net income	191,593	670,368
Other comprehensive income		
Valuation difference on available-for-sale securities	-20,615	117,878
Foreign currency translation adjustment	237,862	266,026
Share of other comprehensive income of entities accounted for using equity method	—	-8,058
Total other comprehensive income	217,246	375,846
Comprehensive income	408,840	1,046,214
(Breakdown)		
Comprehensive income attributable to owners of parent	383,915	994,431
Comprehensive income attributable to non-controlling interests	24,924	51,783

(3) Consolidated Statement of Changes to shareholder' Equity

Previous consolidated fiscal year (From April 1, 2023 to March 31, 2024)

(Unit: JPY thousand)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Starting balance	300,686	393,678	9,427,957	-1,838,397	8,283,925
Changes of items during the period					
Dividends of surplus			-467,620		-467,620
Net income attributable to owners of the parent			176,927		176,927
Sale of treasury stock		4,232		20,063	24,295
Change in ownership interest of parent arising from transactions with non-controlling shareholder		-331,556			-331,556
Net changes of items other than shareholders' equity					—
Total changes of items during the period	—	-327,324	-290,692	20,063	-597,953
Current year-end balance	300,686	66,354	9,137,264	-1,818,333	7,685,971

	Accumulated other comprehensive income			stock acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Starting balance	-86,528	609,357	522,828	6,345	661,421	9,474,520
Changes of items during the period						
Dividends of surplus						-467,620
Net income attributable to owners of the parent						176,927
Sale of treasury stock						24,295
Change in ownership interest of parent arising from transactions with non-controlling shareholder						-331,556
Net changes of items other than shareholders' equity	-20,615	227,603	206,987	-6,345	-224,847	-24,204
Total changes of items during the period	-20,615	227,603	206,987	-6,345	-224,847	-622,158
Current year-end balance	-107,144	836,960	729,816	—	436,573	8,852,361

This consolidated fiscal year (from April 1, 2024 to March 31, 2025)

(Unit: JPY thousand)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Starting balance	300,686	66,354	9,137,264	-1,818,333	7,685,971
Changes of items during the period					
Dividends of surplus			-467,902		-467,902
Net income attributable to owners of the parent			629,464		629,464
Sale of treasury stock		-336		11,864	11,528
Change in ownership interest of parent arising from transactions with non-controlling shareholder					-
Net changes of items other than shareholders' equity					-
Total changes of items during the period	-	-336	161,561	11,864	173,090
Current year-end balance	300,686	66,018	9,298,826	-1,806,469	7,859,061

	Accumulated other comprehensive income			stock acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Starting balance	-107,144	836,960	729,816	-	436,573	8,852,361
Changes of items during the period						
Dividends of surplus						-467,902
Net income attributable to owners of the parent						629,464
Sale of treasury stock						11,528
Change in ownership interest of parent arising from transactions with non-controlling shareholder						-
Net changes of items other than shareholders' equity	117,878	247,088	364,966	-	-129,723	235,243
Total changes of items during the period	117,878	247,088	364,966	-	-129,723	408,333
Current year-end balance	10,734	1,084,048	1,094,783	-	306,850	9,260,695

(4) Consolidated Statement of Cash Flows

(Unit: JPY thousand)

	Previous consolidated fiscal year (April 1, 2023 to March 31, 2024)	This consolidated fiscal year (April 1, 2024 to March 31, 2025)
Net cash provided by (used in) operating activities		
Net income before taxes	854,823	1,645,449
Depreciation and amortization	521,605	566,387
Impairment loss	1,069,446	—
Amortization of goodwill	516,620	460,067
Increase (decrease) in allowance for doubtful accounts	8,109	-42,262
Increase (decrease) in provision for bonuses	15,648	-7,952
Increase (decrease) in provision for directors' bonuses	-9,005	9,175
Interest and dividends income	-19,961	-27,085
Interest expenses	19,530	32,823
Foreign exchange losses (gains)	-13,520	90,254
Loss on valuation of investment securities	—	1,184,076
Gain on investments in silent partnership	-9,763	—
Share-based compensation expenses	23,094	14,470
Equity in losses (earnings) from investment in affiliates	—	38,721
Loss (gain) on sales of shares of subsidiaries and associates	—	-589,206
Loss on valuation of investments in subsidiaries and associates	—	52,350
Office transfer expenses	2,255	—
Loss on businesses restructuring	87,319	—
Decrease (increase) in notes and accounts receivable-trade	-381,263	150,900
Decrease (increase) in inventories	-5,916	-34,345
Subsidy income	-10,505	-14,736
Loss on retirement of noncurrent assets	15,317	9,901
Increase (decrease) in accounts payable-other	63,278	795,560
Increase (decrease) in accrued expenses	33,656	-278,582
Increase (decrease) in accrued consumption taxes	-38,374	-173,131
Decrease (increase) in other current assets	49,428	-38,978
Increase (decrease) in other current liabilities	93,542	-69,434
Decrease (increase) in other noncurrent liabilities	-8,340	—
Other	-137,689	2,999
Subtotal	2,739,337	3,777,419
Interest and dividends income received	19,703	32,534
Interest expenses paid	-12,007	-41,656
Income taxes paid	-1,042,594	-716,872
Income taxes refund	29,499	53,110
Payment of office transfer expenses	-2,255	—
Subsidies received	27,410	14,736
Net cash provided by (used in) operating activities	1,759,092	3,119,272

(Unit: JPY thousand)

	Previous consolidated fiscal year (April 1, 2023 to March 31, 2024)	This consolidated fiscal year (April 1, 2024 to March 31, 2025)
Net cash provided by (used in) investing activities		
Proceeds from redemption of securities	—	45,474
Purchase of property, plant and equipment	-617,470	-427,985
Proceeds from sales of property, plant and equipment	2,761	—
Purchase of intangible assets	-194,795	-307,987
Purchase of investment securities	-1,271,935	-728,000
Payments for transfer of business	-42,947	-16,125
Payments for lease and guarantee deposits	-185,772	-33,092
Proceeds from collection of lease and guarantee deposits	17,792	17,354
Decrease (increase) in short-term loans receivable	19,000	—
Proceeds from collection of long-term loans receivable	20,000	—
Purchase of investments in subsidiaries resulting in change in scope of consolidation	-97,496	—
Proceeds from sales of investments in subsidiary resulting in change in scope of consolidation	—	1,601,082
Payment on conditional acquisition of shares of subsidiaries	-18,370	-155,798
Net cash provided by (used in) investing activities	-2,369,234	-5,080
Net cash provided by (used in) financing activities		
Increase (decrease) in short-term loans payable	1,988,322	-1,895,072
Repayments of lease obligations	—	-11,431
Purchase of treasury stock acquisition rights	-6,345	—
Cash dividends paid	-466,568	-467,509
Payment of dividends to non-controlling interests	-16,913	-39,173
Expenditure on purchase of investments in subsidiaries not resulting in change in scope of consolidation	-564,605	—
Proceeds from payments from non-controlling interests	190	—
Repayments to non-controlling shareholder	—	-142,333
Net cash provided by (used in) financing activities	934,080	-2,555,521
Effect of exchange rate change on cash and cash equivalents	77,832	176,495
Increase (decrease) in cash and cash equivalents	401,771	735,166
Starting balance of cash and cash equivalents	6,456,803	6,858,575
Balance of cash and cash equivalents at end of period	6,858,575	7,593,742

(5) Notes to the Consolidated Financial Statements

(Notes Regarding the Going-Concern Assumption)

Not applicable

(Changes to Accounting Policies)

(Application of the Accounting Standard for Income Taxes, Inhabitant Taxes, and businesses Taxes, etc.)

The Accounting Standard for Current Income Taxes (ASBJ Statement No.27, October 28, 2022; hereinafter referred to as the "Revised Accounting Standard 2022"), etc. have been adopted from the beginning of this consolidated fiscal year.

The amendment to categories in which current income taxes should be recorded (taxes on other comprehensive income) follows the transitional treatment prescribed in the proviso of paragraph 20-3 of the Revised Accounting Standard 2022 and the transitional treatment prescribed in the proviso (2) of paragraph 65-2 of the Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No.28, October 28, 2022; hereinafter referred to as the "Revised Implementation Guidance 2022"). This change in accounting policies has no impact on the consolidated financial statements.

For the amendment related to the revised accounting treatment for consolidated financial statements when gains or losses on sale of shares in subsidiaries resulting from transactions between consolidated companies were deferred for tax purposes, the Revised Implementation Guidance 2022 has been adopted from the beginning of the first quarter ended June 30, 2024. This change in accounting policies was applied retrospectively. Hence, the consolidated financial statements for the same of the prior fiscal year and the consolidated financial statements for the prior fiscal year have been modified retrospectively. This change in accounting policies has no impact on the consolidated financial statements for the same of the prior fiscal year and the consolidated financial statements for the prior fiscal year.

(Changes to accounting policies that are difficult to distinguish from changes to accounting estimates)

(Changes to the Depreciation Method for Property, Plant and Equipment)

Previously, the declining-balance method (excluding facilities attached to buildings and structures acquired on or after April 1, 2016) was used for the depreciation method of property, plant, and equipment (excluding lease assets), and some consolidated subsidiary in Japan changed to the straight-line method starting with this consolidated fiscal year.

Based on a comprehensive evaluation of the current use of property, plant, and equipment in some domestic consolidated subsidiary, and plans for use of facilities to be acquired in the future, we determined that the allocation of amortization expenses over periods using the straight-line method more reasonably reflects the actual use of assets, and thus made changes.

The effects of this change were minor.

(Corporate consolidations etc.)

(Transfer of Shares of subsidiary)

1. Overview of Share Transfer

(1) Name of share transferee

Universal Inc.

(2) Name and details of businesses of the subsidiary transferred

Name: identity Inc.

Business activities: IT human resource platform business, IT resource support business, and IT human resource recruitment support business

(3) Main reasons for transfer of shares

We acquired shares in identity Inc. in June 2021, with the aim of acquiring an extensive pool of freelance engineering human resources as part of our efforts to expand testing businesses, thereby realizing the Group's growth.

Under these conditions, in May 2023 we resolved to begin preparations for listing of our equity-sharing Spin-Off in AGEST, Inc., the main subsidiary of our testing businesses, and the AGEST Group Business and the DH Group Business have each grown into the Enterprise Field and the Game/Entertainment Field, respectively.

Taking this opportunity, we reviewed the management strategies of both businesses and the businesses coordination and synergies among group companies, and concluded that it is more likely than not that identity Inc. conduct flexible businesses operations independent of the group will maximize corporate value. As a result, we decided to transfer this information to Universal Inc., which is operated by the Company's founder, Mr. Konno.

(4) Date of transfer of shares

December 25, 2024

(5) Summary of other transactions, including legal forms

Transfer of shares for which consideration received is limited to cash and other assets

2. Summary of accounting procedures conducted

(1) Amount of gain or loss on transfer

Gain on sales of shares of subsidiaries and associates JPY505,081 thousandv

(Note) Amounts reflect price adjustments based on share transfer contracts.

(2) Appropriate book values and main details of assets and liabilities related to transferred subsidiary

Current assets	JPY862,884 thousand
Noncurrent assets	JPY1,086,711 thousand
Total assets	JPY1,949,595 thousand
current liabilities	JPY457,917 thousand
Noncurrent liabilities	-
Total liabilities	JPY457,917 thousand

(3) Accounting treatment

The difference between the consolidating carrying amount of the transferred shares and the sales price is recorded in extraordinary income as “Gain on sales of shares in subsidiaries and associates”.

3. Reporting segment that previously included the transferred subsidiary

DH Group Business

4. Estimated amount of profit or loss on subsidiary transferred of shares recorded in the consolidated income statement related to this consolidated fiscal year

Sales	JPY3,121,496 thousand
Operating loss	JPY4,184 thousand

(Segment information etc.)

[Segment information]

1. Summary of reporting segments

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

The Group's businesses segments are aggregated after considering the details of services and economic characteristics, and the two reporting segments are DH Group Business and AGEST Group Business.

The DH Group business provides services such as Debugging, translation and LQA (Linguistic Quality Assurance), marketing support, and game development support, mainly for console games, mobile games, and other entertainment contents.

The AGEST Group Business mainly provides enterprise systems with services such as System Testing, security testing, per-introduction support, software-development support, and security monitoring.

(Changes to reporting segments)

In its board of directors on April 19, 2024, we resolved to change the segmentation and name effective from this consolidated fiscal year.

Beginning with the previous consolidated fiscal year, we have made changes to the management structure toward a share-sharing Spin-Off and listing of AGEST, Inc., and we have decided to implement performance management based on new segmentation as soon as possible, looking after the Spin-Off Listing.

As a result of this review, DIGITAL HEARTS HOLDINGS Co., Ltd., which used to be a cross-sectional management organization of the Group as a holding company, was classified as "Entertainment Business" starting with this consolidated fiscal year, as it was able to complete its organizational restructuring as a management organization of the Entertainment Business exclusively.

In addition, identity Inc., which had been classified as “Enterprise Business” until the previous consolidated fiscal year, was changed to “Entertainment Business” from this consolidated fiscal year due to revisions to the businesses attributes etc. within the Group.

In conjunction with this classification change, the names of “Entertainment Business” and “Enterprise Business” used until the previous consolidated fiscal year were changed to “DH Group Business” and “AGEST Group Business” beginning in the consolidated fiscal year under review.

Segment information for the previous consolidated fiscal year is indicated based on the new segmentation.

(Changes to the Depreciation Method for Property, Plant and Equipment)

As indicated in the Notes (Changes to Accounting Policies Difficult to Distinguish from Changes in Accounting Estimates), previously we and domestic consolidated subsidiary used the declining-balance method of depreciation of property, plant, and equipment (excluding lease assets), but beginning with this consolidated fiscal year some domestic consolidated subsidiary have adopted the straight-line method.

The effect of this change on segment profit was minor.

2. Methods of calculating amounts of net sales and profit or loss by reporting segment

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

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

3. Information on net sales and profit or loss by reporting segment

Previous consolidated fiscal year (From April 1, 2023 to March 31, 2024)

(Unit: JPY thousand)

	Reporting segment			Total	Adjustment amount (Note 1)	Amounts on consolidated financial statements (Note 2)
	DH Group Business	AGEST Group Business	Total			
Sales						
Net sales to external customers	22,892,690	15,897,507	38,790,197	38,790,197	—	38,790,197
Internal sales or transfers between segments	595,896	78,406	674,303	674,303	-674,303	—
Total	23,488,586	15,975,914	39,464,501	39,464,501	-674,303	38,790,197
Segment profit	1,734,213	305,492	2,039,705	2,039,705	—	2,039,705

(Note 1) The adjustment amount to internal sales or transfers between segments of JPY-674,303 thousand represents eliminations related to internal transactions between segments.

(Note 2) Segment income is consistent with the Operating income on the Consolidated Income Statement.

This consolidated fiscal year (from April 1, 2024 to March 31, 2025)

(Unit: JPY thousand)

	Reporting segment			Total	Adjustment amount (Note 1)	Amounts on consolidated financial statements (Note 2)
	DH Group Business	AGEST Group Businesses	Total			
Sales						
Net sales to external customers	23,630,476	16,118,424	39,748,901	39,748,901	—	39,748,901
Internal sales or transfers between segments	275,894	40,556	316,451	316,451	-316,451	—
Total	23,906,371	16,158,981	40,065,352	40,065,352	-316,451	39,748,901
Segment profit	1,941,426	488,641	2,430,067	2,430,067	—	2,430,067

(Note 1) The adjustment amount to internal sales or transfers between segments of JPY316,451,000 - represents eliminations related to internal transactions between segments.

(Note 2) Segment income is consistent with the Operating income on the Consolidated Income Statement.

(Per-share Information)

	Previous consolidated fiscal year (April 1, 2023 to March 31, 2024)	This consolidated fiscal year (April 1, 2024 to March 31, 2025)
Net assets per share	377.80 yen	401.76 yen
Net income per share	7.94 yen	28.25 yen

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

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

	Previous consolidated fiscal year (April 1, 2023 to March 31, 2024)	This consolidated fiscal year (April 1, 2024 to March 31, 2025)
Net income per share		
Net income attributable to owners of the parent (JPY in thousand)	176,927	629,464
Net income attributable to shareholder of the parent related to common stock (JPY in thousand)	176,927	629,464
Averaged shares of common stock during the period (shares)	22,269,581	22,282,372

(Important Subsequent Events)

Not applicable