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Starting date of the electronic provision measure June 4, 2025

12th Ordinary General Meeting of Shareholders
Other Matters Subject to the Electronic Provision Measures
(Matters omitted from the delivery document)

Consolidated Statement of Changes in shareholder' Equity

Notes to Consolidated Financial Statements

Statement of Changes in shareholder' Equity

Notes to the Financial Statements

(From April 1, 2024 to March 31, 2025)

DIGITAL HEARTS HOLDINGS Co., Ltd.

Consolidated Statement of Changes in shareholder' Equity

(From April 1, 2024 to March 31, 2025)

(Unit: JPY thousand)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the start of the period	300,686	66,354	9,137,264	-1,818,333	7,685,971
Changes during the period					
Dividends from surplus			-467,902		-467,902
Net income attributable to owners of the parent			629,464		629,464
Disposal of treasury stock		-336		11,864	11,528
Net changes of items other than shareholder' equity					—
Total changes during the period	—	-336	161,561	11,864	173,090
Balance at end of current period	300,686	66,018	9,298,826	-1,806,469	7,859,061

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

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

Notes to 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

① Numbers of consolidated subsidiaries and names of major consolidated subsidiaries

20 consolidated subsidiaries

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
AGEST Vietnam Co., Ltd.
Digital Hearts Linguitronics Taiwan Co., Ltd.
DIGITAL HEARTS CROSS Marketing and Solutions Limited
DIGITAL HEARTS CROSS Shanghai Co., Ltd.
DIGITAL HEARTS CROSS Tokyo Co., Ltd.
DEVELOPING WORLD SYSTEMS LIMITED
DWS North America, Inc.
CEGB Co., Ltd.
GPC K.K

identity Inc., which was a consolidated subsidiary of the Company at the end of the previous consolidated fiscal year, has been excluded from our consolidated subsidiary as a result of the sale of all of its shares in the current consolidated fiscal year.

② 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) Matters concerning the application of the equity method

① Number of unconsolidated subsidiary or affiliates to which the equity method is applied and the names of major companies

Two unconsolidated subsidiaries or affiliates to which the equity method is applied

Names of major company: JetSynthesys Digital Services Private Limited

② 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.

Grounds for not applying the equity method

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

(3) Matters concerning the fiscal year of consolidated subsidiary

[Company whose fiscal year end is December 31]

DIGITAL HEARTS (Shanghai) Co., Ltd.

LOGIGEAR CORPORATION

DIGITAL HEARTS CROSS Marketing and Solutions Limited

Other 13 companies

In preparing the consolidated financial statements, among the aforementioned consolidated subsidiary, the AGEST, Inc. and five other companies use financial statements based on a provisional settlement of accounts with a settlement date of March 31. For the nine other companies in the LOGIGEAR CORPORATION, consolidated settlement of accounts is conducted based on the official 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

① Valuation standards and methods 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.

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

(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

② Method of depreciation of depreciable assets

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

Mainly, 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	3-18 years
(b) Vehicles	6 years
(c) Tools, furniture and fixtures	3-20 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 internal usable period (5 years) and the expected effective period (3 years or less) for software for sale in the market.

(iii) Lease assets

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

Depreciation is computed by the straight-line method over the lease period as the useful life and the residual value as zero.

③ Accounting standard for allowances

(i) Allowance for doubtful accounts

An allowance for doubtful accounts is provided for the estimated amount of uncollectible accounts based on the achievements or result ratio for ordinary receivables and upon consideration of the collectability of specific receivables, such as doubtful accounts and claims in bankruptcy or reorganization on a case-by-case basis.

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

④ Accounting method for retirement benefits

Some consolidated subsidiary use the simplified method in calculating net defined benefit liability and net defined benefit cost by treating the amount that would be paid if employees voluntarily terminated their employment at the end of the period as the retirement benefit obligation.

⑤ 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 obligations to provide contracted services in accordance with the contents of the agreement. As our performance obligations will be satisfied when services are actually provided, revenue and expenses are recognized at this point in time.

The payment terms and conditions applicable to the major transactions of our group are the payment terms at the end of the following month after the provision of performance obligations, and do not include any important 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 time the performance obligation is satisfied or as it is satisfied

(i) DH Group Business

DH Group Business provides services such as debugging, translation and LQA (Linguistic Quality Assurance), marketing support, and game development support primarily for entertainment content such as console games and mobile games.

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

(ii) AGEST Group Business

AGEST Group Business provides services such as system testing, security testing, ERP implementation support, software-development support, and security monitoring primarily for enterprise systems.

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

For commissioned transactions for which the acceptance inspection of a customer or client is required with respect to deliverables, revenue is recognized according to the extent of the progress of the agreement because the customer or client's assets increase in accordance with the progress of the agreement and the customer or client gains control of the asset and accordingly satisfies the Group's performance obligations. 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 in effect before such performance obligations are fully satisfied. In addition, for some transactions the performance obligations are satisfied over the term of the agreement, and revenue is recorded ratably over the term of the agreement in which the performance obligations are satisfied.

⑥ 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 translated into Japanese yen at the spot exchange rate on the consolidated closing date, and revenues and expenses are translated into 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

Amortized using the straight-line method over 5 to 10 years.

3. Notes on Changes to Accounting Policies

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

The Accounting Standard for Income Taxes, Inhabitant Taxes, and businesses Taxes (ASBJ Statement No. 27, October 28, 2022)The following [2022 Revised Accounting Standard] has been applied since the start of the current consolidated fiscal year.

With respect to revisions to the classification for recording income taxes (taxation of other comprehensive income), the provisional handling described in the proviso to Paragraph 20-3 of the Revised Accounting Standard for 2022 and [Implementation Guidance on the Accounting Standard for Tax-Effect Accounting] (ASBJ Guidance No. 28, October 28, 2022)This is in accordance with the provisional handling described in the proviso to Paragraph 65-2 (2) of the following [2022 Revised Implementation Guidance]. This change in accounting policy has had no effect on the consolidated financial statements.

With respect to revisions related to revisions to the handling of sales gains and losses on sales arising from the sale of shares of subsidiary in intercompany transactions for tax purposes, the Revised Implementation Guidance for 2022 has been applied since the beginning of the current consolidated fiscal year.

4. Notes on Accounting Estimates

(Valuation of goodwill)

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

Recorded amount of goodwill in the consolidated financial statements		JPY1,035,427 thousand
Of which	DH Group Business (DIGITAL HEARTS CROSS Marketing and Solutions Limited)	JPY429,073 thousand
	AGEST Group Business (AGEST, Inc.)	JPY173,315 thousand

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

① Method for calculating the amount recorded in the consolidated financial statements for the current consolidated fiscal year

Our corporate group groups its assets in accordance with the categories 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 reduced to the recoverable amount and the reduction amount is recorded as an Impairment losses.

For the asset groups for which indicators of impairment were identified in the current consolidated fiscal year, it was determined that no Impairment losses was recognized if the sum of the undiscounted future cash flows and the book value were compared to indicate that the undiscounted future cash flows exceeded the book value.

② Major assumptions used in calculating the amount recorded in the consolidated financial statements for the current consolidated fiscal year

For indicators of goodwill impairment, the Company reviews whether there has been 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 most recent 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.

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

We consider this issue carefully when identifying indicators of impairment and recognizing Impairment losses, and while we 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 consolidated fiscal year and beyond.

(Valuation of investment securities)

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

Amount recorded for investment securities in the consolidated financial statements JPY1,340,609 thousand

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

Shares with no quoted market price are subject to impairment treatment in the event that the real price declines significantly from the acquisition price, except where the likelihood of recovery is supported by sufficient evidence.

5. 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 adopted for the depreciation method of property, plant, and equipment (excluding lease assets) at us and our consolidated domestic subsidiary, but from this consolidated fiscal year we have changed to the straight-line method for some consolidated subsidiary in Japan.

After comprehensively taking into account the current use of property, plant, and equipment at some of our consolidated domestic subsidiary and the planned use of facilities in the future, we determined that the allocation of depreciation costs over time using the straight-line method more reasonably reflects the actual use of assets and revised the allocation thereof.

The effect of this change was minor.

6. Notes to the Consolidated Balance Sheet

Accumulated depreciation deducted directly from assets

Property, plant and equipment	JPY1,672,215 thousand
Buildings	JPY417,586 thousand
Vehicles	JPY2,102 thousand
Tools, furniture and fixtures	JPY1,199,219 thousand
Lease assets	JPY53,307 thousand

7. 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 the current consolidated fiscal year
Common stock Corporation	23,890,800	—	—	23,890,800

(2) Matters concerning dividends

① Cash dividends paid

Resolution	Type of shares	Total amount of dividends (JPY in thousand)	Dividends per share (JPY)	Record date	Effective date
May 9, 2024 Board of directors	common stock	233,895	10.50	March 31, 2024	June 11, 2024
November 7, 2024 Board of directors	common stock	234,006	10.50	September 30, 2024	December 5, 2024

② Dividends for which the record date falls in the current consolidated fiscal year and the effective date falls in the following consolidated fiscal year

Resolution	Type of shares	Source of dividends	Total amount of dividends (JPY in thousand)	Dividends per share (JPY)	Record date	Effective date
May 13, 2025 Board of directors	common stock	Retained earnings	278,579	12.5	March 31, 2025	June 11, 2025

(Note) The dividend of JPY12.5 per share includes a commemorative dividend of JPY2.0 per share for the 25th year of the Company's founding.

8. Notes on Financial Instruments

(1) Matters concerning the status of financial instruments

① 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.

② Contents of financial instruments, their risks, and the risk management system

(i) Notes and accounts receivable-trade, accounts receivable-trade, and contract assets-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 of these securities by ascertaining market prices, 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 risks are subject 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.

③ Supplemental explanation on matters concerning the fair value of financial instruments

The fair value of financial instruments includes the value based on quoted market prices and, in the absence of quoted market prices, reasonably estimated value. As variable factors are incorporated in calculating this value, the value may change due to the adoption of different assumptions and other factors.

(2) Fair value of financial instruments

The amounts recorded on the consolidated balance sheet, fair values, and differences between the above amounts are as follows. Shares with no quoted market price are not included in the following table (see Note 3).

(Unit: JPY thousand)

	Carrying amount	Fair value	Difference
Investment securities			
Other securities	699,497	699,497	—

(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 and contract assets

Notes are omitted because their fair values approximate their carrying amounts because of their short-term nature.

(2) Liabilities

Short-term loans payable and accounts payable-other

Notes are omitted because their fair values approximate their carrying amounts because of their short-term nature.

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

Investment securities

The amount reported on the consolidated balance sheet for each type of available-for-sale securities, acquisition cost, and any differences between the above are as follows. There were no other securities sold during the current consolidated fiscal year.

(Unit: JPY thousand)

Category	Type	Carrying amount	Acquisition cost	Difference
Securities whose carrying amount does not exceed their acquisition cost	Shares	699,497	946,722	-247,224
Total		699,497	946,722	-247,224

(Note 3) Shares, etc. without market prices

(Unit: JPY thousand)

Category	Carrying amount
Unlisted stocks	176,010
Shares of unconsolidated subsidiary and shares of affiliates	390,331
Investment in limited liability partnership, etc. businesses	74,771

(※) 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 one year	Due after one year Within five years	Due after five years Within 10 years	Due after ten years
Investment securities				
Available-for-sale securities with maturities	—	—	70,000	—
Total	—	—	70,000	—

(3) Matters concerning the breakdown of the fair value 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 by 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.

① 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
Investment securities Investment securities Shares	199,497	—	500,000	699,497

② Financial assets and financial liabilities that are not recorded on the consolidated balance sheet at fair value

Not applicable

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

Investment securities

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.

The J-KISS type stock acquisition rights are classified as Level 3, as their fair value is estimated based on the most recent market value, taking into account past transaction prices and events that may affect the value of the financial instruments.

9. Notes on Revenue Recognition

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

(Unit: JPY thousand)

	Reportable segments		Total
	DH Group Business	AGEST Group Business	
Revenue from contracts with customer or client	23,630,476	16,118,424	39,748,901
Other income	—	—	—
Net sales to external customer or client	23,630,476	16,118,424	39,748,901

(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 obligations to provide contracted services in accordance with the contents of the agreement. As our performance obligations will be satisfied when services are actually provided, revenue and expenses are recognized at this point in time.

The payment terms and conditions applicable to the major transactions of our group are the payment terms at the end of the following month after the provision of performance obligations, and do not include any important 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 time the performance obligation is satisfied or as it is satisfied

① DH Group Business

DH Group Business provides services such as debugging, translation and LQA (Linguistic Quality Assurance), marketing support, and game development support primarily for entertainment content such as console games and mobile games.

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

② AGEST Group Business

AGEST Group Business provides services such as system testing, security testing, ERP implementation support, software-development support, and security monitoring primarily for enterprise systems.

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

For commissioned transactions for which the acceptance inspection of a customer or client is required with respect to deliverables, revenue is recognized according to the extent of the progress of the agreement because the customer or client's assets increase in accordance with the progress of the agreement and the customer or client gains control of the asset and accordingly satisfies the Group's performance obligations. 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 in effect before such performance obligations are fully satisfied. In addition, for some transactions the performance obligations are satisfied over the term of the agreement, and revenue is recorded ratably over the term of the agreement in which the performance obligations are satisfied.

(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

① Contract assets and contract liabilities

Receivables arising from contracts with customer or client fall under "Notes and accounts receivable-trade and contract assets." 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 the current consolidated fiscal year. Indication of contractual liabilities is omitted because the outstanding balance is immaterial and no material changes have been experienced.

② 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 on per share information

(1) net assets per share amount	JPY401.76
(2) net income per share	JPY28.25

11. Notes on Business Combinations, etc.

(Transfer of shares of subsidiary)

1. Overview of the transfer of shares

(1) Name of the transferee of the shares

Universal Inc.

(2) Name of the subsidiary to which the shares were transferred and the details of the businesses

Name : identity Inc.

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

(3) Major reasons for the transfer of shares

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

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

Taking this opportunity, we reviewed the management strategies of the two businesses and the businesses coordination and synergies among the Group companies. As a result, it was determined that identity Inc. would be able to maximize corporate value by operating a flexible businesses independent of our Group, and we decided to transfer this information to Universal Inc., operated by the founder of the Company, Mr. Konno.

(4) Date of transfer of shares

December 25, 2024

(5) Matters concerning the outline of other transactions, including legal forms

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

2. Outline of the accounting treatment conducted

(1) Amount of gain or loss on transfer

Gain on sales of stocks of subsidiaries and affiliates JPY505,081 thousand

(Note) Amount reflects price adjustments based on share transfer agreements.

(2) Appropriate book value of assets and liabilities pertaining to the transferred subsidiary and the breakdown thereof

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 consolidated book value of the transferred shares and the sales price is recorded in extraordinary income as [Gain on sales of shares of subsidiaries and affiliates].

3. Reportable segments in which the transferred subsidiary was included

DH Group Business

4. Approximate amount of profit and loss corresponding to the subsidiary on which shares have been transferred as recorded in the consolidated income statement corresponding to the current consolidated fiscal year

Net sales	JPY3,121,496 thousand
Operating loss	JPY4,184 thousand

Statement of Changes in shareholder' Equity

(From April 1, 2024
to March 31, 2025)

(Unit: JPY thousand)

	Shareholders' equity					
	Capital stock	Capital surplus			Retained earnings	
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings: Retained earnings brought forward	Total retained earnings
Balance at the start of the period	300,686	300,686	2,736,889	3,037,576	2,898,508	2,898,508
Changes during the period						
Dividends from surplus				—	-467,902	-467,902
Current net income				—	304,616	304,616
Disposal of treasury stock			-336	-336		—
Net changes of items other than shareholder' equity				—		—
Total changes during the period	—	—	-336	-336	-163,286	-163,286
Balance at end of current period	300,686	300,686	2,736,553	3,037,240	2,735,221	2,735,221

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at the start of the period	-1,818,333	4,418,436	-107,134	-107,134	4,311,302
Changes during the period					
Dividends from surplus		-467,902		—	-467,902
Current net income		304,616		—	304,616
Disposal of treasury stock	11,864	11,528		—	11,528
Net changes of items other than shareholder' equity		—	117,868	117,868	117,868
Total changes during the period	11,864	-151,757	117,868	117,868	-33,888
Balance at end of current period	-1,806,469	4,266,679	10,734	10,734	4,277,413

(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 Concerning Important Accounting Policies

(1) Valuation standard and method for securities

① Shares of subsidiary and affiliates

Stated at cost determined by the moving-average method.

② Other securities

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).

Shares, etc. without a 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 deemed to be securities under paragraph (2) of Article 2 of the Financial Instruments and Exchange Act) are accounted for on a net basis with the amount equivalent to equity based on the most recent financial statements available according to the reporting date of the settlement of accounts as prescribed in the partnership agreement.

(2) Method of depreciation of noncurrent assets

① 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	6-15 years
Tools, furniture and fixtures	3-15 years

② 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

① Allowance for doubtful accounts

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

② 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.

③ Provision for directors' bonuses

To be appropriated 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 management guidance fees and outsourcing fees from subsidiaries. In the case of management guidance fees and outsourcing fees, the provision of contracted services to subsidiaries in accordance with the content of the contract is an obligation to fulfill our performance obligations at the time the services are actually provided. Accordingly, revenue is recognized at this point in time.

(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 on the balance sheet date and any foreign exchange gains or losses are accounted for as gains or losses.

3. Notes on Changes to Accounting Policies

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

The Accounting Standard for Income Taxes, Inhabitant Taxes, and businesses Taxes (ASBJ Statement No. 27, October 28, 2022) The "Revised Accounting Standard for 2022" and related standards have been applied since the start of the current fiscal year.

Revisions to the classification of recording income taxes are made in accordance with the provisional handling described in the proviso to Paragraph 20-3 of the Revised Accounting Standard for 2022. This change in accounting policy has had no effect on the financial statements.

4. Notes on Changes to Presentation Method

(Balance Sheet)

Short-term loans to subsidiaries and affiliates (previous fiscal year: JPY148,250 thousand), which was included in "Other" under current assets in the previous fiscal year, is presented separately from the current fiscal year due to its increased monetary materiality.

5. Notes on Accounting Estimates

(Valuation of stocks of subsidiaries and affiliates)

(1) Amount recorded in the financial statements of the fiscal year

Recorded amount of shares of subsidiaries and affiliates in the financial statements		JPY5,508,219 thousand
Of which	AGEST, Inc.	JPY1,529,260 thousand
	DIGITAL HEARTS CROSS Marketing and Solutions Limited	JPY1,263,119 thousand

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

① How to calculate the amount recorded in the financial statements of the 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 an evaluation loss is required, if the actual value decreases markedly 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 this fiscal year, it was determined that no loss on valuation of shares in subsidiaries and affiliates would be recognized if the actual value and book value were compared 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 amount of the decline is recognized as losses on valuation of stocks of subsidiaries and affiliates.

② Major assumptions used in calculating the amounts recorded in the financial statements of the 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.

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

While the Company considers the determination of the need for valuation losses on stocks in subsidiaries and affiliates and believes 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 subsequent to the following fiscal year.

(Valuation of investment securities)

(1) Amount recorded in the financial statements of the fiscal year

Recorded amount of investment securities in the financial statements JPY937,968 thousand

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

Shares with no quoted market price are subject to impairment treatment in the event that the real price declines significantly from the acquisition price, except where the likelihood of recovery is supported by sufficient evidence.

6. Notes to the Balance Sheet

(1) Accumulated depreciation deducted directly from assets

Property, plant and equipment	JPY91,338 thousand
Buildings	JPY51,018 thousand
Tools, furniture and fixtures	JPY40,320 thousand

(2) Guarantee obligations

Guarantee obligations for purchase settlement transactions at subsidiaries and affiliates are as follows.

DIGITAL HEARTS CROSS Tokyo Co., Ltd.	JPY700,000 thousand

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

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

Short-term monetary claims on subsidiaries and affiliates	JPY236,581 thousand
Short-term monetary liabilities to subsidiaries and affiliates	JPY9,467 thousand

7. Notes to the Income Statement

Transactions with subsidiaries and affiliates

Operating transactions (share of revenue)	JPY2,748,625 thousand
Operating transactions (expenditures)	JPY77,849 thousand
Transactions other than operating transactions (revenue portion)	JPY14,978 thousand
Transactions other than operating transactions (expenditures)	JPY2,711 thousand

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

Matters concerning treasury stock

Type of shares	Beginning of the current fiscal year	Increase	Decrease	End of this fiscal year
Common stock Corporation	1,615,011	—	10,538	1,604,473

(Outline of grounds for change)

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

Disposal of treasury shares by board of directors resolution	10,538 shares

9. Notes on Tax Effect Accounting

(1) Breakdown of major causes of deferred tax assets and deferred tax liabilities

(Unit: JPY thousand)

Deferred tax assets	
Provision for bonuses	1,020
Investment securities	403,893
Share-based compensation expenses	14,267
Shares of subsidiaries and associates	2,421,281
Allowance for doubtful accounts	423,467
Other	26,135
Subtotal deferred tax assets	3,290,066
Valuation allowance	-3,279,688
Total deferred tax assets	10,377
Deferred tax liabilities	
Valuation difference on available-for-sale securities	-4,737
Total deferred tax liabilities	-4,737
Net deferred tax assets	5,640

(2) Effect of change in income tax rate

The Act on Partial Revision of the Income Tax Act, etc. (Act No. 13 of 2025) was enacted in the Diet on March 31, 2025, and "Special Corporation Tax for Defense" is to be imposed on this act on fiscal year beginning on or after April 1, 2026.

Accordingly, the statutory effective tax rate will be changed from 30.62% to 31.52% for deferred tax assets and liabilities related to temporary differences that are expected to be recovered or settled after the fiscal year beginning on or after April 1, 2026.

This change in tax rates has no effect on the fiscal year's financial statements.

10. Notes on transactions with related parties

Subsidiary and affiliates

Type	Names or names of the companies	Ownership (holding) ratio of voting rights, etc. (%)	Relationship to related parties	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)	1,041,164	Accounts receivable - other	123,052
				Entrusted services (Note 2)	233,040		
				Borrowing of funds	530,000	—	—
				Repayment of funds	530,000		
				Interest expenses paid (Note 3)	2,711	—	—
subsidiary	FLAME Hearts Co., Ltd.	(Owned) Direct 100.0	Concurrent position of officer Management guidance Loan of funds Entrusted services	Collection of funds	400,000	Affiliated companies Long-term loans receivable (Note 4)	1,360,000
				Interest income (Note 3)	7,710	Other (Current assets)	5,778
subsidiary	DIGITAL HEARTS CROSS Tokyo Co., Ltd.	(Owned) Indirect 100.0	Concurrent position of officer Loan of funds	Loan of funds	300,000	Affiliated companies Short-term loans receivable	440,000
				Interest income (Note 3)	1,844		
subsidiary	DIGITAL HEARTS Seoul Co., Ltd.	(Owned) Direct 100.0	Concurrent position of officer Loan of funds	Loan of funds	517,100	Affiliated companies Long-term loans receivable (Note 4)	390,000
				Collection of funds	446,520		
				Interest income (Note 3)	5,133	Other (Current assets)	2,366

(Notes) 1. Management guidance fees are reasonably determined upon consultation between the two sides after comprehensively taking costs for providing services and other factors into account.

2. Fiduciary obligation fees are reasonably determined in light of 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 JPY1,343,487 thousand, a provision for doubtful accounts of JPY97,384 thousand, and a reversal of allowance for doubtful accounts of JPY80,377 thousand are recorded against loans to subsidiary.

Executive officers, Individual Major shareholders, and others

Type	Names of companies or individuals	Ownership (holding) ratio of voting rights, etc. (%)	Relationship to related parties	Transaction details	Transaction amount (JPY in thousand)	Account	Ending balance (JPY in thousand)
Officers	Eiichi Miyazawa	(owned) Direct 42.31	The Company Director Chairman	Disposal of treasury stock (Note)	999	—	—

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

11. Notes on Revenue Recognition

Information that provides a basis for understanding revenues arising from contracts with customers are as described in [2. Notes on Matters Concerning Important Accounting Policies (4) Standard for recording revenue.

12. Notes on per share infomation

(1) net assets per share amount	JPY191.93
(2) net income per share	JPY13.67