



Company name: DIGITAL HEARTS HOLDINGS Co., Ltd.
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(Revision / Revision of Numerical Data) Partial revision of the “Summary of Business Results for the Fiscal Year Ended March 31, 2024 [Japan GAAP] (Consolidated)”, “(Revision / Revision of Numerical Data) Partial revision of the Summary of Business Results for the Fiscal Year Ended March 31, 2024 [Japan GAAP] (Consolidated)” and “Presentation Material for the Fiscal Year Ended March 31, 2024”

DIGITAL HEARTS HOLDINGS Co., Ltd. (hereinafter referred to as the “Company”) announces that in the "Summary of Business Results for the Fiscal Year Ended March 31, 2024 [Japan GAAP] (Consolidated)" and "Presentation Material for the Fiscal Year Ended March 31, 2024" which were disclosed on May 9, 2024, and in the "(Revision / Revision of Numerical Data) Partial revision of the Summary of Business Results for the Fiscal Year Ended March 31, 2024 [Japan GAAP] (Consolidated)" which was disclosed on May 24, 2024, there were places to be revised, which are as follows. In addition, since there have been revisions to the numerical data, the revised numerical data is also sent.

The revised parts are underlined

1. Reason for revisions

After the announcement of "Summary of Business Results for the Fiscal Year Ended March 31, 2024 [Japan GAAP] (Consolidated)," "(Revision / Revision of Numerical Data) Partial revision of the Summary of Business Results for the Fiscal Year Ended March 31, 2024 [Japan GAAP] (Consolidated)" and "Presentation Material for the Fiscal Year Ended March 31, 2024," it was discovered that there was a partial error in the description of the consolidated statements of cash flows, and these revisions have been made.

2. Contents of revisions

(1) Revision of "Summary of Business Results for the Fiscal Year Ended March 31, 2024 [Japan GAAP] (Consolidated)"

(i) Summary page " (3) Consolidated cash flows"

[Before revision]

	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, 2024	<u>1,764</u>	<u>-2,374</u>	934	6,858
March 31, 2023	2,850	-1,903	141	6,456

[After revision]

	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, 2024	<u>1,759</u>	<u>-2,369</u>	934	6,858
March 31, 2023	2,850	-1,903	141	6,456

(ii) " 1. Overview of Business Results etc. (3) Overview of cash flow during the period" on page 4 of the attached document

[Before revision]

(Cash flows from operating activities)

Funds from the operating activities totaled revenues of JPY1,764,392 thousand (vs. revenues of JPY2,850,927 thousand in the previous consolidated fiscal year).

This was due mainly to factors contributing to increased funds, such as JPY854,823 thousand in net income before income taxes, JPY521,605 thousand in depreciation, JPY1,069,446 thousand in Impairment losses, and JPY516,620 thousand in amortization of goodwill, exceeding factors contributing to decreased funds, such as payment of JPY1,042,594 thousand in income taxes.

(Cash flow from investing activities)

Funds expended in connection with the investing activities totaled expenditures of JPY2,374,534 thousand (vs. expenditures of JPY1,903,485 thousand in the previous consolidated fiscal year).

This was due mainly to factors such as expenditures of JPY1,271,935 thousand on acquisition of investment securities, JPY617,470 thousand on acquisition of property, plant, and equipment, and JPY194,795 thousand on acquisition of intangible fixed assets.

[After revision]

(Cash flows from operating activities)

Funds from the operating activities totaled revenues of JPY1,759,092 thousand (vs. revenues of JPY2,850,927 thousand in the previous consolidated fiscal year).

This was due mainly to factors contributing to increased funds, such as JPY854,823 thousand in net income before income taxes, JPY521,605 thousand in depreciation, JPY1,069,446 thousand in Impairment losses, and JPY516,620 thousand in amortization of goodwill, exceeding factors contributing to decreased funds, such as payment of JPY1,042,594 thousand in income taxes.

(Cash flow from investing activities)

Funds expended in connection with the investing activities totaled expenditures of JPY2,369,234 thousand (vs. expenditures of JPY1,903,485 thousand in the previous consolidated fiscal year).

This was due mainly to factors such as expenditures of JPY1,271,935 thousand on acquisition of investment securities, JPY617,470 thousand on acquisition of property, plant, and equipment, and JPY194,795 thousand on acquisition of intangible fixed assets.

(iii) " 3. Consolidated Financial Statements and Important Notes (4) Consolidated Statement of Cash Flows" on page 13 of the attached document

[Before revision]

	(Unit: JPY thousand)	
	Previous consolidated fiscal year (April 1, 2022 to March 31, 2023)	This consolidated fiscal year (April 1, 2023 to March 31, 2024)
Net cash provided by (used in) investing activities (omission)		
Purchase of investments in subsidiaries resulting in change in scope of consolidation	—	-102,796
Payment on conditional acquisition of shares of subsidiaries	—	-18,370
Net cash provided by (used in) investing activities (omission)	-1,903,485	-2,374,534

[After revision]

	(Unit: JPY thousand)	
	Previous consolidated fiscal year (April 1, 2022 to March 31, 2023)	This consolidated fiscal year (April 1, 2023 to March 31, 2024)
Net cash provided by (used in) investing activities (omission)		
Purchase of investments in subsidiaries resulting in change in scope of consolidation	—	<u>-97,496</u>
Payment on conditional acquisition of shares of subsidiaries	—	-18,370
Net cash provided by (used in) investing activities (omission)	-1,903,485	<u>-2,369,234</u>

(2) Revision of "(Revision / Revision of Numerical Data) Partial revision of the Summary of Business Results for the Fiscal Year Ended March 31, 2024 [Japan GAAP] (Consolidated)"

(i) "' 3. Consolidated Financial Statements and Important Notes (4) Consolidated Statement of Cash Flows" on page 12 of the attached document" on page 2

[Before revision]

	(Unit: JPY thousand)	
	Previous consolidated fiscal year (April 1, 2022 to March 31, 2023)	This consolidated fiscal year (April 1, 2023 to March 31, 2024)
Net cash provided by (used in) operating activities (omission)		
Increase (decrease) in accounts payable - other	249,490	<u>68,578</u>
Increase (decrease) in accrued expenses	-73,019	33,656
Increase (decrease) in accrued consumption taxes	-6,800	-38,374
Decrease (increase) in other current assets	107,761	49,428
Increase (decrease) in other current liabilities	106,781	93,542
Increase (decrease) in other non-current liabilities	-1,456	-8,340
Other, net	-43,391	-137,689
Subtotal	3,772,202	<u>2,744,637</u>
(omission)		
Net cash provided by (used in) operating activities	2,850,927	<u>1,764,392</u>

[After revision]

(Unit: JPY thousand)

	Previous consolidated fiscal year (April 1, 2022 to March 31, 2023)	This consolidated fiscal year (April 1, 2023 to March 31, 2024)
Net cash provided by (used in) operating activities (omission)		
Increase (decrease) in accounts payable - other	249,490	63,278
Increase (decrease) in accrued expenses	-73,019	33,656
Increase (decrease) in accrued consumption taxes	-6,800	-38,374
Decrease (increase) in other current assets	107,761	49,428
Increase (decrease) in other current liabilities	106,781	93,542
Increase (decrease) in other non-current liabilities	-1,456	-8,340
Other, net	-43,391	-137,689
Subtotal	3,772,202	2,739,337
(omission)		
Net cash provided by (used in) operating activities	2,850,927	1,759,092

(3) Revision of "Presentation Material for the Fiscal Year Ended March 31, 2024"

(i) "Consolidated Statements of Cash Flows" on page 33

[Before revision]

(JPY mn)	FY2022	FY2023	YoY Change
Net cash provided by operating activities	2,850	1,764	-1,086
(*Cash flows before income taxes paid)	3,772	2,744	-1,027
Net cash used in investing activities	-1,903	-2,374	-471
Net cash provided by financing activities	141	934	792
Effect of exchange rate change on cash and cash equivalents	194	77	-116
Net increase in cash and cash equivalents	1,283	401	-881
Cash and cash equivalents at the beginning of period	5,173	6,456	1,283
Cash and cash equivalents at the end of period	6,456	6,858	401

[After revision]

(JPY mn)	FY2022	FY2023	YoY Change
Net cash provided by operating activities	2,850	<u>1,759</u>	<u>-1,091</u>
(*Cash flows before income taxes paid)	3,772	<u>2,739</u>	<u>-1,032</u>
Net cash used in investing activities	-1,903	<u>-2,369</u>	<u>-465</u>
Net cash provided by financing activities	141	934	792
Effect of exchange rate change on cash and cash equivalents	194	77	-116
Net increase in cash and cash equivalents	1,283	401	-881
Cash and cash equivalents at the beginning of period	5,173	6,456	1,283
Cash and cash equivalents at the end of period	6,456	6,858	401

(ii) "Consolidated Financial Statement" on page 52

[Before revision]

(JPY mn)	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Net sales	15,444	17,353	19,254	21,138	22,669	29,178	36,517	38,790
Enterprise Business	1,952	1,892	3,302	5,022	7,021	11,491	16,840	19,714
Entertainment Business	13,544	15,568	15,951	16,115	15,647	17,687	19,815	19,180
Adjustments	-52	-108	-0	-	-	-	-138	-105
Operating income	1,906	1,735	1,605	1,394	1,908	2,696	3,000	2,039
Enterprise Business	203	-14	-226	-67	188	645	639	423
Entertainment Business	2,453	2,966	3,086	2,964	3,077	3,668	4,214	3,325
Adjustments	-750	-1,215	-1,254	-1,503	-1,356	-1,616	-1,853	-1,709
Operating income margin	12.3%	10.0%	8.3%	6.6%	8.4%	9.2%	8.2%	5.3%
Enterprise Business	10.4%	-	-	-	2.7%	5.6%	3.8%	2.1%
Entertainment Business	18.1%	19.1%	19.3%	18.4%	19.7%	20.7%	21.3%	17.3%
Profit attributable to owners of parent	795	1,200	1,575	792	974	1,778	799	176
Total assets	7,651	8,575	9,832	10,637	14,338	17,610	19,581	21,103
Current assets	6,221	6,813	7,403	7,453	9,744	10,392	12,528	13,526
Cash and deposits	3,344	3,894	4,197	3,739	5,076	5,208	6,456	6,858
Noncurrent assets	1,430	1,761	2,428	3,183	4,593	7,217	7,052	7,576
Goodwill	201	150	481	1,027	2,467	4,588	3,468	2,313
Total liabilities	4,793	5,005	4,819	5,198	8,024	10,044	10,107	12,250
Interest-bearing liabilities	1,646	1,610	1,764	2,553	4,797	5,590	5,106	7,095
Total net assets	2,858	3,570	5,012	5,438	6,314	7,566	9,474	8,852
Shareholders' equity	2,632	3,369	4,791	4,922	5,691	6,991	8,806	8,415
Shareholders' equity ratio	34.4%	39.3%	48.7%	46.3%	39.7%	39.7%	45.0%	39.9%
Net cash	1,698	2,283	2,433	1,186	278	-382	1,350	-236
Debt Equity Ratio	0.6	0.5	0.4	0.5	0.8	0.8	0.6	0.8
Net cash provided by operating activities	1,825	1,436	889	1,086	1,416	3,077	2,850	1,764
Net cash used in (provided by) investing activities	-610	-618	62	-1,018	-1,813	-2,537	-1,903	-2,374
Net cash provided by (used in) financing activities	-69	-250	-693	-515	1,730	-546	141	934
ROE	29.2%	40.0%	38.6%	16.3%	18.4%	28.0%	10.1%	2.1%
Dividend Payout Ratio	32.3%	20.9%	18.0%	38.6%	31.0%	18.2%	57.5%	264.5%

[After revision]

(JPY mn)	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Net sales	15,444	17,353	19,254	21,138	22,669	29,178	36,517	38,790
Enterprise Business	1,952	1,892	3,302	5,022	7,021	11,491	16,840	19,714
Entertainment Business	13,544	15,568	15,951	16,115	15,647	17,687	19,815	19,180
Adjustments	-52	-108	-0	-	-	-	-138	-105
Operating income	1,906	1,735	1,605	1,394	1,908	2,696	3,000	2,039
Enterprise Business	203	-14	-226	-67	188	645	639	423
Entertainment Business	2,453	2,966	3,086	2,964	3,077	3,668	4,214	3,325
Adjustments	-750	-1,215	-1,254	-1,503	-1,356	-1,616	-1,853	-1,709
Operating income margin	12.3%	10.0%	8.3%	6.6%	8.4%	9.2%	8.2%	5.3%
Enterprise Business	10.4%	-	-	-	2.7%	5.6%	3.8%	2.1%
Entertainment Business	18.1%	19.1%	19.3%	18.4%	19.7%	20.7%	21.3%	17.3%
Profit attributable to owners of parent	795	1,200	1,575	792	974	1,778	799	176
Total assets	7,651	8,575	9,832	10,637	14,338	17,610	19,581	21,103
Current assets	6,221	6,813	7,403	7,453	9,744	10,392	12,528	13,526
Cash and deposits	3,344	3,894	4,197	3,739	5,076	5,208	6,456	6,858
Noncurrent assets	1,430	1,761	2,428	3,183	4,593	7,217	7,052	7,576
Goodwill	201	150	481	1,027	2,467	4,588	3,468	2,313
Total liabilities	4,793	5,005	4,819	5,198	8,024	10,044	10,107	12,250
Interest-bearing liabilities	1,646	1,610	1,764	2,553	4,797	5,590	5,106	7,095
Total net assets	2,858	3,570	5,012	5,438	6,314	7,566	9,474	8,852
Shareholders' equity	2,632	3,369	4,791	4,922	5,691	6,991	8,806	8,415
Shareholders' equity ratio	34.4%	39.3%	48.7%	46.3%	39.7%	39.7%	45.0%	39.9%
Net cash	1,698	2,283	2,433	1,186	278	-382	1,350	-236
Debt Equity Ratio	0.6	0.5	0.4	0.5	0.8	0.8	0.6	0.8
Net cash provided by operating activities	1,825	1,436	889	1,086	1,416	3,077	2,850	1,759
Net cash used in (provided by) investing activities	-610	-618	62	-1,018	-1,813	-2,537	-1,903	-2,369
Net cash provided by (used in) financing activities	-69	-250	-693	-515	1,730	-546	141	934
ROE	29.2%	40.0%	38.6%	16.3%	18.4%	28.0%	10.1%	2.1%
Dividend Payout Ratio	32.3%	20.9%	18.0%	38.6%	31.0%	18.2%	57.5%	264.5%



DIGITAL HEARTS HLDGS.



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Summary of Business Results for the Fiscal Year Ended March 31, 2024 [Japan GAAP] (Consolidated)

May 9, 2024

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

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TEL: +81-3-3373-0081

Scheduled date of the ordinary general shareholder meeting : June 27, 2024

Scheduled commencement of dividend payment : June 11, 2024

Scheduled date of submission of financial reports : June 28, 2024

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 2024 consolidated results (April 1, 2023 – March 31, 2024)

(1) Consolidated business results

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
Fiscal year ended March 31, 2024	38,790	6.2	2,039	-32.0	2,059	-34.7	176	-77.9
March 31, 2023	36,517	25.2	3,000	11.3	3,152	13.6	799	-55.0

(Reference) Comprehensive income: Fiscal year ended March 31, 2024: 408 million yen (-66.3%)

Fiscal year ended March 31, 2023: 1,211 million yen (-46.3%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary income to total assets	Operating margin
	(Yen)	(Yen)	(%)	(%)	(%)
Fiscal year ended March 31, 2024	7.94	—	2.1	10.1	5.3
March 31, 2023	36.50	36.46	10.1	17.0	8.2

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

Fiscal year ended March 31, 2023: — 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, 2024	21,103	8,852	39.9	377.80
As of March 31, 2023	19,581	9,474	45.0	395.65

(Reference) Shareholders' equity: 8,415 million yen (As of March 31, 2024) 8,806 million yen (As of March 31, 2023)

(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
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
Fiscal year ended March 31, 2024	1,759	-2,369	934	6,858
March 31, 2023	2,850	-1,903	141	6,456

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, 2023	—	10.50	—	10.50	21.00	462	57.5	5.8
March 31, 2024	—	10.50	—	10.50	21.00	467	264.5	5.4
Fiscal year ending March 31, 2025 (Forecasts)	—	10.50	—	10.50	21.00		22.3	

3. Consolidated earnings forecasts for the fiscal year ending March 2025 (April 1, 2024 - March 31, 2025)

(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	44,100	13.7	3,100	52.0	3,100	50.6	2,100	—	94.27

* Notes

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

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

Excluded: -

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

(a) Changes in accounting policies associated with revision of accounting standards : None

(b) Changes in accounting policies other than (a) above :None

(c) Changes in accounting estimates :None

(d) Restatement :None

(3) Shares outstanding (common stock)

(a) Number of issued shares (including treasury stock)	As of March 31, 2024	23,890,800 shares	As of March 31, 2023	23,890,800 shares
(b) Number of treasury stock	As of March 31, 2024	1,615,011 shares	As of March 31, 2023	1,632,090 shares
(c) Average number of shares during the period	Fiscal year ended March 31, 2024	22,269,581 shares	Fiscal year ended March 31, 2023	21,907,577 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 10, 2024. Materials for this meeting will be posted on TD net and the Company's website.

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1. Overview of Business Results etc.

(1) Overview of Company Business Results

	FY2022 (JPY in thousand)	FY2023 (JPY in thousand)	Change (%)
Sales	36,517,693	38,790,197	6.2
Operating income	3,000,669	2,039,705	-32.0
Ordinary income	3,152,548	2,059,115	-34.7
Net income attributable to owners of the parent	799,550	176,927	-77.9

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

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

In this consolidated fiscal year, net sales increased to JPY38,790,197 thousand (up 6.2% from the previous period) thanks to continued double-digit growth in Enterprise Business supported partly by M&A activities, despite a decrease in net sales due to factors such as a reaction to the domestic Debugging, in which Entertainment Business performed favorably in the previous period. At the same time, profits were impacted by the decline in Entertainment Business sales, lower profitability in overseas subsidiary in Enterprise Business, and higher expenses associated with preparations for listing (hereinafter referred to as "Spin-Off Listing") of the AGESE, Inc. ("AGESE"), which is the core subsidiary of the Enterprise Business, and other factors. As a result, Operating income was JPY2,039,705 thousand (down 32.0% from the previous period) and ordinary income was JPY2,059,115 thousand (down 34.7% from the previous period). Net income attributable to owners of the parent stood at JPY176,927 thousand (down 77.9% from the previous period), thanks to factors such as recording the Impairment losses of goodwill in a consolidated subsidiary as an Extraordinary losses.

Business results by segment are reviewed below.

	FY2022 (JPY in thousand)	FY2023 (JPY in thousand)	Change (%)
Sales	36,517,693	38,790,197	6.2
Enterprise Business	16,840,460	19,714,830	17.1
Entertainment Business	19,815,786	19,180,801	-3.2
Adjustment amount	-138,553	-105,433	-
Operating income	3,000,669	2,039,705	-32.0
Enterprise Business	639,306	423,766	-33.7
Entertainment Business	4,214,393	3,325,129	-21.1
Adjustment amount	-1,853,030	-1,709,190	-

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

① Enterprise Business

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

In this consolidated fiscal year, we reliably secured growing demand through continuing activities to hire engineers using “tech” brand-centered on the core subsidiary of AGEST and focusing on proactive operating activities. In addition, not only did we perform testing in the final process of development, but we also endeavored to establish high-value-added solutions, including "QA for Development," which support quality from the upstream processes of development. At the same time, we also sought to improve our competitiveness through focusing on developing original tools and solutions using on AI.

Furthermore, we endeavored to reconstruct foreign businesses whose profitability had been declining, centered on the first half of the fiscal year under review, through means including revisions to growth-strategy in the European and U.S. businesses and the full-fledged use of Vietnam resources in Japan, including the unification of the Vietnam subsidiary into a AGEST brand. In addition, aiming toward Spin-Off Listing by the end of 2025, we also made steady progress on preparations for measures such as development of AGEST's own head office functions, implementation of Group-wide organizational restructuring, and development of a governance-structure as a listed company, including appointment of Outside Director and Outside Auditor.

This resulted in considerable growth in Enterprise Business net sales to JPY19,714,830 thousand (up 17.1% from the previous period), thanks in part to the benefits of M&A activities. Segment income, however, was JPY423,766 thousand (down 33.7% from the previous period) due to factors such as decreased profitability in overseas subsidiary and increased expenses related to preparations for Spin-Off Listing, including the impact of reallocation of human resources across the Group.

② Entertainment Business

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

In the domestic Debugging services in this consolidated fiscal year, amid a reaction to the Debugging for console games, which had been favorable mainly in the first half of the previous fiscal year, the Group endeavored to maintain and increase its overwhelming market share through striving to increase added value in services through promoting DHQ (Digital Hearts Quality), a unique quality-control method that realizes the optimal QCD (Quality/Cost/Delivery) at customer or client companies. In addition, combined with raising the hourly wage of testers more than ever before against a backdrop of soaring prices, we also endeavored to secure outstanding human resources and improve employee motivation, through means including deciding to introduce a new personnel system in which human resources with specialized knowledge and technological capabilities related to Debugging are treated equally with executive officers.

At the same time, in the global and other services, as the outlook for the Chinese game-market remains uncertain, we steadily secured new transactions through promoting the full-fledged introduction of businesses in Europe and the United States, and enhancement of solutions in areas such as voice recording, through active use of alliances. In addition, combined with launching joint development of AI translation engines for entertainment contents with Rozetta Corp., which has strengths in automated translation, we also promoted new challenges toward further growth, including the established of a joint venture for Debugging in India with JetSynthesys Private Limited.

This resulted in Entertainment Business net sales of JPY19,180,801 thousand (down 3.2% from the previous period) and segment income of JPY3,325,129 thousand (down 21.1% from the previous period), respectively, due to the large impact of the decline following the strong performance of the domestic Debugging in the previous period.

(2) Overview of financial standing in this period

(Assets)

The balance of current assets was JPY13,526,669 thousand, up JPY997,790 thousand from the level of JPY12,528,879 thousand at the end of the previous consolidated fiscal year (up 8.0% from the previous period).

This was due mainly to factors such as an increase of JPY401,771 thousand in cash and deposits and JPY625,993 thousand in notes and accounts receivable-trade and contract assets.

The balance of non-current assets was JPY7,576,426 thousand, up JPY523,670 thousand (up 7.4% from the previous period) from the balance of JPY7,052,756 thousand in non-current assets at the end of the previous consolidated fiscal year. This was due mainly to factors such as decreases of JPY1,155,083 thousand in goodwill, despite increases of JPY321,416 thousand in property, plant and equipment and JPY1,298,910 thousand in investment securities.

(Liabilities)

The balance of current liabilities was JPY12,026,419 thousand, up JPY2,095,429 thousand (up 21.1% from the previous period), from the current liabilities of JPY9,930,990 thousand at the end of the previous consolidated fiscal year.

This was due mainly to factors such as an increase of JPY1,988,322 thousand in short-term loans payable.

The balance of noncurrent liabilities was JPY224,314 thousand, up JPY48,189 thousand (up 27.4% from the previous period), from the balance of JPY176,124 thousand in noncurrent liabilities at the end of the previous consolidated fiscal year.

(Net assets)

The balance of net assets was JPY8,852,361 thousand, down JPY622,158 thousand (down 6.6% from the previous period) from net assets of JPY9,474,520 thousand at the end of the previous consolidated fiscal year.

This was due mainly to factors such as a decrease of JPY467,620 thousand in surplus due to dividends and a decrease of JPY331,556 thousand in capital surplus due to transactions with non-controlling interests, despite net income attributable to shareholder of the parent of JPY176,927 thousand.

(3) Overview of cash flow during the period

Cash and deposits (“funds” hereinafter) at the end of this consolidated fiscal year stood at JPY6,858,575 thousand, up JPY401,771 thousand from the level of JPY6,456,803 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 JPY1,759,092 thousand (vs. revenues of JPY2,850,927 thousand in the previous consolidated fiscal year).

This was due mainly to factors contributing to increased funds, such as JPY854,823 thousand in net income before income taxes, JPY521,605 thousand in depreciation, JPY1,069,446 thousand in Impairment losses, and JPY516,620 thousand in amortization of goodwill, exceeding factors contributing to decreased funds, such as payment of JPY1,042,594 thousand in income taxes.

(Cash flow from investing activities)

Funds expended in connection with the investing activities totaled expenditures of JPY2,369,234 thousand (vs. expenditures of JPY1,903,485 thousand in the previous consolidated fiscal year).

This was due mainly to factors such as expenditures of JPY1,271,935 thousand on acquisition of investment securities, JPY617,470 thousand on acquisition of property, plant, and equipment, and JPY194,795 thousand on acquisition of intangible fixed assets.

(Cash flow from financing activities)

Funds from financing activities totaled revenues of JPY934,080 thousand (vs. revenues of JPY141,472 thousand in the previous consolidated fiscal year).

This was due mainly to factors such as proceeds of JPY1,988,322 thousand from short-term loans payable, expenditures of JPY564,605 thousand on purchase of investments in subsidiary not resulting in change in scope of consolidation, and JPY466,568 thousand payment of dividends.

(4) Future outlook

Recently, the businesses climate in which we operate has undergone major changes. In Enterprise Business, demand for outsourcing testing continues to grow rapidly and the specialization of testing is improving due to the increasing complexity of software. At the same time, in Entertainment Business demand for translation and marketing-related services is growing along with the acceleration of global deployment of game-titles, and new business opportunities are emerging due to the diversification of entertainment content, such as video and e-comics. Under these conditions, in order to realize sustainable growth suited to rapidly changing conditions, it was judged that it is essential to completely separate both businesses and build human resources, technologies, and businesses bases specializing in each businesses, and we have been preparing for Spin-Off Listing since May 2023. Today, we are aiming for Spin-Off Listing by the end of 2025, and through the businesses reorganization accompanying this Spin-Off Listing, the Enterprise Business will evolve into a to be the leading QA solution provider in the global market with the leading-edge quality technology and the Entertainment Business into a global-quality partner in the entertainment industry.

To realize these goals, in Enterprise Business we will continue focusing on hiring and training high-skill engineers, centered on AGESE, as well as striving to expand our high-value-added solutions using the knowledge and technological capabilities that are unique to the testing specialized companies, including "QA for Development." In addition, through measures such as enhancing Group-wide coordination with overseas subsidiary, the Group will accelerate the use of cutting-edge technologies, including the multi-deployment of unique test automation tools and the development of new tools using AI. At the same time, in the Entertainment Business we will strive to maintain high profitability and improve customer or client satisfaction, centered on our core businesses domestic Debugging, through continuing to promote our unique quality method, DHQ (Digital Hearts Quality). In addition, along with expanding businesses markets in Asian regions, Europe, and the United States, through active use of alliances and M&A, we will strive to improve our competitiveness globally through expanding solutions suited to the lifecycles of entertainment content and promoting use of technologies, including AI.

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 FY2023 (JPY in millions)	Next period FY2024(projected) (JPY in millions)	Change (%)
Sales	38,790	44,100	13.7
Operating income	2,039	3,100	52.0
Ordinary income	2,059	3,100	50.6
Net income attributable to owners of the parent	176	2,100	-

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, 2023)	This consolidated fiscal year (March 31, 2024)
Assets		
Current assets		
Cash and deposits	6,456,803	6,858,575
Notes and accounts receivable-trade and contract assets	5,377,205	6,003,199
Short-term investment securities	39,810	42,549
Inventories	25,125	31,579
Income taxes receivable	29,041	51,943
Other	691,524	625,965
Allowance for doubtful accounts	-90,632	-87,142
Total current assets	12,528,879	13,526,669
Noncurrent assets		
Property, plant and equipment		
Buildings	966,661	1,143,685
Accumulated depreciation	-325,568	-375,808
Buildings, net	641,093	767,877
Vehicles	5,227	3,324
Accumulated depreciation	-2,321	-721
Vehicles, net	2,906	2,603
Tools, furniture and fixtures	1,295,633	1,619,553
Accumulated depreciation	-811,663	-954,501
Tools, furniture and fixtures, net	483,969	665,051
Land	17,568	17,568
Lease assets	57,294	79,488
Accumulated depreciation	-33,198	-41,537
Lease assets, net	24,096	37,950
Total property, plant and equipment	1,169,633	1,491,050
Intangible fixed assets		
Goodwill	3,468,425	2,313,341
Other	720,294	594,706
Total intangible fixed assets	4,188,720	2,908,048
Investments and other assets		
Investment securities	494,517	1,793,427
Long-term loans receivable	20,000	10,000
Deferred tax assets	297,965	294,932
Lease and guarantee deposits	790,322	918,727
Other	91,595	177,621
Allowance for doubtful accounts	-	-17,381
Total investments and other assets	1,694,401	3,177,327
Total noncurrent assets	7,052,756	7,576,426
Total assets	19,581,635	21,103,096

(Unit: JPY thousand)

	Previous consolidated fiscal year (March 31, 2023)	This consolidated fiscal year (March 31, 2024)
Liabilities		
Current liabilities		
Short-term borrowings	5,106,750	7,095,072
Accounts payable-other	1,620,348	1,883,132
Accrued expenses	1,165,158	1,217,779
Income taxes payable	677,031	338,369
Accrued consumption taxes	442,140	394,293
Provision for bonuses	136,348	160,252
Provision for directors' bonuses	22,162	13,156
Other	761,050	924,363
Total current liabilities	9,930,990	12,026,419
Noncurrent liabilities		
Deferred tax liabilities	45,355	34,978
Net defined benefit liability	7,764	11,913
Asset retirement obligations	90,581	108,611
Other	32,423	68,810
Total noncurrent liabilities	176,124	224,314
Total liabilities	10,107,115	12,250,734
Net assets		
Shareholders' equity		
Capital stock	300,686	300,686
Capital surplus	393,678	66,354
Retained earnings	9,427,957	9,137,264
Treasury stock	-1,838,397	-1,818,333
Total shareholders' equity	8,283,925	7,685,971
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	-86,528	-107,144
Foreign currency translation adjustment	609,357	836,960
Total accumulated other comprehensive income	522,828	729,816
stock acquisition rights	6,345	-
Non-controlling interests	661,421	436,573
Total net assets	9,474,520	8,852,361
Total liabilities and net assets	19,581,635	21,103,096

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

Consolidated Income Statement

(Unit: JPY thousand)

	Previous consolidated fiscal year (April 1, 2022 to March 31, 2023)	This consolidated fiscal year (April 1, 2023 to March 31, 2024)
Sales	36,517,693	38,790,197
Cost of sales	25,885,083	28,699,374
Gross profit	10,632,610	10,090,823
Selling, general, and administrative expenses	7,631,941	8,051,117
Operating income	3,000,669	2,039,705
Non-operating income		
Interest income	7,810	19,961
Foreign exchange gains	151,327	13,520
Subsidy income	23,846	10,505
Gain on investments in silent partnership	-	9,763
Other	37,184	15,900
Total non-operating income	220,169	69,650
Non-operating expenses		
Interest expenses	9,695	19,530
Commission fee	9,400	2,692
Loss on valuation of investment securities	38,457	-
Non-deductible consumption taxes	455	8,547
Provision of allowance for doubtful accounts	-	12,943
Other	10,281	6,528
Total non-operating expenses	68,289	50,240
Ordinary income	3,152,548	2,059,115
Extraordinary income		
Settlement payments income	75,572	-
Total extraordinary income	75,572	-
Extraordinary loss		
Loss on retirement of noncurrent assets	7,678	15,317
Impairment loss	1,045,536	1,069,446
Subsidiary/Head office relocation expenses	1,805	-
Office transfer expenses	3,261	2,255
Penalty fee	-	18,882
Loss on businesses restructuring	-	87,319
Loss on liquidation of businesses	23,399	-
Settlement payments	37,842	-
Loss on sale of businesses	111,657	-
Other	-	11,071
Total extraordinary loss	1,231,181	1,204,292
Net income before taxes	1,996,939	854,823
Income taxes-current	1,032,241	711,836
Income taxes-deferred	77,287	-48,606
Total income taxes	1,109,528	663,229
Current net income	887,411	191,593
Net income attributable to non-controlling interests	87,861	14,665
Net income attributable to owners of the parent	799,550	176,927

Consolidated Statement of Comprehensive Income

(Unit: JPY thousand)

	Previous consolidated fiscal year (April 1, 2022 to March 31, 2023)	This consolidated fiscal year (April 1, 2023 to March 31, 2024)
Current net income	887,411	191,593
Other comprehensive income		
Valuation difference on available-for-sale securities	-95,449	-20,615
Foreign currency translation adjustment	419,600	237,862
Total other comprehensive income	324,150	217,246
Comprehensive income	1,211,562	408,840
(Breakdown)		
Comprehensive income attributable to owners of parent	1,094,363	383,915
Comprehensive income attributable to non-controlling interests	117,198	24,924

(3) Consolidated Statement of Changes to shareholder' Equity

Previous consolidated fiscal year (From April 1, 2022 to March 31, 2023)

(Unit: JPY thousand)

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

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

This 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
Purchase of treasury stock					-
Sale of treasury stock		4,232		20,063	24,295
Changes to ownership interests in parent arising from transactions with non-controlling shareholder		-331,556			-331,556
Items other than shareholder' equity Net changes of items during the period					-
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
	Other securities Valuation difference	Foreign currency translation adjustment	Other comprehensive income Total cumulative amount			
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
Purchase of treasury stock			-			-
Sale of treasury stock			-			24,295
Changes to ownership interests in parent arising from transactions with non-controlling shareholder			-			-331,556
Items other than shareholder' equity Net changes of items during the period	-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

(4) Consolidated Statement of Cash Flows

(Unit: JPY thousand)

	Previous consolidated fiscal year (April 1, 2022 to March 31, 2023)	This consolidated fiscal year (April 1, 2023 to March 31, 2024)
Net cash provided by (used in) operating activities		
Net income before taxes	1,996,939	854,823
Depreciation and amortization	473,068	521,605
Impairment loss	1,045,536	1,069,446
Amortization of goodwill	702,505	516,620
Increase (decrease) in allowance for doubtful accounts	8,649	8,109
Increase (decrease) in provision for bonuses	35,174	15,648
Increase (decrease) in provision for directors' bonuses	-17,022	-9,005
Interest and dividends income	-7,810	-19,961
Interest expenses	9,695	19,530
Foreign exchange losses (gains)	-151,327	-13,520
Loss (gain) on investments in partnership	2,774	-
Loss on valuation of investment securities	38,457	-
Gain on investments in silent partnership	-	-9,763
Share-based compensation expenses	21,967	23,094
Loss on sale of businesses	111,657	-
Loss on liquidation of businesses	23,399	-
SubsidiaryHead office relocation expenses	1,805	-
Office transfer expenses	3,261	2,255
Loss on businesses restructuring	-	87,319
Decrease (increase) in notes and accounts receivable-trade	-842,041	-381,263
Decrease (increase) in inventories	-7,685	-5,916
Subsidy income	-23,846	-10,505
Loss on retirement of noncurrent assets	7,678	15,317
Increase (decrease) in accounts payable-other	249,490	63,278
Increase (decrease) in accrued expenses	-73,019	33,656
Increase (decrease) in accrued consumption taxes	-6,800	-38,374
Decrease (increase) in other current assets	107,761	49,428
Increase (decrease) in other current liabilities	106,781	93,542
Decrease (increase) in other noncurrent liabilities	-1,456	-8,340
Other, net	-43,391	-137,689
Subtotal	3,772,202	2,739,337
Interest and dividends income received	7,341	19,703
Interest expenses paid	-14,135	-12,007
Income taxes paid	-960,319	-1,042,594
Income taxes refund	47,112	29,499
Payment of subsidiaryHead office relocation expenses	-1,805	-
Payment of office transfer expenses	-29,821	-2,255
Subsidies received	30,353	27,410
Net cash provided by (used in) operating activities	2,850,927	1,759,092

(Unit: JPY thousand)

	Previous consolidated fiscal year (April 1, 2022 to March 31, 2023)	This consolidated fiscal year (April 1, 2023 to March 31, 2024)
Net cash provided by (used in) investing activities		
Proceeds from withdrawal of time deposits	35,000	-
Purchase of property, plant and equipment	-639,050	-617,470
Proceeds from sales of property, plant and equipment	3,472	2,761
Purchase of intangible assets	-394,374	-194,795
Purchase of investment securities	-446,722	-1,271,935
Proceeds from redemption of investment securities	10,000	-
Payments for transfer of business	-403,998	-42,947
Payments for lease and guarantee deposits	-112,141	-185,772
Proceeds from collection of lease and guarantee deposits	34,330	17,792
Decrease (increase) in short-term loans receivable	-	19,000
Proceeds from collection of long-term loans receivable	10,000	20,000
Purchase of investments in subsidiaries resulting in change in scope of consolidation	-	-97,496
Payment on conditional acquisition of shares of subsidiaries	-	-18,370
Net cash provided by (used in) investing activities	-1,903,485	-2,369,234
Net cash provided by (used in) financing activities		
Increase (decrease) in short-term loans payable	-300,000	1,988,322
Repayment of long-term loans payable	-184,220	-
Purchase of treasury stock	-50	-
Proceeds from sales of treasury stock	1,106,103	-
Proceeds from issuance of common stock acquisition rights	11,468	-
Purchase of treasury stock acquisition rights	-	-6,345
Cash dividends paid	-390,887	-466,568
Payment of dividends to non-controlling interests	-20,034	-16,913
Expenditure on purchase of investments in subsidiaries not resulting in change in scope of consolidation	-80,906	-564,605
Proceeds from payments from non-controlling interests	-	190
Net cash provided by (used in) financing activities	141,472	934,080
Effect of exchange rate change on cash and cash equivalents	194,142	77,832
Increase (decrease) in cash and cash equivalents	1,283,057	401,771
Starting balance of cash and cash equivalents	5,173,746	6,456,803
Balance of cash and cash equivalents at end of period	6,456,803	6,858,575

(5) Notes to the Consolidated Financial Statements

(Notes Regarding the Going-Concern Assumption)

Not applicable

(Changes to Presentation Methods)

(Consolidated Income Statement)

[Non-deductible consumption taxes] included in [Other] of non-operating expenses in the previous consolidated fiscal year are indicated separately from this consolidated fiscal year due to their increased monetary materiality. The consolidated financial statements for the previous consolidated fiscal year have been restated to reflect this change in presentation methods.

As a result, JPY10,736 thousand indicated under [Other] of non-operating expenses on the Consolidated Income Statement for the previous consolidated fiscal year has been restated as JPY455 thousand for [Non-deductible consumption taxes] and JPY10,281 thousand for [Other].

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

During the cumulative period through the consolidated first quarter, we acquired shares in consolidated subsidiary and consolidated sub-subsidiaries, which resulted in a decline of JPY327,465 thousand in capital surplus.

(Significant Impairment losses on noncurrent assets)

Impairment losses on property, plant and equipment are recorded in Enterprise Business. The amount of said Impairment losses recorded in this consolidated fiscal year was JPY1,069,446 thousand.

(Corporate consolidations etc.)

(Corporate consolidation through acquisition)

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

1. Overview of this corporate consolidation

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

Name of acquired firm GPC K.K

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

(2) Main reasons for acquisition

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

(3) Date of corporate consolidation

April 3, 2023

(4) Legal form of corporate consolidation

Purchase of shares

(5) Company name after consolidation

No change to name.

(6) Percentage of voting rights acquired

100%

(7) Main evidence leading to the decision on acquisition

Through acquisition of stock in cash.

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

April 3, 2023 - March 31, 2024

3. Price of acquisition and breakdown of price by type

Price of acquisition (cash and deposits)	JPY206,425 thousand
Conditional acquisition price	JPY110,000 thousand
Acquisition cost	JPY316,425 thousand

4. Details and amounts of main costs related to acquisition

Advisory expenses etc. JPY53,000 thousand

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

(1) Resulting amount of goodwill

JPY110,000 thousand

(2) Causes

Mainly future excess earning ability expected to result from future business development

(3) Redemption method and redemption period

The straight-line method is employed over 5 years.

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

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

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

(1) Details of conditional acquisition price

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

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

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

(Transactions Under Common Control, etc.)

Purchase of additional shares of subsidiary

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

1. Overview of this corporate consolidation

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

Name of acquired firm LOGIGEAR CORPORATION

Details of businesses: System Testing, etc.

(2) Date of corporate consolidation

April 11, 2023 (stock acquisition date)

(3) Legal form of corporate consolidation

Purchase of shares from non-controlling shareholder

(4) Company name after consolidation

No change to name.

(5) Other matters related to outline of transactions

Percentage of voting rights held immediately prior to acquisition	85.5%
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Percentage of voting rights newly acquired	14.5%
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Percentage of voting rights after acquisition	100.0%
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2. Overview of account processing used

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

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

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

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

(1) Main factors contributing to changes in capital surplus

Purchase of additional shares of subsidiary

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

JPY194,816 thousand

(Segment information etc.)

[Segment information]

1. Summary of reporting segments

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

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

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

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

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

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

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

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

Previous consolidated fiscal year (From April 1, 2022 to March 31, 2023)

(Unit: JPY thousand)

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

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

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

This 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)
	Enterprise Business	Entertainment Business	Total			
Sales						
Net sales to external customers	19,674,196	19,116,001	38,790,197	38,790,197	-	38,790,197
Internal between segments Sales or transfers	40,633	64,799	105,433	105,433	-105,433	-
Total	19,714,830	19,180,801	38,895,631	38,895,631	-105,433	38,790,197
Segment profit	423,766	3,325,129	3,748,896	3,748,896	-1,709,190	2,039,705

(Note 1) The adjustment amount to segment income of JPY-1,709,190 thousand consists mainly of Companywide costs such as SG&A expenses not attributable to specific reporting segments.

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

(Per-share Information)

	Previous consolidated fiscal year (April 1, 2022 to March 31, 2023)	This consolidated fiscal year (April 1, 2023 to March 31, 2024)
Net assets per share	395.65 yen	377.80 yen
Net income per share	36.50 yen	7.94 yen
Diluted net income per share	36.46 yen	- yen

(Note 1) Diluted net income per share of shares in 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, 2022 to March 31, 2023)	This consolidated fiscal year (April 1, 2023 to March 31, 2024)
Net income per share		
Net income attributable to shareholder of the parent (JPY in thousand)	799,550	176,927
Net income attributable to shareholder of the parent related to common stock (JPY in thousand)	799,550	176,927
Averaged shares of common stock during the period (shares)	21,907,577	22,269,581
Diluted net income per share		
Common stock growth (shares)	22,878	-
(Including stock acquisition rights Co., Ltd.)	(22,878)	-
Summary of potential shares not included in calculation of diluted net income per share because they have no dilutive effects	-	-

(Important Subsequent Events)

(Changes to Segment Classification)

Effective April 19, 2024, the board of directors resolved to change the segmentation and name effective from the following consolidated fiscal year (fiscal year ended March 2025).

We have made progress on changes to the management structure toward a share-sharing Spin-Off and listing of AGEST, Inc. since this consolidated fiscal year, and have decided to implement performance management based on new segment-classifications 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" beginning with the following consolidated fiscal year, due to the completion of functional restructuring as a management organization of the Entertainment Business only.

In addition, since the identity Inc. categorized as "Enterprise Business" through this consolidated fiscal year have been reviewed for businesses attributes. As a result, we have decided to change it to "Entertainment Business" from the following consolidated fiscal year.

In conjunction with this classification change, the names of "Entertainment Business" and "Enterprise Business" used up to this consolidated fiscal year have been changed to "DH Group Business" and "AGEST Group Business" starting with the following consolidated fiscal year.

Information on net sales and amounts of profit by reporting segment in this consolidated fiscal year according to the revised segment is summarized below.

This consolidated fiscal year (from April 1, 2023 to March 31, 2024)

(Unit: JPY thousand)

	Reporting segment			Total	Adjustment amount	Amounts on consolidated financial statements
	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 between segments Sales or transfers	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)The amounts of segment income (loss) are consistent with the Operating income on the Consolidated Income Statement.