

Materials for the 22nd Ordinary General Meeting of Shareholders

(Matters not included in the document delivered upon request for delivery of written documents in accordance with laws and regulations and the Articles of Incorporation among the matters regarding electronic provision measures)

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22nd term (from April 1, 2023 to March 31, 2024)

CHANGE Holdings, Inc.

The above matters are not included in the document to be delivered to shareholders who have requested delivery of written documents in accordance with laws and regulations and Article 14 of the Articles of Incorporation of the Company.

For this Ordinary General Meeting of Shareholders, irrespective of whether or not a request for the delivery of written documents has been made, written documents containing the above-mentioned items, which are excluded from the items to be made available electronically, will be sent to all shareholders.

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■ Business Report

Principal place of business (as of March 31, 2024)

(1) The Company

Head office	Minato-ku, Tokyo
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(2) Subsidiaries

TRUST BANK, Inc	Head office (Shinagawa-ku, Tokyo)
Orb Inc.	Head office (Shinagawa-ku, Tokyo)
beacapp Inc.	Head office (Chuo-ku, Tokyo)
Digital Growth Academia, INC.	Head office (Minato-ku, Tokyo)
Govmates, Inc.	Head office (Matsuyama City, Ehime Prefecture)
Logosware Corporation	Head office (Tsukuba City, Ibaraki Prefecture)
DFA Robotics Inc.	Head office (Shibuya-ku, Tokyo)
Travel Zip Co., Ltd.	Head office (Shibuya-ku, Tokyo)
CHANGE Inc.	Head office (Minato-ku, Tokyo)
E-Guardian Inc.	Head office (Minato-ku, Tokyo)
UpClose, Inc.	Head office (Minato-ku, Tokyo)
CyLeague Holdings, Inc.	Head office (Minato-ku, Tokyo)
Digital Arts Consulting Inc.	Head office (Chiyoda-ku, Tokyo)

(Note) Digital Arts Consulting Inc. changed its trade name to IdealRoute Consulting Inc. on April 1, 2024.

Status of employees (as of March 31, 2024)

(1) Status of employees of the corporate group

Number of employees	Change from the end of the previous consolidated accounting year
1,069 (2,080)	Increase of 594 people (Increase of 1,975 people)

- (Note) 1. The number of employees refers to the number of people in employment (excluding people seconded from the Group to outside the Group and including people seconded to the Group from outside the Group). It does not include part-time employees and contract employees, who are separately indicated in numbers in parentheses as the annual average number.
2. The number of employees increased compared to the previous consolidated fiscal year mainly due to the smooth progression of the Group-wide recruitment plan, as well as the conversion of E-Guardian Inc. and its subsidiaries into a consolidated subsidiary.

(2) Status of employees of the Company

Number of employees	Change from the end of the previous fiscal year	Average age	Average years of service
45 (9)	Decrease of 59 people (Decrease of 16 people)	40.8 years old	4.8 years

- (Note) The number of employees refers to the number of people in employment (excluding people seconded from the Company to outside the Company and including people seconded to the Company from outside the Company). It does not include part-time employees and contract employees, who are separately indicated in numbers in parentheses as the annual average number.

Status of major lenders (as of March 31, 2024)

Lender	Amount of borrowings
Mizuho Bank, Ltd.	11,586 million yen
Sumitomo Mitsui Banking Corporation	11,016 million yen
The Chiba Bank, Ltd.	270 million yen

Status of stock acquisition rights, etc.

- (1) The status of stock acquisition rights delivered as consideration for the execution of duties and held by officers of the Company as at the final day of the current fiscal year

	Round 2 stock acquisition rights	
Date of resolution for issuance	October 14, 2015	
Those eligible to allocation for stock acquisition rights	Directors, auditors and employees	
Number of stock acquisition rights	116 units	
Class and number of shares for the purpose of stock acquisition rights	Common shares	556,800 shares (Per stock acquisition right 4,800 shares)
Amount to be paid upon exercise of stock acquisition rights	No payment is needed in exchange for stock acquisition rights.	
Value of property to be incorporated upon exercise of stock acquisition rights	Per stock acquisition right	76,800 yen (Per share 16 yen)
Period for exercising stock acquisition rights	From October 16, 2017 to October 10, 2025	
Conditions for exercising stock acquisition rights	(Note) 1	
Status of officers holding stock acquisition rights	Directors (Excluding external directors)	Number of stock acquisition rights 48 units Number of shares for this purpose 230,400 shares Number of holders 3 people
	Auditors	Number of stock acquisition rights 0 units Number of shares for this purpose 0 shares Number of holders 0 people

(Note) 1. Details of conditions for exercising stock acquisition rights shall be set forth in the "Stock acquisition right allotment agreement" to be concluded between the Company and those eligible for allocation of stock acquisition rights.

2. The Company conducted a three hundred-for-one stock split effective as of July 29, 2016, a two-for-one stock split effective as of July 1, 2018, a two-for-one stock split effective as of January 1, 2019, a two-for-one stock split effective as of September 1, 2020, and a two-for-one stock split effective as of January 1, 2021. The "Class and number of shares for the purpose of stock acquisition rights" and the "Value of property to be incorporated upon exercise of stock acquisition rights" have been adjusted accordingly.

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(2) The status of stock acquisition rights delivered to employees, etc. as consideration for execution of duties during the current fiscal year
Not applicable.

(3) Other important matters pertaining to stock acquisition rights, etc.
At the Board of Directors Meeting held on August 14, 2017, the Company resolved to issue stock acquisition rights with charge to the Company's employees and directors in order to further enhance motivation and morale and boost its unity as the Company aims to expand its medium-to long-term business and corporate value. The relevant stock acquisition rights are exercisable only when the Company achieves its performance targets. Details are as below.

	Round 3 stock acquisition rights
Date of resolution for issuance	August 14, 2017
Those eligible to allocation for stock acquisition rights	Directors and employees of the Company
Number of stock acquisition rights	379 units
Class and number of shares for the purpose of stock acquisition rights	Common shares 606,400 shares (Per stock acquisition right 1,600 shares)
Amount to be paid upon exercise of stock acquisition rights	Per stock acquisition right 7,200 yen
Value of property to be incorporated upon exercise of stock acquisition rights	Per stock acquisition right 721,600 yen (Per share 451 yen)
Period for exercising stock acquisition rights	From January 1, 2019 to August 30, 2024
Conditions for exercising stock acquisition rights	(Note) 1

(Note) 1. Conditions for exercising stock acquisition rights

(1) Holders of stock acquisition rights may exercise those options up to the limit of the exercisable ratio of stock acquisition rights allotted to the holders, as stipulated in the relevant item in this note, (hereinafter referred to as the "Exercisable Ratio") from the first day of the month after the date of submitting the securities report for the term for which the relevant accumulated operating profits have been achieved, should the Company exceed the amount stipulated in the relevant item below in accumulated operating profits during the period between the fiscal

terms ending September 2018 and ending September 2020. If there are any fractions less than one unit in the number of exercisable stock acquisition rights, the number shall be rounded down.

(a) When accumulated operating profits exceed 1,000 million yen: An exercisable ratio of 50%

(b) When accumulated operating profits exceed 3,000 million yen: An exercisable ratio of 100%

Determination of the above operating profits shall be referred to the operating profit in the income statement (non-consolidated basis) described in the Company's securities report. In the event that there is a material change in the nature of items to be referred to, such as changes due to the adoption of international financial reporting standards, the Board of Directors shall separately determine the indicators to be referred to.

- (2) Any holder of stock acquisition rights is required to be any of a director, auditor or employee of the Company or an affiliated company of the Company (hereinafter referred to as "Directors, etc. of the Company") or an heir of Directors, etc. of the Company when exercising the stock acquisition rights. However, this shall not apply to cases when the Board of Directors finds a justifiable reason, such as retirement from office due to expiry of tenure and retirement at the mandatory age limit.
 - (3) If exercising the stock acquisition rights would cause the total number of issued shares of the Company to exceed the total number of authorized shares at that point, the stock acquisition rights may not be executed.
 - (4) A stock acquisition right constituting less than one unit may not be exercised.
2. The Company conducted a two-for-one stock split effective as of July 1, 2018, a two-for-one stock split effective as of January 1, 2019, a two-for-one stock split effective as of September 1, 2020, and a two-for-one stock split effective as of January 1, 2021. The "Class and number of shares for the purpose of stock acquisition rights" and the "Value of property to be incorporated upon exercise of stock acquisition rights" have been adjusted accordingly.

Status of accounting auditors

(1) Name Ernst & Young Shin Nihon LLC

(2) Fees and other amounts

	Amount of remuneration, etc.
Fees and other amounts for the auditing auditors relating to the current fiscal year	81 million yen
Sum of the monetary and other property gains that the Company and its subsidiaries owe to the accounting auditors	81 million yen

(Note) 1. Because, in the audit agreement concluded between the Company and the accounting auditors, there is no clear classification of the fees, etc. for audits under the Companies Act and the fees, etc. for audits under the Financial Instruments and Exchange Act, and since it is impractical to distinguish between these two types of fees, the sum of these amounts is recorded in the fees and other amounts for the auditing auditors relating to the current fiscal year.

2. The Board of Auditors performed necessary verification of the contents of the accounting auditors' audit plans, the status of execution of duties in accounting audits and appropriateness of the grounds for calculating the fees and others, then decided to consent to the fees and other amounts payable to the accounting auditors.
3. E-Guardian Inc. which is our significant subsidiary, is subject to audits by auditing firms other than our independent auditors.
4. In addition to the above, the amount of additional compensation for the previous fiscal year is ¥12 million for the amount of the auditor's compensation for the current fiscal year.
5. In addition to the above, the amount of additional compensation for the previous fiscal year is ¥12 million for the total amount of money and other property benefits to be paid to the auditors by the Company and our subsidiaries.

(3) Policy regarding determination of dismissal and non-reappointment of accounting auditors

The Board of Auditors shall determine the contents of proposals concerning dismissal or non-reappointment of accounting auditors to be submitted to a general meeting of shareholders in the event that execution of duties by accounting auditors is disrupted or the Board of Auditors considers that there is such a need.

Where accounting auditors meet any of the items of Article 340, Paragraph 1 of the Companies Act, the Board of Auditors shall dismiss the accounting auditors after obtaining the consent of all auditors. In such event, an auditor elected by the Board of Auditors shall report on the fact of dismissing the accounting auditors and the reason for the dismissal at the first general meeting of shareholders to be convened after the dismissal.

Overview of the system to ensure the appropriateness of business operations and the status of the system's operation

- (1) Overview of decision content concerning the system to ensure the appropriateness of business operations
The following is an overview of the decision content concerning the system to ensure that directors execute their duties in compliance with laws and regulations and the Articles of Incorporation, and the system to ensure the appropriateness of the Company's other business operations.

- (i) System to ensure that directors and employees execute their duties in compliance with laws and regulations and the Articles of Incorporation.
 - A) The Company has a code of conduct in place that ensures that directors and employees behave in compliance with laws and regulation, the Article of Incorporation and social norms as well as internal rules, and conducts continual education and dissemination activities on the basics of compliance and information management, etc. necessary for business operations.
 - B) The Compliance Committee investigates whether there is a problem with the compliance system and compliance, and gives instructions to make improvement if there are any problems.
 - C) The Company has a reporting system in place against suspected compliance violations and takes strict measures through the established "Regulations on internal reporting" to protect the anonymity of whistleblowers and prevent whistleblowers from being subject to disadvantageous treatment.
 - D) Should a compliance violation occur, the Compliance Committee will investigate the cause, attempt to prevent its recurrence, and take strict disciplinary actions after clarifying who is responsible.
- (ii) System to store and manage information related to the execution of duties by directors
The Company appropriately stores and manages information related to the execution of duties by directors in the form of documents or electromagnetic records in accordance with internal rules, including the "Regulations on document storage and management."
- (iii) Regulations and other systems for managing loss risk
 - A) Regarding loss risk, the Company strives to prevent the occurrence of such risk and the expansion of a crisis through responses based on the "Regulations on risk management."
 - B) The status of activities concerning risk management by departments and divisions is reported to Board of Directors meetings as necessary, and the internal audit unit audits the effectiveness of the risk management system.

- C) The Company holds regular meetings that all employees attend as a forum for communicating and reporting on the execution of duties as well as to collect and share information and build consensus.

- (iv) System to ensure the effective execution of duties by directors
 - A) To ensure that directors execute their duties effectively, the Board of Directors holds monthly meetings, as well as extraordinary ones when required.
 - B) Board of Directors meetings set out company-wide goals to be shared by directors and employees, and directors strive to disseminate them through the organization.
 - C) Each director makes necessary decisions on matters delegated to him/her to execute in accordance with the "Regulations on division of duties."

- (v) System to ensure the appropriateness of business operations in the corporate group, comprising the Company and its subsidiaries
 - A) The chief administrator of affiliate companies supervises and manages the execution by directors of subsidiaries in accordance with internal regulations, including the "Regulations for administration of affiliate companies."
 - B) The chief administrator of affiliate companies reports significant decisions on the corporate management of subsidiaries to the Company's Board of Directors and implements them after obtaining approval.
 - C) The Company holds regular meetings with subsidiaries to share information, promote communicate among Group businesses, and unify Group management policy.
 - D) The Company's internal audit unit periodically audits the business operations, internal controls, etc. of subsidiaries and reports on the outcomes to the Representative Director and President as well as full-time auditors.

- (vi) System related to employees and matters related to the independence of employees from directors where auditors request the assignment of employees to assist them in their duties
 - A) If an auditor requests the assignment of employees to assist with their duties in order to enhance the effectiveness of audits by auditors and exercise their auditing function smoothly, assisting employees may be assigned. The Board of Directors consults with auditors and selects suitable employees from among those with appropriate knowledge and capacity necessary for auditing.

- B) These employees are not prevented from holding concurrent positions, but if the Company is requested by auditors to dedicate such employees to assisting the auditors, the Company complies with the request.
 - C) The transfer, performance assessment and disciplinary action of such employees are decided after obtaining consent from the auditors.
- (vii) System for directors and employees to report to auditors, and other systems related to reporting to auditors
- A) Auditors may attend corporate management meetings in addition to Board of Directors meetings in order to grasp the status of significant decision-making processes and the execution of duties.
 - B) Auditors may access circular letters for approval (ringi-sho) and other important documents, and the Company promptly submits related documents, materials, etc. to auditors upon their request.

- C) Directors promptly report to auditors if it is feared that considerable damage may be caused to the Group in the course of executing their own duties.
- D) Auditors may directly ask directors and employees to report to them on significant matters that may affect operations and company performance.

(viii) System to ensure that an individual who has filed a report to auditors is not treated disadvantageously for having done so

The Group prohibits disadvantageous treatment of an individual who has filed a report to auditors on account of the person having done so, and strictly ensures that the person is not subjected to any detrimental treatment such as disciplinary action.

(ix) Matters concerning policies on processing expenses or obligations to be incurred by auditors due to execution of their duties, such as procedures for advance payment or reimbursement of expenses to be thus incurred

If auditors request an advance payment or reimbursement of expenses to be incurred due to execution of their duties, the Group will promptly process such expenses or obligations with the exception of cases where the expenses are reasonably deemed to be not required for executing such duties.

(x) Other systems to ensure that audits by auditors are conducted effectively

- A) If the auditors deem it necessary, they may request the internal audit unit, which conducts internal audits, to examine specific matters in consultation with the Representative Director and President. The auditors may request the internal audit unit to cooperate with the audit as required at any time.
- B) Auditors periodically exchange information with the internal audit unit and accounting auditors, and collaborate closely with them by exchanging information and opinions with regard to internal control system conditions identified by each of them, risk assessments and priority audit items, thereby conducting efficient audits.

(xi) System for excluding "Anti-social Forces"

- A) The Group has no relationship with what are commonly referred to as "Anti-social Forces," namely organized-crime groups that threaten public order and safety of citizens, and has organizational systems in place so as not to enter business transactions with them or respond to unreasonable demands from them.

- B) Accordingly, the Group has established the "Regulations on measures against anti-social forces" with the Control & Management Unit specified as the unit in charge of dealing with anti-social forces, and works to gather information from relevant government agencies. The Group has built an organizational system that enables it to deal with any problem that might occur by closely communicating with relevant government agencies and legal advisors.
- C) When intending to enter business with a new customer, before doing so the Group thoroughly examines the entity under the "Regulations on measures against anti-social forces," and also investigates it independently through online searches of relevant newspaper and magazine articles as well as using credit information agencies.

(2) Overview of the operational status of the system to ensure appropriate business activities

(i) Status of significant meetings

As the decision-making body for its management and business execution, the Group's Board of Directors holds a meeting once a month as well as an extraordinary Board of Directors meetings as required to make decisions on significant management matters, such as those related to the provisions of laws and regulations and the Articles of Incorporation as well as its business policy and budget formulation. The Board analyzes and assesses business results stated in monthly reports and holds deliberations from the aspect of conformity to laws and regulations and internal rules and on business adequacy. Furthermore, a corporate management meeting attended by executive directors, executive officers and full-time auditors is held at least once a month as a rule to discuss significant matters.

(ii) Compliance system

The Group periodically organizes compliance education and training for its directors and employees to ensure its compliance with laws.

The internal audit unit, which is responsible for internal audits, conducts internal audits of individual units of the Group under an internal audit plan before reporting the results to the Representative Director and President as well as full-time auditors.

There is a whistleblowing system office (hotline) in place and rules for using the system are publicized, including on how to use the hotline and prohibition of disadvantageous treatment of whistleblowers.

(iii) Risk management

Individual departments at the Group manage risks under the "Regulations on risk management," continuously work to lower and avoid risks, and periodically report the state of their progress to the Board of Directors.

(iv) Audit system for auditors

In addition to periodically exchanging opinions with the Representative Director and President, auditors collaborate with accounting auditors and internal audit officers and ensure the effectiveness of audits by attending Board of Directors meetings, with full-time auditors attending important meetings and conducting hearings with directors and employees.

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Consolidated statements of changes in equity

(From April 1, 2023
to March 31, 2024)

(Unit: million yen)

	Equity attributable to owners of parent						Non-controlling interests	Total equity
	Capital	Capital surplus	Retained earnings	Treasury shares	Other components of capital	Total		
April 1, 2023 Balance	1,004	22,480	14,398	△1,405	-	36,477	2,854	39,331
Current Profit			4,325		-	4,325	174	4,500
Comprehensive profit for the current term					△102	△102	3	△98
Total comprehensive profit for the current term	-	-	4,325	-	△102	4,222	178	4,401
New shares issuance	2	2			-	5		5
Dividends			△723		-	△723	△264	△988
Changes in equity at continuously controlled subsidiaries		△431			△0	△431	△32	△464
Increase/decrease due to changes in equity for companies included under the equity method		0			△0	0		0
Changes due to acquisition of control over subsidiaries					-	-	5,402	5,402
Stock compensation transactions of consolidated subsidiaries					-	-	△26	△26
Total of transactions with owners	2	△429	△723	-	△0	△1,149	5,079	3,929
March 31, 2024 Balance	1,006	22,051	18,000	△1,405	△102	39,549	8,112	47,662

Note: Any fractional sum of less than one million yen was truncated for presentation.

■ Notes on consolidated financial statements

Notes on significant information that forms the basis for preparing the consolidated financial statements

1. Basics for preparing consolidated financial statements

(i) Basics for the preparation of consolidated accounts

Consolidated financial statements for the Company and its subsidiaries (the "Group") have been prepared based on the International Financial Reporting Standards (IFRS) in accordance with the provisions of Article 120, Paragraph 1 of the Regulation on Corporate Accounting. In the consolidated financial statements, part of the disclosure items required by IFRS is omitted in accordance with the provisions of the second half of the paragraph.

(ii) Key standards and interpretation that have been newly applied

Principal pronouncements and interpretations to be newly applied from the current fiscal year are as follows.

Standards and Interpretation Guide	Overview
IAS No. 1 (Revision)	Improved disclosure of accounting policies

We reviewed (deleted or partially added) the judgment of significant accounting policies based on the revised standards. For important accounting policies after revisions, see "Note 5. Important Accounting Policies." In addition, the adoption did not have any impact on the consolidated financial statements excluding the notes above.

2. Scope of consolidation

Consolidated subsidiaries

Number of consolidated subsidiaries:	41 companies
Names of major consolidated subsidiaries:	TRUST BANK, Inc Orb Inc beacapp Inc. Digital Growth Academia, INC. Govmates, Inc. Logosware Corporation DFA Robotics Inc. Travel Zip Co., Ltd. E-Guardian Inc. UpClose, Inc. CyLeague Holdings, Inc. Digital Arts Consulting Inc. ※

※In April 2024, the company name was changed to IdealRoute Consulting Inc

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Major change in the scope of consolidation

- (New) - The companies due to establishment
UpClose, Inc., CyLeague Holdings, Inc.
- The companies due to the acquisition of shares
E-Guardian Inc., IdealRoute Consulting Inc.

3. Application of the equity method

Number of companies included under the equity method: 3 companies

Names of major companies included under the equity method: Hope, Inc.

4. Information on the fiscal years of consolidated subsidiaries

Travel Zip Co., Ltd. and E-Guardian Inc. are consolidated on the basis of financial statements prepared on a provisional basis as at the last day of March.

5. Matters Relating to Significant Accounting Policies

(1) Financial instruments

(I) Financial assets

(i) Initial recognition and measurement

The Group classifies financial assets into two categories: financial assets measured based on fair value through net profit/loss or other comprehensive profits and those measured based on amortized cost. This classification is determined at the time of initial recognition.

The Group recognizes financial assets on the day of transaction when it becomes a party to the agreement on the assets.

All financial assets are initially measured based on the amount obtained by adding transaction cost to fair value except for cases in which they are classified into the category of those measured based on fair value through net profit/loss. However, trade receivables that do not have significant financial elements are measured based on transaction prices.

If they satisfy both requirements listed below, financial assets are classified into those measured based on amortized cost.

- If they are held based on the business model aimed at holding assets to collect cash flows under agreements
- If a cash flow arises on a particular day only as a payment of interest on a principal and its balance according to the conditions of agreement on financial assets

Financial assets other than those measured based on amortized cost are classified into those measured based on fair value.

For investments in capital financial instruments which are not held for selling purposes but are maintained to create business opportunities or sustain and strengthen business and collaborative relationships, capital financial assets measured based on fair value are individually subject to the irreversible choice of indicating subsequent changes in fair value at the time of initial recognition using other comprehensive profits and are classified into financial assets measured based on fair value through other comprehensive profits.

Financial assets other than financial assets measured based on amortized cost or capital financial assets measured based on fair value through other comprehensive profits are classified into financial assets measured based on fair value through net profit/loss.

(ii) Post-measurement

After initial recognition, financial assets are measured according to their categories as follows:

(a) Financial assets measured based on amortized cost

Financial assets measured based on amortized cost are measured using the effective interest rate method.

(b) Financial assets measured based on fair value

The amount of fluctuations in the fair value of financial assets measured based on fair value is recognized as net profit/loss.

However, with respect to those of capital financial assets which are designated as being measured based on fair value through other comprehensive profits, the amount of fluctuations in fair value is recognized as other comprehensive profits. Dividends from such financial assets are recognized as part of the financial revenue—net profit/loss for the current term.

(iii) Discontinuance of recognition of financial assets

The Group discontinues to recognize financial assets if the contractual right to cash flows from financial assets disappears or if it transfers almost all risks and economic value of holding financial assets. If it continues to control the financial assets transferred, the Group recognizes such assets and related liabilities with the range of continued involvement.

(iv) Impairment of financial assets

With respect to financial assets measured based on amortized cost, the Group recognizes bad debt allowances for expected credit loss.

The Group assesses financial assets to determine whether, on the final day of each term, credit risks involved therein have significantly grown since the time of initial recognition, and if such risks have not significantly grown since the time of initial recognition, it recognizes twelve-month expected credit loss as a bad debt allowance. On the other hand, if such risks have significantly grown since the time of initial recognition, it recognizes the amount equivalent to the entire period's expected credit loss as a bad debt allowance. However, with respect to trade receivables or similar which do not have significant financial elements, it always recognizes the amount equivalent to the entire period's expected credit loss as a bad debt allowance irrespective of whether credit risks have significantly grown since the time of initial recognition.

If it does not reasonably expect that it will recover all or part of certain financial assets, the Group directly reduces the total book value of such assets.

The Group recognizes the amount of provision for bad debt allowances related to financial assets through net profit/loss. If bad debt allowances are reduced, it recognizes the amount of reversal for bad debt allowances through net profit/loss.

(II) Financial liabilities

(i) Initial recognition and measurement

The Group classifies financial liabilities into two categories: financial liabilities measured based on fair value through net profit/loss and those measured based on amortized cost. This classification is determined at the time of initial recognition.

Other financial liabilities are all initially recognized on the day of transaction when the Group becomes a party to the agreement on the financial instruments concerned.

All financial liabilities are initially measured based on fair value, but financial liabilities measured based on amortized cost are initially measured using the amount obtained by deducting transaction cost directly attributed thereto.

(ii) Post-measurement

After initial recognition, financial liabilities are measured according to their categories as follows:

(a) Financial liabilities measured based on fair value through net profit/loss

Financial liabilities measured based on fair value through net profit/loss, which include those held for selling purposes and those which are designated as being measured based on fair value through net profit/loss at the time of initial recognition, are measured based on fair value after initial recognition, and their fluctuations are recognized as net profit/loss for the current term.

(b) Financial liabilities measured based on amortized cost

Financial liabilities measured based on amortized cost are measured using the effective interest rate method after initial recognition.

Gains and losses when amortization and recognition using the effective interest rate method are discontinued are recognized as part of the financial cost—net profit/loss for the current term.

(iii) Discontinuance of recognition of financial liabilities

The Group discontinues to recognize financial liabilities if financial liabilities disappear, in other words, if obligations specified during the agreement are exempted, are cancelled, or become invalid.

(III) Indication of financial assets and financial liabilities

The Group offsets financial assets and financial liabilities and indicate their net amounts in the statement of consolidated financial position only if it has the legal right to offset their balances and has the intention to settle them in their net amounts or simultaneously realize such assets and settle such liabilities.

(IV) Derivatives

In order to hedge against exchange risks, the Group uses the transaction of derivatives such as forward exchange contracts.

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Derivatives are initially recognized at fair value on the day when such contracts are and subsequently remeasured at fair value. Gains and losses arising from fluctuations in the fair value of derivatives are recognized as profit/loss. Derivatives are reported as financial assets if their fair value is positive and as financial liabilities if it is negative.

Hedge accounting is not applied to any of the derivatives mentioned above.

(2) Inventories

Inventories are measured based on the acquisition cost or net realizable value, whichever is lower. The acquisition cost is calculated mainly based on the specific identification method, and the net realizable value is the amount obtained by deducting the estimated cost and estimated selling cost required during the period up to completion from the estimated selling price in the ordinary sales process.

(3) Property, plant and equipment

Property, plant and equipment are measured using the cost model and indicated as the value obtained by deducting accumulated depreciation and accumulated impairment loss from the acquisition cost.

The acquisition cost includes costs directly related to the acquisition of assets, costs for demolition, removal, and restoration of land to the original condition, and borrowing cost to be reported as assets.

The depreciation of assets other than land and construction in progress is calculated using the straight-line method over their estimated useful life. The estimated useful lives of major asset items are as follows.

- Buildings: 3 to 46 years
- Machinery, equipment and vehicles: 17 years
- Tools, furniture and fixtures: 2 to 15 years

The estimated useful life, residual value, and depreciation method are reviewed at the end of each year, and if any of these is changed, a new life, value, or method is applied for the future as a change to estimates in accounting.

(4) Goodwill

If the sum of equivalent value of assets transferred, amount of non-controlling equity at acquired firms, and fair value of equity at formerly acquired and owned firms on the day of acquisition exceeds the fair value of acquired identifiable net assets, the Group reports the excess as goodwill. If the sum of equivalent value of assets transferred, amount of non-controlling equity at acquired firms, and fair value of equity at formerly acquired and owned firms on the day of acquisition goes below the fair value of acquired identifiable net assets, the Group considers the balance as the result of relatively less expensive purchases and directly recognizes it as net profit/loss.

Goodwill is not amortized, and in each term or every time there is a sign of impairment, an impairment test is conducted.

Goodwill impairment loss is recognized in the consolidated income statement, and there is no subsequent reversal for it.

In the statement of consolidated financial position, goodwill is indicated as the value obtained by deducting accumulated impairment loss from the acquisition cost.

(5) Intangible assets

Intangible assets are measured using the cost model and indicated as the price obtained by deducting accumulated depreciation and accumulated impairment loss from the acquisition price.

Individually acquired intangible assets are measured based on acquisition cost at the time of initial recognition, while intangible assets acquired through business combination are measured at fair value on the day of acquisition.

Intangible assets whose useful life can be confirmed are amortized using the straight-line method over their estimated useful life, and if there is a sign of impairment, an impairment test is conducted.

The estimated useful lives of major intangible assets are as follows.

- Software: 3 to 5 years
- Trademark rights: 10 years

The estimated useful life, residual value, and depreciation method are reviewed at the end of each year, and if any of these is changed, a new life, value, or method is applied for the future as a change to estimates in accounting.

(6) Lease

The lease period is the period obtained by adding the period during which the option of cancelling or extending the lease agreement can be exercised to the non-cancellable lease period. The period covered by the option is added to the non-cancellable period only if it is reasonably certain that the Group exercises the option of extension or does not exercise the option of cancellation.

After initial recognition, right-of use assets are amortized using the straight-line method over the useful life or lease period, whichever is shorter.

Lease fees are divided into financial cost and the amount of lease liabilities repaid using the interest method with the former recognized in the consolidated income statement.

However, with respect to leases whose period is short, at twelve months or less, and those for which the underlying asset is of low value, right-of-use assets and lease liabilities are not recognized, and lease fees are recognized as cost over the lease period using the straight-line method.

The present value is calculated using the calculated interest rate for lease, and if the interest rate cannot be calculated easily, the Group's additional borrowing interest rate is used for the discount rate.

(7) Impairment of non-financial assets

Except for inventories and deferred tax assets, the Group judges on the last day of each term as to whether there is a sign of impairment in the book value of its non-financial assets. If there is a sign of impairment, the Group estimates the recoverable value of the assets concerned. The recoverable value of goodwill and intangible assets

whose useful life cannot be confirmed or which are still unusable is estimated at the same time of each year irrespective of whether there is a sign of impairment.

The recoverable value of assets or fund generation units is their value in use or the fair value obtained by deducting disposal cost, whichever is higher. When the value in use is calculated, estimated future cash flows are discounted to their present value using the pre-tax discount rate that reflects the time value of money and the inherent risks of the assets concerned. Assets that do not undergo impairment tests individually are integrated into minimum fund generation units in which largely independent cash inflows are generated from the cash inflows of other assets or asset groups through continuous use. When impairment tests are conducted for goodwill, fund generation units to which goodwill is distributed are integrated so that the impairment of goodwill is tested in a way that reflects the minimum unit related to the goodwill. Goodwill acquired through business combinations is distributed to the fund generation unit in which the synergy of the combinations is expected to be obtained.

None of the Group's company-wide assets generates independent cash inflows. If there is a sign of impairment in company-wide assets, the Group determines the recoverable value of fund generation units to which such assets belong.

Impairment loss is recognized as net loss if the book value of assets or fund generation units exceeds their estimated recoverable value. Impairment loss recognized in relation to fund generation units is first distributed in a way that reduces the book value of goodwill distributed to the units and then the book value of other assets in the units is reduced proportionally.

Goodwill-related impairment loss is not reversed. With respect to other assets, whether there is a sign of impairment loss recognized in the past being reduced or disappearing is measured on the last day of each term. If estimates used to determine the recoverable value change, impairment loss is reversed. When impairment loss is reversed, the upper limit is the book value obtained by deducting necessary amortization and amortized amounts from the book value when impairment loss is not recognized.

(8) Allowances

The Group recognizes allowances if, as the result of past events, it currently has legal or constructive obligations, it is highly likely that its economic resources flow out to settle such obligations, and the amount of such obligations can be estimated in a reliable way. If the time value of money is important, estimated future cash flows are discounted to their present value using the pre-tax interest rate that reflects the time value of money and the inherent risks of the debts concerned. The rebate of amounts discounted as the result of the passage of time is recognized as financial cost.

(9) Revenue

Under agreements with customers, except for events such as fluctuations in the fair value of operational investment securities based on IFRS 9 "Financial instruments," the Group recognizes revenue by applying the steps specified below.

Step 1: Identify agreements with customers

Step 2: Identify duties to be performed under the agreements

Step 3: Calculate transaction prices

Step 4: Distribute the transaction prices to duties to be performed under the agreements

Step 5: Recognize revenue when such duties are fulfilled (or as such duties are fulfilled)

(i) NEW-IT Transformation Business

The NEW-IT Transformation Business includes the provision of services to improve productivity and value added through new technology and digital human resources development, as well as services related to internet security.

In the provision of solutions in each project and so forth, the Group considers the nature of services and other offerings provided to customers and as a result determines that costs incurred by the project indicate the degree of its progress, and therefore, it recognizes revenue by measuring the degree of progress in fulfilling duties to be performed according to the input method based on such costs and other factors.

In selling products, supporting digital human resources development, etc., and providing services related to internet security, the Group determines that duties to be performed are fulfilled when customers accept goods or services provided after inspection and recognizes revenue at the time of such acceptance.

Revenue is measured based on transaction prices under agreements with customers. Compensation for transactions is received within one year of fulfilling duties to be performed and does not include significant financial elements.

(ii) Publitech Business

The Publitech Business involves operating the platform business for the Hometown Tax Payment Program and provides DX services for local municipalities.

The Group determines that duties to be performed in the Hometown Tax Payment platform business are fulfilled when the provision of platform services is completed and recognizes revenue mainly when donations are delivered to customers. Also, the duties to be performed in the service platform for municipalities is deemed to be fulfilled over the period of use by the users and revenue is recognized over time.

In the provision of solutions in each project and so forth, the Group considers the nature of services and other offerings provided to customers and as a result determines that costs incurred by the project

indicate the degree of its progress, and therefore, it recognizes revenue by measuring the degree of progress in fulfilling duties to be performed according to the input method based on such costs and other factors.

Revenue is measured based on transaction prices under agreements with customers. Compensation for transactions is received within one year of fulfilling duties to be performed and does not include significant financial elements.

If the Group is engaged in transactions as a party to the program, it indicates revenue as the total amount of compensation received from customers. If the Group is engaged in transactions as an agency for third parties, it indicates revenue as the amount of commissions obtained by deducting amounts collected for third parties from the total amount of compensation received from customers.

In determining whether it is engaged in transactions as a party to the program or as an agency, the Group considers the following indicators:

- If it has principal responsibility for performing the promise of providing specified goods or services
- If it has inventory risks before specified goods or services are transferred to customers or after control is transferred to customers
- If it has discretion in the setting of prices for specified goods or services

The Group classified operational investment securities into financial assets measured based on fair value in accordance with IFRS 9 and indicated ex-post fluctuations in the fair value concerned as revenue related to the operational investment securities. However, following the Board of Directors resolution on April 14, 2023, the Investment Business was terminated, and net profit/loss due to ex-post fluctuations in the fair value of operational investment securities held up to April 13 are recognized as part of the Investment Business.

(10) Financial revenue and financial cost

Financial revenue consists mainly of interest income, dividend income, foreign exchange gains, and fluctuations in financial assets (excluding operational investment securities) measured based on fair value through net profit/loss. Interest income is recognized using the effective interest rate method when it accrues.

Financial cost consists mainly of interest cost calculated using the effective interest rate method, interest paid for borrowings, foreign exchange losses, and fluctuations in the fair value of financial assets measured based on fair value through net profit/loss. Interest paid is recognized using the effective interest rate method when it accrues.

(11) Conversion to foreign currency

Foreign currency transactions

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Foreign currency transactions are converted to the functional currency of the Group company concerned at the exchange rate on the day of transaction.

Monetary assets and liabilities in foreign currency on the last day of the term are converted to functional currencies at the day's exchange rate.

Non-monetary assets and liabilities in foreign currency, which are measured based on fair value, are converted to functional currencies at the exchange rate on the day when the fair value is calculated.

Balances arising from conversion or settlement are recognized as net profit/loss.

Notes on accounting estimates

1. Measurement of financial instruments without market prices in active markets

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

Other financial assets (Investment securities): 3,101 million yen

(2) Other information that contributes to the understanding of users of consolidated financial statements about the content of accounting estimates

If market prices at which the same issues are traded in active markets cannot be obtained, the fair value is assessed based on the most recent transaction prices if information on the most recent transactions between independent third parties and finance prices is available. It is assumed that the most recent transaction prices are effective for a certain period of time after transactions are conducted.

If information on these most recent transactions is not available, the corporate value is assessed using methods such as the market approach, cost approach, and income approach.

Although fair values are assessed based on the business plans, etc. developed by the entities targeted for investment, if events occur that lead to the deterioration of financial results at such entities or decrease in investment value such as the worsening of the fund procurement environment, they may have significant effects on consolidated financial statements in the following consolidated fiscal year and thereafter.

2. Valuation of goodwill

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

Goodwill: 20,711 million yen

(2) Other information that contributes to the understanding of users of consolidated financial statements about the content of accounting estimates

In evaluating goodwill generated through business combinations, the Group classifies it into groups using minimum fund generation units that produce independent cash inflows and conducts impairment tests as required in each term and if there is a sign of impairment. In impairment tests, the recoverable amount, which is calculated as the higher of value in use and fair value less cost of disposal, is calculated based on the value in use by discounting the estimated future cash flows to the present value using the discount rate in the current fiscal year.

Estimated future cash flows are based on a three to five year business plan, which has been prepared using historical experience and external inputs and approved by management, with a terminal value calculated assuming the growth rate of 1% for subsequent periods. In addition, major assumptions such as revenue growth rates, sales volumes and unit selling prices, etc. are used in the business plan.

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In the current consolidated fiscal year, the recoverable value exceeded the book value of the fund generation units or group of fund generation units; however, if there are material changes in major assumptions, such as discount rates, sales volumes or unit selling prices, the recoverable value may be less than the book value.

Notes on the statements of consolidated financial position

1. Provision for doubtful accounts, which is directly deducted from assets
 - Current assets 24 million yen
 - Non-current assets 1,160 million yen

2. Accumulated depreciation and impairment loss of property, plant and equipment 317 million yen
3. Lending of investment securities
The Company has provided 90 million yen worth of investment securities for lending.

Notes to Consolidated Statements of Income

1. Impairment loss

During the fiscal year under review, our group recorded impairment losses on the following assets:

Type	Impairment loss
Goodwill	1,956 million yen
Tangible fixed assets	34
Right-of use asset	12
Intangible assets	219
Other	5
Total	2,229

As profitability declined and recovery of the investment amount was no longer expected, the book value was impaired to the recoverable value, and the amount of the reduction was recorded as an impairment loss. The recoverable amount is calculated based on the value in use.

2. Provision for doubtful accounts

Provision for doubtful accounts is mainly provided for receivables that are unable to be collected or are likely to be delayed in the energy business.

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Notes on the consolidated statements of changes in equity

1. Classes and total outstanding number of shares as of the last day of the fiscal year under review
Common shares 72,978,762 shares
2. Classes and the total outstanding number of treasury shares as of the last day of the fiscal year under review
Common shares 623,335 shares
3. Dividend of surplus
(1) Dividend payout amounts

Resolution	Class of shares	Total amount of dividends (million yen)	Dividend per share (yen)	Record date	Effective date
June 27, 2023 Ordinary General Meeting of Shareholders	Common shares	723	10.00	March 31, 2023	June 28, 2023

- (2) Payout amount of dividends with record date in the current fiscal year but effective date in the following fiscal year
The following item is planned to be discussed.

Resolution	Class of shares	Source of dividend	Total amount of dividends (million yen)	Dividend per share (yen)	Record date	Effective date
June 26, 2024 Ordinary General Meeting of Shareholders	Common shares	Retained earnings	1,353	18.70	March 31, 2024	June 27, 2024

4. Classes and the total number of shares for which stock acquisition rights are intended (excluding those yet to reach the first day of the exercise period), as of the last day of the fiscal year under review
Common shares 1,006,400 shares

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Notes on revenue recognition

1. Resolution of revenue

(Unit: million yen)

	Reporting segments			
	New-IT Transformation Business	Investment Business	Publitech Business	Total
Period of revenue recognition				
Goods or services transferred at one point in time	8,657	-	21,242	29,900
Services transferred for a certain period of time	2,715	-	4,271	6,987
Total	11,373	-	25,514	36,887

(NEW-IT Transformation Business)

The NEW-IT Transformation Business includes the provision of services to improve productivity and value added through new technology and digital human resources development, as well as services related to internet security.

In the provision of solutions in each project and so forth, the Group considers the nature of services and other offerings provided to customers and as a result determines that costs incurred by the project indicate the degree of its progress, and therefore, it recognizes revenue by measuring the degree of progress in fulfilling duties to be performed according to the input method based on such costs and other factors.

In selling products, supporting digital human resources development, etc., and providing services related to internet security, the Group determines that duties to be performed are fulfilled when customers accept goods or services provided after inspection and recognizes revenue at the time of such acceptance.

Revenue is measured based on transaction prices under agreements with customers. Compensation for transactions is received within one year of fulfilling duties to be performed and does not include significant financial elements.

(Investment Business)

The Investment Business comprises investments in IT firms that start preparations for IPO and companies with high growth potential, and net profit/loss due to ex-post fluctuations in the fair value of operational investment securities held is reported as “revenue related to operational investment securities” in accordance with IFRS 9.

At the Board of Directors meeting held on April 14, 2023, it was resolved to terminate the Investment Business and change the reporting segments.

(Publitech Business)

The Publitech Business involves operating the platform services for the Hometown Tax Payment Program and provides DX services for local municipalities.

The Group determines that duties to be performed in the Hometown Tax Payment platform business are fulfilled when the provision of platform services is completed and recognizes revenue mainly when donations are delivered to customers. Also, the duties to be performed in the service platform for municipalities is deemed to be fulfilled over the period of use by the users and revenue is recognized over time.

In the provision of solutions in each project and so forth, the Group considers the nature of services and other offerings provided to customers and as a result determines that costs incurred by the project indicate the degree of its progress, and therefore, it recognizes revenue by measuring the degree of progress in fulfilling duties to be performed according to the input method based on such costs and other factors.

Revenue is measured based on transaction prices under agreements with customers. Compensation for transactions is received within one year of fulfilling duties to be performed and does not include significant financial elements.

2. Outstanding agreements

The breakdown of claims arising from agreements with customers, contractual assets, and contractual liabilities is as follows:

(Unit: million yen)

	April 1, 2023	March 31, 2024
Claims arising from agreements with customers	6,709	9,613
Contractual assets	152	112
Contractual liabilities	1,127	878

Contractual assets relate to rights generated by recognizing revenues based on the progress of consulting and system implementation agreements, etc. in the NEW-IT Transformation Business and the Publitech Business, and they are changed to accounts receivable when the right to payment becomes unqualified.

Contractual liabilities mainly comprise advances from customers. The amount of the portion of revenue recognized in the current consolidated fiscal year which was included in the balance of contractual liabilities at the beginning of the term is 585 million yen.

In the current consolidated fiscal year, the amount of revenue recognized from among the duties to be performed that were fulfilled (or partially fulfilled) in the past period is of no importance.

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3. Transaction prices distributed to remaining duties to be performed

In the current consolidated fiscal year, since there are no important transactions whose expected contract period each exceeds one year, a description of information on remaining duties to be performed is omitted by applying the practical expedient stipulated in IFRS 15.121.

4. Assets recognized in terms of costs for winning or performing agreements with customers

There is no asset recognized by the Group based on costs for winning or performing agreements.

Notes on financial instruments

1. Information on the status of financial instruments

(1) Capital management

The Group manages its capital with the aim of maximizing corporate value through sustained growth.

The major indicators used by the Group in capital management are net interest-bearing liabilities (obtained by deducting cash and cash equivalents from interest-bearing liabilities), the ratio of equity attributable to owners of parent, and the ratio of equity attributable to owners of parent to net profit.

(2) Financial risk management

The Group is exposed to financial risks (credit risks, liquidity risks, exchange risks, interest rate risks, and market price fluctuation risks) in the course of management activities and manages such risks in accordance with certain policy in an effort to reduce them. It also uses derivatives to avoid exchange fluctuation risks and interest-rate fluctuation risks, and its policy is not to become engaged in speculative transactions.

(3) Credit risk management

A credit risk is a risk that in financial assets held by the Group, business partners become unable to perform contractual obligations, causing financial losses to the Group. If over 90 days pass after the contractual due date, the Group considers the business partner as failing to perform their obligations.

The Group regularly monitors the balance of trade receivables and manages due dates and balances for individual transaction partners, and is quick to identify and mitigate recovery concerns caused mainly by a deterioration in their financial positions.

In terms of derivatives, the Group deals only with highly creditworthy financial institutions or similar, and the effects of derivatives traded on the Group's credit risks are limited.

The Group does not have credit risks excessively concentrated on particular business partners or groups to which they belong.

(4) Liquidity risk management

A liquidity risk is a risk of the Group becoming unable to perform the duty of repaying financial liabilities on the due date.

The Group manages liquidity risks by preparing repayment funds appropriately and at the same time by maintaining at financial institutions credit lines that can be used when necessary and monitoring cash flow plans and results continuously.

(5) Exchange risk management

The Group is exposed to exchange fluctuation risks in the transaction of foreign currency claims and obligations, but at present, the effects of exchange fluctuations on the Group are minor, and it reduces exchange fluctuation risks by concluding forward exchange contracts.

(6) Interest rate risks

In advancing its business activities, the Group procures working capital and funds required for M&A and other undertakings. If it procures these funds at variable interest rates, the amount of interest is affected by fluctuations in market interest rates, and therefore, the Group is exposed to the interest rate risk of fluctuations in future cash flows from interest. The present status and future prospects of variable interest rates are being monitored constantly.

(7) Share price fluctuation risks

Those of equity instruments (shares) held by the Group which are marketable are exposed to share price fluctuation risks. With respect to equity instruments, the Group regularly analyzes market values, the financial position of issuers, and other factors and continuously reviews the status of equity instruments held taking into account market conditions and relationships with issuers (client firms).

2. Information on fair values of financial instruments

(1) Fair value of financial instruments

The fair value measurements of financial instruments measured at fair value are categorized into three levels based upon the observability and significance of inputs used to measure such financial instruments.

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets

Level 2: Fair value measured using observable prices other than Level 1 inputs, either directly or indirectly

Level 3: Fair value determined by using valuation techniques that incorporate unobservable inputs

(2) Financial instruments measured based on fair value

The fair value of financial instruments is calculated using the following method:

(Cash and cash equivalents, trade and other receivables, other financial assets, and trade and other payables)

Stated at book value, as their fair values approximate to their book values since they are settled in a short period of time.

(Operational investment securities, other financial assets, and other financial liabilities)

If market prices at which the same issues are traded in active markets can be obtained, the fair value is assessed using the market prices.

If market prices at which the same issues are traded in active markets cannot be obtained, the fair value is assessed based on the most recent transaction prices if information on the most recent transactions between independent third parties and finance prices is available. It is assumed that the most recent transaction prices are effective for a certain period of time after transactions are conducted.

If information on these most recent transactions is not available, the corporate value is assessed using methods such as the market approach, cost approach, and income approach.

Investments in investment limited partnerships and other partnerships are valued at the fair value of the partnership assets, which is the Company's equity in the fair value of the partnership assets.

Derivatives are calculated based on the prices presented by financial institutions with which the Group deals as financial assets or financial liabilities measured based on fair value through net profit/loss.

(Put option liability granted to non-controlling interests)

The fair value is estimated by discounting the future cash flows of the written put option on non-controlling interests. The fair value approximates the book value.

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The fair value hierarchy for financial instruments measured based on fair value is as follows:

(Unit: million yen)

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets measured based on fair value through net profit/loss				
Other financial assets				
Shares	1,105	-	405	1,511
Investments in investment limited partnerships and other partnerships	-	180	932	1,113
Derivatives	-	0	-	0
Others	-	-	0	0
Financial assets measured based on fair value through other comprehensive profits				
Shares	-	-	1,763	1,763
Total	1,105	180	3,101	4,388

Reclassifications between levels of the fair value hierarchy are recognized on the day when the event or change in circumstances that caused the reclassification occurred. The Group did not recognize any material reclassification between Level 1 and Level 2 for the period presented.

Following the termination of the Investment Business on April 14, 2023, 1,817 million yen worth of operational investment securities were reclassified to other financial assets.

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Valuation processes

The fair value of financial instruments classified as Level 3 is measured using a valuation method selected for the financial instrument in question by the appraiser, in accordance with valuation policies and procedures established by the Group.

The results of fair value measurements are approved by the appropriate person in charge.

Changes in financial instruments classified as Level 3 from the beginning to the end of the period are as follows:

(Unit: million yen)

Opening balance	1,507
Total gains and losses	△308
Net profit/loss (Note) 1	△155
Other comprehensive profit (Note) 2	△153
Purchases	2,395
Increase due to business combinations	2
Disposal by sale	△3
Transfer from Level 3 (Note) 3	△450
Others	△40
Closing balance	3,101
Changes in unrealized gains or losses recognized in net profit/loss on assets held at the end of the reporting period (Note)	△155

(Note) 1. Net profit/loss on financial assets measured based on fair value through net profit/loss, and included in revenue related to operational investment securities and financial revenue (or financial costs for the loss) in the consolidated income statement.

2. Included in "financial assets measured based on fair value through other comprehensive profits" in the consolidated statement of comprehensive profits.

3. Due to entities targeted for investment being listed on stock exchanges, etc.

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- (3) Financial instruments measured based on amortized cost
The book value and fair value of financial instruments measured based on amortized cost are as follows.
Financial instruments measured based on fair value and financial instruments whose book value and fair value are approximate to each other are not included in the table below.

(Unit: million yen)

	Book value (*)	Fair value (*)
Long-term borrowings (including current portion of long-term borrowings)	(22,827)	(22,884)
Bonds payable	(111)	(112)

(*) Those reported as part of the liabilities are indicated in parentheses.

(Note) 1. The fair value of financial instruments is calculated using the following method:

Long-term borrowings (including the current portion of long-term borrowings) and bonds payable

Those of bonds payable and long-term borrowings which are based on variable interest rates use their book value because they reflect market interest rates in a short period of time with their fair value almost equivalent to their book value.

The fair value of bonds payable and long-term borrowings which are based on fixed interest rates and is calculated using their present value which is obtained by discounting future cash flows by the interest rate expected if similar new agreements are performed.

2. The fair value of long-term borrowings and bonds is classified as Level 2.

Notes on per-share information

- | | |
|--|------------|
| 1. Equity attributable to owners of parent per share | 546.60 yen |
| 2. Basic profit per share | 59.78 yen |

Notes on business combinations

Acquisition of E-Guardian Inc.

(1) Outline of business combinations

(i) Name of the acquired company and its business

Name of the acquired company: E-Guardian Inc.

Description of business: (1) Blog, SNS, and bulletin board planning and consulting
(2) Real-time post monitoring
(3) User support services
(4) Online game customer support
(5) Compliance measures, reputation, and trend surveys
(6) Community site planning, site management services, and ad review services
(7) Staffing services

(ii) Major reason for the business combination

The Company actively acquires digital talent and aims to expand into new business areas using cutting-edge technology. Developing, deploying, and expanding IT platform services, SaaS services, and products for local governments, the Company considers proactive M&A in growth areas as a key strategy. From the perspective of broadening our business scope into cybersecurity to protect IT platform and SaaS services from cyber threats, the Company decided to convert the Target Company, which operates internet security services including social support, game support, ad processing, cybersecurity, and other business categories into a consolidated subsidiary. This decision is expected to enhance both companies' strengths in customer networks, talent, and cybersecurity industry knowledge and talent development, thereby increasing the corporate value of both companies and accelerating the Company's growth.

(iii) Acquisition Date

October 11, 2023 (Third-party allocation payment date)

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(iv) Method for the acquirer to obtain control of the acquired

Acquisition of shares through cash payment for compensation and through third-party allocation of new shares

* The following borrowings were made for this acquisition consideration.

Lender	Mizuho Bank, Ltd.	Sumitomo Mitsui Banking Corporation
Amount of borrowings	10 billion yen	5 billion yen
Borrowing interest rate	Base rate + spread	Base rate + spread
Borrowing execution date	October 6, 2023	October 6, 2023
Borrowing period	7 years	1 year
Repayment method	Installment repayment	Lump-sum repayment at maturity
Collateral/Guarantee	Joint guarantee by TRUST BANK, Inc and Change Inc.	Unsecured/Non-guaranteed

At the Board of Directors meeting held on October 13, 2023, it was resolved to refinance the borrowings from Sumitomo Mitsui Banking Corporation under the following conditions. Lump-sum repayment was made on the refinancing borrowing execution date.

Lender	Sumitomo Mitsui Banking Corporation
Amount of borrowings	5 billion yen
Borrowing interest rate	Base rate + spread
Borrowing execution date	November 30, 2023
Borrowing period	7 years
Repayment method	Installment repayment
Collateral/Guarantee	Unsecured/Non-guaranteed

(v) Name after the combination

The name remains unchanged after the combination.

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(vi) Ratio of voting rights acquired

49.90%

* In calculating the above ratio of voting rights, shares held by the stock compensation trust for executives of E-Guardian Inc. are excluded from treasury shares. However, as these shares have no exercise of voting rights under this trust agreement, including them as treasury shares results in a voting rights ratio of 50.73%, meaning the Company effectively controls a majority of voting rights and thus has effective control over and consolidates E-Guardian Inc.

(2) Compensation paid on the day of acquisition, assets acquired and liabilities undertaken, and fair value and non-controlling interests

(In millions of yen)

	Amount
Fair value of compensation paid (cash)	16,157
Fair value of assets acquired and liabilities undertaken	
Cash and cash equivalents	8,956
Other current assets	1,616
Non-current assets	2,047
Current liabilities	△2,007
Non-current liabilities	△415
Fair value of assets acquired and liabilities undertaken (net)	10,197
Non-controlling interests	5,328
Goodwill	11,289

The assets acquired and liabilities undertaken have been determined provisionally on the basis of the information currently available, as the allocation of the acquisition consideration has not been completed as of the end of the fiscal consolidated accounting period.

Acquisition-related costs in this business combination are 175 million yen and are reported as part of the selling, general, and administrative expenses in the consolidated income statement.

Non-controlling equity is measured using the ratio of non-controlling shareholders' equity to the fair value of the acquired company's identifiable net assets.

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The goodwill generated through the business combination is reported in the NEW-IT Transformation Business segment. It consists mainly of the excess profit-making ability expected chiefly in businesses that will be developed by E-Guardian Inc. in the future.

There is no goodwill that is expected to be reported as loss for tax purposes.

(3) Cash flows from the acquisition

(Unit: million yen)

	Amount
Cash and cash equivalents disbursed for acquisition	16,157
Cash and cash equivalents held by the acquired company at the time of acquisition	△8,956
Expenditure due to the acquisition of the subsidiary	7,200

(4) Effects on financial results

The effects on the Group's consolidated income statement of sales revenue and current profit of E-Guardian Inc. from the date of acquisition to the end of this quarter's consolidated accounting period are 5,718 million yen and 633 million yen, respectively.

Assuming the business combination was completed at the beginning of the current consolidated fiscal year, the Group's pro forma information would be sales revenue of 42,776 million yen and current profit of 5,123 million yen. An audit certification has not been received for this pro forma information.

Acquisition of Digital Arts Consulting Inc.

(1) Outline of business combinations

(i) Name of the acquired company and its business

Name of the acquired company: Digital Arts Consulting Inc.

Business: IT strategy consulting, information security consulting, etc.

(ii) Major reason for the business combination

The addition of highly experienced cybersecurity personnel from Digital Arts Consulting Inc. enables the Group to offer services supporting both DX and security measures, from IT strategy formulation to execution. Additionally, as Digital Arts Consulting Inc. has a proven track record including the introduction and operation of advanced cybersecurity products, this acquisition allows the Group to provide advanced and practical solutions in the increasingly important field of cybersecurity.

(iii) Acquisition Date

March 29, 2024

(iv) Method for the acquirer to obtain control of the acquired

Acquisition of shares through cash payment for compensation

(v) Name after the combination

The name was changed to Ideal Route Consulting Inc. on April 1, 2024.

(vi) Ratio of voting rights acquired

91.86%

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(2) Compensation paid on the day of acquisition, assets acquired and liabilities undertaken, and fair value and non-controlling interests

(In millions of yen)

	Amount
Fair value of compensation paid (cash)	2,296
Fair value of assets acquired and liabilities undertaken	
Cash and cash equivalents	232
Other current assets	399
Non-current assets	66
Current liabilities	△398
Non-current liabilities	△17
Fair value of assets acquired and liabilities undertaken (net)	282
Non-controlling interests	38
Goodwill	2,052

The assets acquired and liabilities undertaken have been determined provisionally on the basis of the information currently available, as the allocation of the acquisition consideration has not been completed at the end of the current consolidated fiscal year.

Acquisition-related costs in this business combination are 35 million yen and are reported as part of the selling, general, and administrative expenses in the consolidated income statement.

Non-controlling equity is measured using the ratio of non-controlling shareholders' equity to the fair value of the acquired company's identifiable net assets.

The goodwill generated through the business combination is reported in the NEW-IT Business segment. It consists mainly of the excess profit-making ability expected chiefly in businesses that will be developed by Digital Arts Consulting Inc. in the future.

There is no important amount of goodwill that is expected to be reported as loss for tax purposes.

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(3) Cash flows from the acquisition

(Unit: million yen)

	Amount
Cash and cash equivalents disbursed for acquisition	2,296
Cash and cash equivalents held by the acquired company at the time of acquisition	△232
Expenditure due to the acquisition of the subsidiary	2,063

(4) Effects on financial results

There are no material on the Group's consolidated income statement of sales revenue and current profit of Digital Arts Consulting Inc. from the date of acquisition to the end of the current consolidated fiscal year.

Pro forma (unaudited) information is not presented as the effects on the consolidated income statements are not material.

Notes on significant subsequent events

(Change of Digital Growth Academia, INC. to a company included under the equity method)

The Company has been operating Digital Growth Academia, INC. in a joint venture agreement with KDDI Corporation. On April 1, 2024, the class shares held by KDDI Corporation in Digital Growth Academia, INC. were converted, resulting in KDDI Corporation holding a majority of the voting rights. As a result of this event, Digital Growth Academia, INC. became a company included under the equity method of the Company as of April 1, 2024.

The Company plans to record a gain on fair value assessment due to the application of the equity method resulting from this event, but the amount has not been determined at this time.

(Matters related to acquisition of treasury shares)

The Company resolved on the following matters concerning the acquisition of treasury shares at the Board of Directors meeting held on May 15, 2024, pursuant to the provisions of Article 156 of the Companies Act as applied with the rewording prescribed in Article 165, Paragraph 3 of the Companies Act, as follows:

1. Reasons for acquisition of treasury shares

To enhance shareholder return and to implement future investment strategies and capital policies expeditiously through M&A, alliance, etc., using treasury shares.

2. Details of matters related to acquisition

- (1) Class of shares to be acquired: Common shares of the Company
- (2) Total number of shares to be acquired: 3,650,000 shares
(Ratio to total outstanding number of shares excluding treasury shares: 5.04%)
- (3) Total acquisition cost: 4,750 million yen
- (4) Acquisition period: May 16, 2024 to December 31, 2024
- (5) Acquisition method: Market purchase on the Tokyo Stock Exchange

(Purchase on the market based on the discretionary account transaction contract related to the acquisition of treasury shares)

3. Treasury shares held as of March 31, 2024

Total outstanding number of shares excluding treasury shares: 72,355,427 shares

Number of treasury shares: 623,335 shares

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Financial Statements of Changes in Shareholders' Equity

(From April 1, 2023
to March 31, 2024)

(Unit: million yen)

	Shareholders'				Equity			
	Capital	Capital surplus		Capital Surplus Total	Retained earnings		Treasury shares	Total shareholders' equity
		Capital reserve	Other capital surplus		Other retained earnings	Retained Earnings Total		
				Retained earnings carried forward				
Opening balance	1,004	1,004	36,787	37,791	2,246	2,246	△1,405	39,636
Change during current period								
New shares issuance	2	2		2		-		5
Dividend of surplus				-	△723	△723		△723
Net loss for the period				-	△96	△96		△96
Decrease by corporate division - split-off type			△211	△211		-		△211
Change during current period excluding shareholder equity (net amount)				-		-		-
Change during current period - Total	2	2	△211	△208	△820	△820	-	△1,026
Closing balance	1,006	1,006	36,576	37,583	1,426	1,426	△1,405	38,610

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	Valuation and conversion differences, etc.		Stock option	Total net assets
	Other differences from valuation of securities	Valuation/ Translation Difference, etc. Total		
Opening balance	250	250	1	39,888
Change during current period				
New shares issuance		-		5
Dividend of surplus		-		△723
Net income		-		△96
Decrease by corporate division - split-off type		-		△211
Change during current period excluding shareholder equity (net amount)	△1	△1	△0	△1
Change during current period - Total	△1	△1	△0	△1,028
Closing balance	249	249	1	38,860

Note: Any fractional sum of less than one million yen was truncated for presentation.

■ List of Individual Notes

Notes on items related to significant accounting policies

1. Valuation standards and methods for securities

Other securities (including operating investment securities)

Other than shares, etc. without market prices	The present market value is recorded. (Valuation differences are incorporated into net assets in full, and selling prices were computed based on the moving-average method.)
Shares, etc. without market prices	Stated at cost, mainly using the moving-average method.

2. Depreciation and amortization methods for depreciable assets

- | | |
|-----------------------------|---|
| (1) Tangible fixed assets | The Company amortizes intangible assets using the straight-line method. The range of useful lives of main property, plant and equipment are as follows:
Buildings 3 - 22 years
Tools, furniture and fixtures 2 - 15 years |
| (2) Intangible fixed assets | The Company amortizes intangible assets using the straight-line method. Software used in-house is amortized by the straight-line method over its useful life assuming in-house use of three to five years. |

3. Basis for recording significant revenues and expenses

The Company's primary business as a holding company is providing management guidance to its subsidiaries. The obligation to perform management guidance services includes providing comprehensive and continuous services necessary to promote autonomous and responsible management of subsidiaries. As this obligation is satisfied over time, revenue is recognized in proportion to the contract period.

Net sales and cost of sales

Sales of operational investment securities are recorded in net sales, and the carrying value of operational investment securities is recorded in cost of sales.

At the meeting of our Board of Directors held on April 14, 2023, a resolution was passed on the abolishment of the "Investment Business" and the change in the reportable segments, etc. As of April 13, 2023, net sales and segment profit and losses on investment securities are shown in finance income and finance costs.

Accordingly, 1,817 million yen of operational investment securities were transferred to investment securities.

4. Other significant matters that are fundamental for the preparation of financial statements

Method for amortizing deferred assets

Share delivery expenses

Equalized amortization over the amortization period (three years) of stock delivery costs.

Additional Information

On April 1, 2023, we transitioned to a holding company structure and conducted business management of our subsidiaries. Accordingly, up to the previous fiscal year, sales, cost of sales, and general and administrative expenses were classified as operating revenues and operating costs, respectively. For operating revenues, grouping management revenues and dividend income from subsidiaries and associates are presented separately.

Notes on accounting estimates

Valuation of investment securities without market prices

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

Investment securities: 3,099 million yen

- (2) Other information that contributes to the understanding of users of consolidated financial statements about the content of accounting estimates

With respect to investment securities without market prices, if the real value of entities targeted for investment declines significantly, their value is reduced appropriately, and valuation differences are reported as loss except for cases in which the recoverability of the real value is supported by sufficient evidence.

Specifically, if the real value of an entity targeted for investment falls by over 50%, the Group determines that the real value has declined significantly and considers whether the recoverability of the real value can be supported by sufficient evidence and decides whether it should be reduced appropriately. In judging recoverability, it evaluates it based on the business plan prepared by the firm targeted for investment and other materials.

These estimates are affected by future uncertain economic conditions and the management of entities targeted for investment, and if business plans do not make progress as planned, the estimates may have significant effects on amounts recognized in the financial statements for the following fiscal year and thereafter.

Valuation of shares in affiliates

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

Affiliates' shares in which the excess profit-making ability at the time of acquisition is reflected in the real value before valuation: 4,080 million yen

- (2) Other information that contributes to the understanding of users of consolidated financial statements about the content of accounting estimates

With respect to affiliates' shares without market prices but whose real value reflects the excess profit-making ability at the time of acquisition, the Group examines whether their real value has declined significantly due to the

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impairment of the excess profit-making ability and other factors. The presence or absence of impairment to excess profit-making capacity and other factors is affected by the likelihood of achieving the business plan. Major assumptions, such as the rate of growth in revenue, sales volumes and unit selling prices, are used in the development of the business plan.

The amount recognized in the financial statements for the following fiscal year could be materially affected if there are material changes in sales volumes or unit selling prices, which are major assumptions in the business plan, and if the real value of the asset declines significantly.

Notes to the balance sheet

1. Cumulative depreciation of property, plant and equipment 67 million yen

2. To efficiently procure working capital, the Company has concluded an overdraft agreement with two banks with which it deals. The remaining balance of the overdraft agreement as of the end of the current fiscal year based on this agreement is as follows.

Overdraft limit total	22,600 million yen
Borrowing balance	-
Difference	22,600

3. Guarantee obligations
The Company has taken on a guarantee of liabilities for paying postage deferred payment mail, etc. of its subsidiaries as follows:

TRUST BANK, Inc.	450 million yen
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4. Monetary claims and obligations to affiliates

Short-term monetary claims	13,022 million yen
Short-term monetary obligations	48 million yen

5. Lending of investment securities
The company has provided 90 million yen worth of investment securities for lending.

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Notes to the statement of income

Amount of transactions with subsidiaries and affiliates

Amount of business transactions

Operating revenue	12,682 million yen
Operating expenses (including returns of salaries of seconded employees)	△281 million yen
Transactions other than operational transactions	8 million yen

Notes to the financial statements of changes in shareholders' equity

Type and total number of treasury shares at end of the fiscal year under review

Common shares	623,335 shares
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Notes on tax effect accounting

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

Deferred tax assets

Accrued business tax	12 million yen
Asset retirement obligations	10
Loss on valuation of investment securities	8
Others	3
Deferred tax assets - Total	34

Deferred tax liabilities

Valuation difference on available-for-sale securities	110
Others	6
Deferred tax liabilities - Total	116
Deferred tax liabilities - Net	82

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Notes on transactions with related parties

Type	Company name	Percentage of voting rights held	Relationship with related party	Transaction amount (million yen)	Subject	Closing balance (million yen)
Subsidiary	TRUST BANK, Inc	Direct 100%	Receipt of business guidance fee (Note 1)	1,428	Accounts receivable	130
			Loan of funds (Note) 2	12,200	-	-
			Loan repayments (Note) 2	12,200	-	-
			Interest received (Note) 2	3	-	-
			Guarantees of indebtedness to banks (Note) 3	9,286	-	-
Subsidiary	CHANGE Inc.	Direct 100%	Receipt of business guidance fee (Note) 1	96	Accounts receivable	8
			Loan of funds (Note) 2	2,350	Other current assets	200
			Loan repayments (Note) 2	2,150		
			Guarantees of indebtedness to banks (Note) 3	9,286		
Subsidiary	Govmates, Inc.	Direct 100%	Loan of funds (Note) 2	1,500	Other current assets	1,500
			Loan repayments (Note) 2	1,350		

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			Interest received (Note) 2	4	Other current assets	4
Subsidiaries of other affiliates	SBI SECURITIES Co., Ltd.		Payment of advisory fees (Note) 4	120		

(Note) 1. In terms of the business guidance fee, the amount is rationally determined with consideration to expenses incurred for services rendered.

2. The interest rate is reasonably determined in consideration of market interest rates relating loans of funds.
3. The Company is in receipt of a guarantee obligation against its borrowings from financial institutions. The transaction amount indicates the balance of borrowings remaining as of end of the fiscal year that is subject to the guarantee obligation. There is no payment of a warranty fee.
4. Payment of advisory fees is set in the same manner as general transaction conditions.

Notes on per-share information

- | | |
|-------------------------|------------|
| 1. Net assets per share | 537.06 yen |
| 2. Net loss per share | △1.34 yen |

Notes on significant subsequent events

(Matters related to acquisition of treasury shares)

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 - (4) Acquisition period: May 16, 2024 to December 31, 2024
 - (5) Acquisition method: Market purchase on the Tokyo Stock Exchange
(Market purchase based on a discretionary transaction contract for the acquisition of treasury shares)
3. Treasury shares held as of March 31, 2024
Total outstanding number of shares excluding treasury shares: 72,355,427 shares
Number of treasury shares: 623,335 shares