Securities code: 3676
(Date of issuance) June 10, 2024
(Start date for electronic provision of documents) June 5, 2024

To our shareholders

3-20-2 Nishi-Shinjuku, Shinjuku-ku, Tokyo
DIGITAL HEARTS HOLDINGS Co., Ltd.
Representative Director and President Toshiya Tsukushi

Notice of the 11th Ordinary General Meeting of Shareholders

We would like to express our sincere thanks for your continued support.

This is to notify you that our 11th Ordinary General Meeting of Shareholders will be held as follows.

When convening this general meeting of shareholder, we take measures to electronically provide information (matters to be electronically provided) as a reference document for the general meeting of shareholder and such information is posted to our website as the Notice of the 11th Ordinary General Meeting of Shareholders on our website. Therefore, we ask that you access and confirm the following website.

Our website https://www.digitalhearts-hd.com/ir/library/meeting/

In addition to the above website, since this document is also posted to the website of the Tokyo Stock Exchange (TSE), you can access the following TSE website (TSE-Listed Company Information Service): Enter "DIGITAL HEARTS HOLDINGS" or "Code" into "Stock Name (Company Name)" or enter "Code" and search for "Securities Code" (3676). Then, select "Basic information" and "Documents for public inspection/PR information" in that order, and check the "Notice of General Shareholders Meeting /Informational Materials for a General Shareholders Meeting".

Tokyo Stock Exchange website (TSE-listed company information service)
https://www2.jpx.co.jp/tseHpFront/JJK010010Action.do?Show=Show

As you are entitled to exercise your voting rights by way of either of the following methods, we respectfully ask that you review our reference materials for our general meeting of shareholders and take steps to exercise your voting rights.

[If you wish to exercise your voting rights in writing]

Indicate whether you are for or against the agenda items set forth in the enclosed voting rights exercise form and return this form to us so that we receive it by no later than 6:00 p.m. on June 26, 2024 (Wednesday).

[If you wish to exercise your voting rights online]

Indicate whether you are for or against the agenda items by no later than 6:00 p.m. on June 26, 2024 (Wednesday), in accordance with the on-screen instructions provided by our website for accessing the https://evote.tr.mufg.jp/) for exercising voting rights. When exercising voting rights online, you are asked to read the instructions for exercising voting rights online on page 4.

Kindest regards

Notes

1.	Date and time	June 27, 2024 (Thursday) 3:00 p.m.
2.	Location	3-20-2 Nishi-Shinjuku, Shinjuku-ku, Tokyo Conference Room 2, 7F, Tokyo Opera City Tower
3.	Agenda of the Meeting	
	Matters for reporting	1. To report the contents of our business report, the contents of our consolidated financial statements, and the results of an audit of our consolidated financial statements as conducted by an Accounting Auditor and our Audit & Supervisory Board for our 11th fiscal year (From April 1, 2023 to March 31, 2024). 2. To report on the contents of our financial statements for our 11th fiscal year (From April 1, 2023 to March 31, 2024).
	Matters for approval	
	Proposal 1	Election of five (5) Directors
	Proposal 2	Election of one (1) Substitute Audit & Supervisory Board Member

◎ When attending this meeting on the day in question, please submit the enclosed voting rights exercise form to the reception desk at the venue.

◎ Among matters concerning measures to provide electronics, the following matters are not indicated in the documents to be issued to shareholder who have requested delivery of documents in accordance with relevant laws and regulations or Article of Incorporation provisions. The Audit & Supervisory Board Member and our Accounting Auditor have audited the documents subject to the audit, including the following matters:

・ Consolidated financial statements: "Consolidated Statement of Changes in shareholder' Equity" and "Notes to the Consolidated Financial Statements"

・ Non-consolidated financial statements: "Statement of Changes in shareholder' Equity" and "Notes to the Financial Statements"

Irrespective of whether or not a request for the issuance of a document is made for this general meeting of shareholder, we will send a uniform document to shareholder describing any electronic provision measures matters other than the matters stated above.

◎ If any amendment is made to matters concerning measures to provide electronics, a statement to that effect, before and after the amendment, shall be posted to each of the websites listed above.

◎ A Notice of Resolutions as concerns this Ordinary General Meeting of Shareholders and a shareholder newsletter will be posted to our website (https://www.digitalhearts-hd.com/)) in lieu of sending them by post.

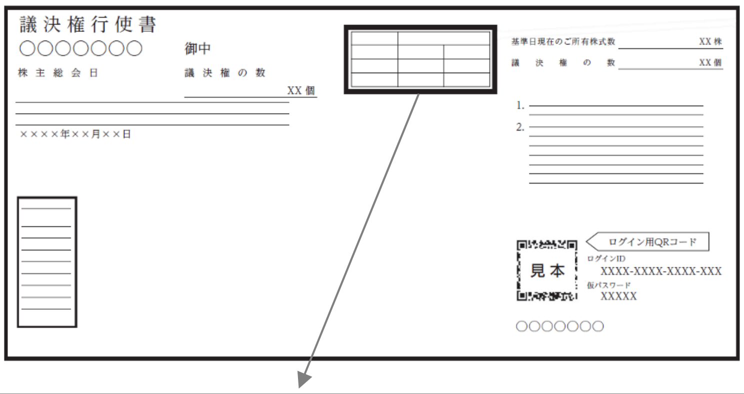
◎ No gift will be provided to attending shareholder. We ask for your understanding on this point.

Guide to Exercising Your Voting Rights

The right to vote at a general meeting of shareholders is an important right belonging to shareholders.
We ask that you study the reference materials for your general meeting of shareholder and exercise your voting rights accordingly.
There are three ways to exercise voting rights as outlined below:

If you are attending the General Meeting of Shareholders	If you exercise your voting rights in writing (by postal mail)	If you exercise your voting rights via the Internet
Submit the enclosed voting rights exercise form to the reception desk at the venue.	Indicate whether you are for or against the agenda items set forth in the enclosed voting rights exercise form and mail this form to us without affixing a stamp to the envelope.	Indicate whether you are for or against the agenda items by following the instructions set forth on the following page.
Date and time	Deadline for exercising your voting rights	Deadline for exercising your voting rights
June 27, 2024 (Thursday) 3:00 p.m.	June 26, 2024 (Wednesday) Should be received by 6:00 p.m.	June 26, 2024 (Wednesday) Should be entered and submitted by 6:00 p.m.

Guide to Filling Out the Voting Rights Exercise Form



Proposal 1	In case you approve all the candidates → Please circle the "approval""賛" colmn
	In case you disapprove all the candidates → Please circle the "disapproval""否" colmn
	In case you disapprove certain candidates → Please circle the "approval""賛" colmn and fill in the candidate number(s) of the candidate(s) you disapprove
Proposal 2	In case you approve → Please circle the "approval""賛" colmn
	In case you disapprove → Please circle the "disapproval""否" colmn

・ If you exercise your voting rights both in writing (postal mail) and online via the Internet, the exercise of your voting rights online via the Internet will be treated as the only valid exercising of your voting rights. In addition, if you exercise your voting rights multiple times online via the Internet, the most recent exercising of your voting rights online via the Internet will be treated as the only valid exercising of your voting rights.
・ If no indication is made of whether you are for or against each agenda item in the voting rights exercise form returned, the statement is treated as having expressed an intent to vote in favor.

Guidance Notes on the Exercise of Voting Rights through the Internet

The exercise of voting rights through the Internet is allowed through either of the following two methods:
(1) Reading the QR code
(2) Entering the Code for Exercise of Voting Rights and password.

(1) Reading the QR code

Step 1: Read the QR code on the lower right-hand side of the Form for Exercise of VotingRights with your smartphone.
You are able to log-in to the website for exercising voting rights without entering the Code for Exercise of Voting Rights and password.
*Note: "QR code" is a registered trademark of DENSO WAVE INCORPORATED.

Step 2: Please continue by following the directions on the screen and enter your approval or disapproval of each resolution.

(2) Entering the Code for Exercise of Voting Rights and password

Step 1: Access to the website for exercising voting rights
Website URL for exercise of voting rights: https://evote.tr.mufg.jp/

Step 2: Enter "Code for Exercise of Voting Rights" indicated on the Form for Exercise of Voting Rights and click "Login." When accessing for the first time, it will move on to the password change screen.

Step 3: Enter the initial password indicated on the Form for Exercise of Voting Rights and set up a new password for actual use.

Step4: Please continue by following the directions on the screen and enter your approval ordisapproval of each resolution.

By exercising your voting rights online via the Internet
For operating the computer and smartphone
Contact us at the contact information presented to the right
if you have any questions.

Help Desk, Securities Agency Division, Mitsubishi UFJ Trust and Banking Corporation
0120-173-027
(Toll-free / Hours of operation: 9:00 a.m. to 9:00 p.m.)

Institutional investors can use the Electronic Voting Rights Exercise Platform for Institutional Investors administered by ICJ, Inc.

(Appendix)

Business Report

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

I. Matters concerning the current state of our corporate group

1. businesses progress and results

■ Analysis of operating results (consolidated)

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

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

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

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

Business results by segment are reviewed below.

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

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

(1) Enterprise Business

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

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

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

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

(2) Entertainment Business

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

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

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

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

2. Status of capital investments

Capital investments made in the current consolidated fiscal year totaled JPY837 million, which mainly consisted of purchases of Debugging aircraft and the development of bases in preparation for Spin-Off Listing.

3. Status of the procurement of funds

Funds required by our group are raised through self-financing and the borrowing of funds. In this consolidated fiscal year, JPY3.92 billion was borrowed from financial institutions.

4. Issues to be addressed

Our corporate group regards the following five points as key issues and will work to address these issues in order to reinforce our earnings base and achieve further growth:

(1) Securing and cultivating human resources

To enable our group to continue to increase its corporate value, we recognize that securing exceptional human resources and the development of existing human resources who will be responsible for the future are important issues for management.

In particular, QA solutions, which are our focus businesses, require the implementation of tests planned and designed by engineers. In addition, they require specialized knowledge related to quality improvement, including Vulnerability Testing and test automation, as well as manual testing. Therefore, it is essential to improve technological capabilities and expertise through the securing and development of engineer human resources.

To this end, our corporate group has strengthened new graduates and mid-career hires by creating an attractive environment for engineers, centered on AGEST, Inc., and is working to build a base of exceptional human resources through AGEST Academy, a proprietary educational institution that condenses the expertise and other expertise of software testing experts who are active globally. Furthermore, through the active use of external resources, including business partners, we have built a system for responding to rapidly increasing demand.

In addition, even in our flagship domestic Debugging, it is essential to constantly secure testers as many temporary employees as possible in order to develop an organizational framework capable of expediently and continuously providing high-quality services in accordance with the liquid development schedules of customer or client companies. To this end, our corporate group has secured a wealth of testers through the strategic deployment of test centers, lab. (Lab.), centered on DIGITAL HEARTS Co., Ltd..

Going forward, our group will continue to work to expand the pool of human resources through developing work styles and educational systems suited to the needs of a diverse range of human resources.

(2) Increasing value added to services

To intensify the development of new contents and services against the backdrop of the acceleration of DX in the digital-related markets in which our group operates, we recognize the ability to flexibly accommodate changes in the market environment and the diversification of customer or client requirements as a critical management issue.

Our corporate group will provide comprehensive services in accordance with customer or client requirements across a wide range of processes from development to maintenance and operations. This will be done by combining the competitive edge and extensive human resources we have cultivated in our original business of Entertainment Business with the expertise of the entire Group in a way that transcends businesses and regional boundaries, including expertise unique to test-based specialized companies cultivated in Enterprise Business. In addition, the Group will strive to provide high value-added services by proactively working on the development of new services and the use of AI and other technologies.

(3) Deploying services overseas

Our corporate group also considers the deployment of services overseas as a critical management issue that must be addressed if we wish to achieve sustainable growth.

To this end, our group has deployed businesses such as enterprise system testing services and game Debugging and localization services through overseas subsidiary in the United States, the United Kingdom, China, South Korea, Taiwan, Vietnam, and other countries and is working to build an overseas businesses base to achieve sustainable growth.

We will continue to expand our businesses operations globally in accordance with a basic policy of providing services in markets where we can expect high levels of profit and growth.

(4) Expanding businesses domains and promoting new businesses

Even as we maintain our entertainment business as a significant source of revenue, our corporate group recognizes that the promotion of new businesses along with the expansion of existing business domains is an important management issue for establishing stable growth from a diverse range of revenue sources.

To that end, we have been proactively working to expand the size of our businesses in multifaceted ways using mergers and acquisitions, among other options, and developing new services in the pursuit of a unique identity. We will continue to focus on the cultivation of new businesses domains and the creation and growth of new businesses as well as on putting together a stable businesses portfolio-based on a diverse range of revenue sources.

(5) Maintaining a stable financial base

Our Group has sustained a high level of profitability primarily through Entertainment Business that are highly capable of producing strong cash, and we have maintained a sound financial structure while providing stable dividends and other returns to shareholder.

However, we understand that the strengthening of our financial base is an even more important management issue than before as the global economy changes. We will continue to fortify our cash-flow management and continue to work to secure a stable financial base, such as through taking flexible measures by way of procuring external funds from financial institutions when necessary.

We respectfully ask for the continued support and encouragement of our shareholders.

5. Status of assets and income (loss)

Category		8th term FY2020	9th term FY2021	10th term FY2022	11th term (This consolidated fiscal year) FY2023
Net sales	(JPY in thousand)	22,669,577	29,178,789	36,517,693	38,790,197
Ordinary income	(JPY in thousand)	1,975,394	2,774,078	3,152,548	2,059,115
Net income attributable to owners of the parent	(JPY in thousand)	974,492	1,778,650	799,550	176,927
Net income per share	(JPY)	45.15	82.25	36.50	7.94
Total assets	(JPY in thousand)	14,338,792	17,610,296	19,581,635	21,103,096
Net assets	(JPY in thousand)	6,314,752	7,566,223	9,474,520	8,852,361
Net assets per share amount	(JPY)	263.32	323.21	395.65	377.80

Notes: 1. net income per share is calculated based on the weighted-average number of shares during the term.

2. Indicated monetary amounts are rounded down to the nearest thousand JPY. Provided, however, that net income per share and net assets per share amounts are rounded to two decimal places.

3.The provisional accounting treatments related to business combinations were finalized in the fiscal year ended March 2023. Each figure related to the fiscal year ended March 2022 reflects the contents of the finalization of the provisional accounting treatments.

6. Status of significant parent companies and subsidiary

(1) Relationship to parent companies

Not applicable

(2) Status of significant subsidiary and affiliates

（subsidiary）

Company Name	Capital stock	Of ours Stake owned	Main lines of business
DIGITAL HEARTS Co., Ltd.	JPY 276 million	100.0 %	Debugging, game-translating, LQA, and more
AGEST, Inc.	JPY 100 million	100.0 %	System Testing, security-related, per-introduction support, software-development support, and more
DIGITAL HEARTS USA Inc.	USD 1,464 thousand	100.0 %	Localization and more
DIGITAL HEARTS(Shanghai)Co., Ltd.	RMB 6 million	100.0 %	Debugging, localization, and more
Aetas, Inc.	JPY 89 million	60.0 %	Operations of a game information website and more
FLAME Hearts Co., Ltd.	JPY 60 million	100.0 %	Commissioned development of games and graphics production
DIGITAL HEARTS Seoul Co., Ltd.	KRW 50 million	100.0 %	Localization, marketing, and more
LOGIGEAR CORPORATION	USD 5,146 thousand	100.0 % (100.0 %)	System Testing and more
AGEST Vietnam Co., Ltd.	VND 8,352 million	100.0 % (100.0 %)	System Testing and more
Digital Hearts Linguitronics Taiwan Co., Ltd.	NTD 5 million	55.0 % (55.0 %)	Localization and more
DIGITAL HEARTS CROSS Marketing and Solutions Limited	USD 13,490 thousand	100.0%	Intermediate holding company
DIGITAL HEARTS CROSS Shanghai Co., Ltd.	RMB 25 million	100.0% (100.0%)	Marketing
DH & Luminous Media International Corporation	USD 1,300 thousand	51.0% (51.0%)	Marketing

Company Name	Capital stock	Of ours Stake owned	Main lines of business
DIGITAL HEARTS CROSS Tokyo Co., Ltd.	JPY 25 million	100.0% (100.0%)	Marketing
MK Partners, Inc.	USD 8 thousand	61.1% (61.1%)	System Consulting
TPP SOFTWARE COMPANY LIMITED	VND 2.3 billion	100.0% (100.0%)	Software development support
identity Inc.	JPY 100 million	100.0%	Human resources platform-based businesses and more
DEVELOPING WORLD SYSTEMS LIMITED	GBP 450	100.0% (100.0%)	Introduction support for Oracle products, maintenance and operation support, and more
DWS North America, Inc.	-	100.0% (100.0%)	Introduction support for Oracle products, maintenance and operation support, and more
CEGB Co., Ltd.	JPY 15 million	100.0% (100.0%)	Introduction of SAP, operation consulting, support for software development, and more
GPC K.K	JPY 30 million	100.0% (100.0%)	SAP/ERP Introduction support, development of open system, contracted development

Notes: 1. A figure in parentheses in the "Our stake" column denotes the percentage corresponding to indirect ownership (included number).

2. All shares of GPC K.K were acquired on April 3, 2023, making it a wholly-owned subsidiary.

3. LOGIGEAR VIETNAM CO., LTD., a consolidated subsidiary, changed its name to AGEST Vietnam Co., Ltd. on October 20, 2023.

(Affiliated companies)

Company Name	Capital stock	Of ours Stake owned	Main lines of business
JetSynthesys Digital Services Private Limited	Rupee 400 thousand	50.0%	Debugging businesses for Indian and overseas customer or client

Note: As a result of the acquisition of shares of JetSynthesys Digital Services Private Limited during the current consolidated fiscal year, it has become an affiliate, it has been included in affiliates accounted for by the equity method.

7. Major Business activities (as of March 31, 2024)

businesses		Major services
Enterprise Business		Provision of the following services for enterprise systems
	QA solution	System Testing for detecting bug or defect in enterprise systems, security-testing, assistance with the introduction of surveys, software-development support, and other related services
	IT services and others	Services such as dispatch of engineers, security monitoring, maintenance and operation support
Entertainment Business		Provision of the following services for entertainment content, including console games and mobile games
	Domestic debugging	A service to detect software bug or defect on a user perspective basis and report our findings to customer or client companies, primarily domestic console games and mobile games
	Global and others	Global services, such as the localization, LQA, and marketing support that is essential to introducing game titles in overseas markets as well as Creative Services including contracted development services for game and 2D/3D graphics production, along with Media Services that include operation of the 4Gamer.net game information site

8. Major businesses centers and more (as of March 31, 2024)

(1) The Company

Company Name	Address
Head office	Shinjuku-ku, Tokyo

（2）Subsidiary

Company Name	Address
DIGITAL HEARTS Co., Ltd.	Shinjuku-ku, Tokyo
AGEST, Inc.	Bunkyo-ku, Tokyo
DIGITAL HEARTS USA Inc.	United States
DIGITAL HEARTS(Shanghai)Co., Ltd.	China
Aetas, Inc.	Chuo-ku, Tokyo
FLAME Hearts Co., Ltd.	Minato-ku, Tokyo
DIGITAL HEARTS Seoul Co., Ltd.	South Korea
LOGIGEAR CORPORATION	United States
AGEST Vietnam Co., Ltd.	Vietnam
Digital Hearts Linguitronics Taiwan Co., Ltd.	Taiwan
DIGITAL HEARTS CROSS Marketing and Solutions Limited	British Virgin Islands
DIGITAL HEARTS CROSS Shanghai Co., Ltd.	China
DH & Luminous Media International Corporation	British Virgin Islands
DIGITAL HEARTS CROSS Tokyo Co., Ltd.	Shinjuku-ku, Tokyo
MK Partners, Inc.	United States

Company Name	Address
TPP SOFTWARE COMPANY LIMITED	Vietnam
identity Inc.	Shinjuku-ku, Tokyo
DEVELOPING WORLD SYSTEMS LIMITED	United Kingdom
DWS North America, Inc.	United States
CEGB Co., Ltd.	Bunkyo-ku, Tokyo
GPC K.K	Osaka City, Osaka

9. Status of employees (as of March 31, 2024)

Segment	Number of employees (persons)		Increase or decrease from the end of the preceding consolidated fiscal year (number of persons)	
Enterprise Business	1,178	(311)	144	(168)
Entertainment Business	439	(3,304)	-32	(-266)
Companywide (shared services)	253	(61)	12	(34)
Total	1,870	(3,676)	124	(-64)

Notes: 1. The number of employees is the number of persons in employment.
2. The annual average number of temporary employees is indicated in parentheses in the column corresponding to the number of employees.
3. The number of temporary employees includes permanent part-time employees and temporary employees.
4. " Companywide (shared services)" refers to employees belonging to the Administrative Department or other such sections that cannot be classified into specific segments.

10. Major lenders (as of March 31, 2024)

Lender	Outstanding balance of loans owing
MUFG Bank, Ltd.	JPY4,000,000 thousand
Sumitomo Mitsui Banking Corporation	JPY2,130,000 thousand
Resona Bank, Limited	JPY950,000 thousand

II. Matters concerning shares of the Company (as of March 31, 2024)

1. Total number of issuable shares 76,800,000 shares
2. Total number of shares outstanding 23,890,800 shares(Including 1,615,011 treasury shares)
3. Number of shareholders 6,575 persons
4. Major shareholder (top 10 persons)

Name of Shareholder	Number of shares held	Shareholding ratio (%)
Eiichi Miyazawa	9,423,655	42.30
NORTHERN TRUST CO.(AVFC) RE FIDELITY FUNDS	1,902,364	8.54
A-1 LLC	1,324,900	5.95
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,285,000	5.77
Custody Bank of Japan, Ltd. (Trust Account)	666,200	2.99
STATE STREET BANK AND TRUST COMPANY 505103	230,500	1.03
J.P. MORGAN BANK LUXEMBOURG S.A. 381593	217,500	0.98
NORTHERN TRUST CO.(AVFC) RE NON TREATY CLIENTS ACCOUNT	189,450	0.85
INTERACTIVE BROKERS LLC	189,400	0.85
Taichi Yabu	180,500	0.81

Notes: We hold 1,615,011 treasury shares but are excluded from the above list of major shareholder. The shareholding ratio (stake) is calculated net of treasury shares.

5. Status of shares issued to our executives as compensation for the execution of duties during the current fiscal year

	Number of shares	Number of persons to whom shares have been issued
Directors (excluding Outside Directors)	11,362 shares	3 persons

III. Matters concerning the stock acquisition rights of companies

1. Status of stock acquisition rights issued as compensation for the execution of duties as held by our executives as of the end of the current fiscal year

   Not applicable

2. Status of stock acquisition rights issued to employees and others as compensation for the execution of duties during the fiscal year

   Not applicable

3. Material matters concerning stock acquisition rights

(1) Our officers

   Not applicable

(2) Material matters concerning stock acquisition rights

At the Board of Directors meeting held on June 14, 2023, the Company resolved to acquire and cancel the 7th and 8th stock acquisition rights issued by the Company, and completed the acquisition and cancellation of all stock acquisition rights as of June 29, 2023.

IV. Matters concerning officers of the Company

1. Names of and other details pertaining to Director and Audit & Supervisory Board Member (as of March 31, 2024)

Position	Name	Responsibilities and important concurrent positions
Representative Director and President	Yasumasa Ninomiya	CEO Representative Director, President and CEO of AGEST, Inc.
Director and Chairman	Eiichi Miyazawa	
Director and Executive Vice President	Toshiya Tsukushi	COO Representative Director & President of DIGITAL HEARTS Co., Ltd. Representative Director & President of FLAME Hearts Co., Ltd., Director of DIGITAL HEARTS CROSS Marketing and Solutions Limited
Director	Takashi Yanagiya	Outside Director of Showa Sangyo Co., Ltd. Chairman, Board of Trustees of Meiji University Chairman, Board of Trustees of Nakano Gakuen
Director	Emiko Murei	Professor of Aoyama Gakuin University Graduate School of Professional Accountancy
Director	Ryo Chikasawa	Partner of Mori Hamada & Matsumoto
Standing Audit & Supervisory Board Member	Masahide Date	
Audit & Supervisory Board Member	Keiya Kazama	
Audit & Supervisory Board Member	Toshifumi Nikawa	
Audit & Supervisory Board Member	Yoko Okano	

(Notes) 1. Takashi Yanagiya, Emiko Murei, and Ryo Chikasawa are Outside Director as prescribed in item xv of Article 2 of the Companies Act. Takashi Yanagiya and Emiko Murei satisfy the criteria for independence as prescribed by the Tokyo Stock Exchange. Both individuals have been designated as independent officers in accordance with provisions as set forth by the Tokyo Stock Exchange and notified accordingly to the Tokyo Stock Exchange. Ryo Chikasawa has not been notified to the Tokyo Stock Exchange in accordance with the internal regulations of the law firm to which he belongs.

2. Toshifumi Nikawa and Yoko Okano are Outside Audit & Supervisory Board Member as prescribed in item xvi of Article 2 of the Companies Act. Both individuals have been notified to the Tokyo Stock Exchange as independent officers.

3. Masahide Date, Standing Audit & Supervisory Board Member, has accounting experience at a DIGITAL HEARTS Co., Ltd. and possesses substantial knowledge of finance and accounting.

4. Keiya Kazama, Audit & Supervisory Board Member, is a certified public accountant and certified tax accountant and possesses substantial knowledge of finance and accounting in part from being in charge of the finance and accounting departments at us and our Group companies.

5. Toshifumi Nikawa, Audit & Supervisory Board Member, has many years of experience at financial institutions and possesses substantial knowledge of finance and accounting.

6. Yoko Okano, Audit & Supervisory Board Member, has many years of experience as an attorney and possesses a wealth of experience and expertise.

7. Yasumasa Ninomiya, Representative Director and President, resigned from his position as Director of DIGITAL HEARTS Co., Ltd. on December 31, 2023. He also resigned from his position as Representative Director, President and CEO of our company on April 1, 2024 and is now a Director of ours.

8. Toshiya Tsukushi, Director and Executive Vice President, resigned from his position as Director of AGEST, Inc. on October 1, 2023 and was appointed our Representative Director, President and CEO on April 1, 2024.

9. Eiichi Miyazawa, Director and Chairman, was appointed our Representative Director and Chairman on April 1, 2024.

10. Takashi Yanagiya, Director, retired as an outside director of ALPHA SYSTEMS INC. due to the completion of his term of office at the conclusion of the company's 51st Ordinary General Meeting of Shareholders held on June 29, 2023.

2. Overview of contracts limiting liability

Outside Director and Outside Audit & Supervisory Board Member have concluded contracts to limit liability for damages as provided for in paragraph (1) of Article 423 of the Companies Act in accordance with the provisions of paragraph (1) of Article 427 of the same Act. The maximum amount of the liability for damages under these agreements is the minimum amount of liability as prescribed in relevan laws and regulations.

3. Summary of content of executive liability insurance policy

We have concluded a liability insurance agreement for officers as prescribed in paragraph (1) of Article 430-3 of the Companies Act with an insurance company. The scope of insured persons as provided for in this insurance agreement encompasses the officers of the Company and the officers of subsidiaries of the Company and all premiums shall be assumed in full by the Company. This insurance agreement covers damages arising from the assumption of liability by insured persons concerning the execution of duties thereby and from received claims related to the pursuit of the liability of insured persons.

4. Amount of remuneration for Director and Audit & Supervisory Board Member

(1) We determined the policy for determining the details of the remuneration of individuals for our Director on February 19, 2021, by way of a board of directors resolution, after giving maximum respect to a report submitted by the Nomination and Remuneration Committee, the majority of whose members comprise Outside Director. The contents thereof are as follows.

The board of directors has respected, to the maximum extent possible, the contents of the report as submitted by the Nomination and Remuneration Committee, the majority of whose members comprise Outside Director, and determined the remuneration of individual Director related to the fiscal year in accordance with the maximum amount of remuneration as approved at a general meeting of shareholder, and believes that the contents thereof are in accordance with the policy applicable to the determination thereof.

① Basic policy

The basic policy on the remuneration of the Directors of the Company treats remuneration as being linked to shareholder earnings so as to fully function as an incentive for sustainably increasing the value of the company, such that the remuneration of each Director shall be set to an appropriate level based on the duties thereof.

Specifically, the remuneration of an Executive Director shall consist of basic remuneration as fixed remuneration, bonuses as performance-linked remuneration, and share-based remuneration and determined at a meeting of the Board of Directors based on a report submitted by the Nomination and Remuneration Committee. An Outside Director in charge of supervisory functions shall be paid only the basic remuneration in light of the duties thereof.

② Policy on determining the amount of basic remuneration (monetary remuneration) for an individual Director

The basic remuneration for our Director shall be fixed and monthly and determined in accordance with the position, responsibilities, and number of years in office (hereinafter referred to as "position and other factors") upon comprehensively taking into account the level of basic remuneration at other companies, our performance, and the level of employee salaries.

③ Policy on determining the details of performance-linked remuneration and the method by which the amount or number thereof is calculated

For performance-linked remuneration, a cash bonus reflecting key performance indicators (KPI) is paid to raise awareness of the need to increase performance each fiscal year and an amount calculated according to the extent to which financial KPIs, such as consolidated operating income, have been attained for the given fiscal year and the extent to which ESG-related non-financial KPIs have been attained shall be paid within a certain period of time after the results for the given fiscal year have been finalized. Target KPIs and their values shall be set at the time a plan for the fiscal year is formulated to ensure consistency with the plan and reviewed as needed based on a report submitted by the Nomination and Remuneration Committee in response to environmental changes.

④ The details of non-monetary remuneration and the policy on determining the method by which the amount or number thereof is calculated

For non-monetary remuneration, share-based remuneration subject to transfer restrictions shall be granted for the purpose of providing an incentive to increase the corporate value of the Company on a sustainable basis and sharing value with shareholders and the number of shares to be granted as determined upon comprehensively taking position and other factors into account shall be provided at a certain time each year. Shares subject to transfer restrictions shall be administered in a dedicated account opened with a securities firm during the term of the restrictions on the transfer thereof in order to prevent their disposition, such as by way of the transfer thereof or the attachment of a security right therein, during the term of the restrictions on the transfer thereof.

⑤ Policy on determining the percentages of remuneration for an individual as a Director of the amount of monetary remuneration, the amount of performance-linked remuneration, and the amount of non-monetary remuneration

The Nomination and Remuneration Committee shall investigate remuneration percentages by type of Executive Director based on remuneration levels benchmarked against companies of a comparable scale of business as the Company or companies belonging to related industries and business categories as the Company with the weight of performance-linked remuneration and share-based remuneration rising for higher-ranking positions.

⑥ Matters concerning the determination of the details of remuneration for an individual Director

With respect to the amount of remuneration for an individual Director, the Board of Directors shall resolve the amounts of basic remuneration and bonuses for an individual Director and the number of shares to be allocated as share-based remuneration based on the contents of a report submitted by the Nomination and Remuneration Committee, the majority of whose members comprise Outside Directors, with the utmost respect given for such report.

(2) Total amount of remuneration corresponding to the fiscal year

	Total amount of remuneration etc.	Total amounts of remuneration etc. by type			Be subject Number of officers
		Basic remuneration	Performance-linked remuneration	Non-monetary remuneration	
Director (Outside Director)	JPY113,548 thousand (JPY19,200 thousand)	JPY87,700 thousand (JPY19,200 thousand)	JPY10,351 thousand (-)	JPY15,497 thousand (-)	6 persons (3 persons)
Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member)	JPY18,547 thousand (JPY6,480 thousand)	JPY18,547 thousand (JPY6,480 thousand)	- (-)	- (-)	4 persons (2 persons)
Total (Outside Officers)	JPY132,095 thousand (JPY25,680 thousand)	JPY106,247 thousand (JPY25,680 thousand)	JPY10,351 thousand (-)	JPY15,497 thousand (-)	10 persons (5 persons)

(Notes) 1. The amount of remuneration for Director does not include the amount corresponding to the employee Director who also serves as an employee.

2. Bonuses are paid as performance-linked remuneration and the amount of provision for directors' bonuses corresponding to the current fiscal year is indicated above. The method by which the amount of performance-linked remuneration is calculated is as described in [(1) 3) Policy on determining the details of performance-linked remuneration and the method by which the amount or number thereof is calculated. The following contents have been set to be consistent with the annual plan as a performance indicator on which the amount of performance-linked remuneration can be calculated. An achievements or result of the fiscal year's performance indicators is as follows.

KPI		Target value	Achievements or result	Valuation weight
Financial KPI	Operating income	JPY3.1 billion	JPY2 billion	80%
	ROIC	15.0%	14.5%	
Non-financial KPI	Personnel and Qualitist numbers Ratio of female managers Employment rate of persons with disabilities	Set for each indicator	-	20%

※ "Qualitist" is our unique name, which refers to quality-improvement specialists.

3. Non-monetary remuneration consists of the granting of shares of our common stock as share-based remuneration subject to transfer restrictions and the number of shares to be granted as determined upon comprehensively taking performance, position, and other factors into account shall be provided at a certain time each year. The status of payments under this fiscal year is "II. 5. The status of shares issued to our executives as compensation for the execution of duties during the current fiscal year is indicated.

4. It was resolved at the 3rd ordinary general meeting of shareholder as held on June 29, 2016, that the total amount of monetary remuneration for Director shall be no more than JPY340 million per year (of which the amount per year for Outside Director shall be no more than JPY30 million; exclusive of salaries for employees given to Director who also serve as employees). The number of Director as of the conclusion of this general meeting of shareholder is five (of whom two are Outside Director).

It was resolved at the 8th ordinary general meeting of shareholder as held on June 24, 2021, that the amount of remuneration for the granting of shares subject to transfer restrictions to Director, which is distinct from monetary remuneration and excludes Outside Director, shall be no more than JPY260 million per year (exclusive of salaries for employees given to Director who also serve as employees). The number of Director persons excluding Outside Director as of the conclusion of this general meeting of shareholder is three.

It was resolved at the 3rd ordinary general meeting of shareholder as held on June 29, 2016, that the total amount of monetary remuneration for the Audit & Supervisory Board Member shall be no more than JPY24 million per year. The number of Audit & Supervisory Board Member as of the conclusion of this general meeting of shareholder is four (of whom three are Outside Audit & Supervisory Board Member).

5. Matters concerning outside officers

(1) Relationship between the entity where an officer holds an important concurrent position and us

Name	Entity where an officer holds a concurrent position	Concurrent position	Relationship with the other juridical person or entity
Takashi Yanagiya	Showa Sangyo Co., Ltd.	Outside Director	There is no special relationship between the Company and the entity where the officer holds a concurrent position.
	Meiji University	Chairman	There is no special relationship between the Company and the entity where the officer holds a concurrent position.
	Nakano Gakuen	Chairman	There is no special relationship between the Company and the entity where the officer holds a concurrent position.
Emiko Murei	Aoyama Gakuin Graduate School	Professor	There is no special relationship between the Company and the entity where the officer holds a concurrent position.
Ryo Chikasawa	Mori Hamada & Matsumoto	Partner Attorney at Law	While we have concluded a legal advisory agreement with the entity where the officer holds a concurrent position in this case, the amount of remuneration under this arrangement equals less than 1% of the sales of the other entity and less than 1% of our consolidated sales.

(2) Status of major activities in this fiscal year

Category	Name	Status of major activities and outline of duties carried out in connection with the roles expected of the Outside Director
Outside Director	Takashi Yanagiya	He attended the board of directors held on this fiscal year 16 out of 16. He primarily expresses, based on knowledge derived from his extensive experience as a corporate manager, his opinions on a proactive basis from this perspective at meetings of the Board of Directors and fulfills an appropriate role in ensuring the validity and appropriateness of decision-making, such as by supervising and giving advice from an objective standpoint. He also attended eight out of eight meetings of the Nomination and Remuneration Committee held on the fiscal year as a member of this committee and carried out supervisory functions in the process of selecting candidates for positions as officers of the Company and the process of determining the remuneration of officers from an objective and neutral standpoint.
Outside Director	Emiko Murei	She attended the board of directors held on this fiscal year 16 out of 16. She primarily expresses, based on specialized knowledge obtained as a university teacher and certified public accountant, her opinions on a proactive basis from this perspective at board of directors and fulfills appropriate roles in ensuring the validity and appropriateness of decision-making, such as by supervising and giving advice from an objective standpoint. She also attended eight out of eight meetings of the Nomination and Remuneration Committee held on the fiscal year as a member of this committee and carried out supervisory functions in the process of selecting candidates for positions as officers of the Company and the process of determining the remuneration of officers from an objective and neutral standpoint.
Outside Director	Ryo Chikasawa	He attended the board of directors held on this fiscal year 16 out of 16. He primarily expresses, based on specialized knowledge obtained as an attorney, his opinions on a proactive basis from this perspective at meetings of the Board of Directors and fulfills an appropriate role in ensuring the validity and appropriateness of decision-making, such as by supervising and giving advice from an objective standpoint. He also attended eight out of eight meetings of the Nomination and Remuneration Committee held on the fiscal year as a member of this committee and carried out supervisory functions in the process of selecting candidates for positions as officers of the Company and the process of determining the remuneration of officers from an objective and neutral standpoint.
Outside Audit & Supervisory Board Member	Toshifumi Nikawa	He attended 16 out of 16 meetings of the board of directors and 12 out of 12 meetings of the Audit & Supervisory Board Member meetings held on this fiscal year. He primarily makes statements required to deliberate agenda items from this perspective at board of directors based on knowledge gained through working at a financial institution. He also makes timely, necessary statements on, among other matters, the Company's compliance system and development of internal controls by the Company at meetings of the Audit & Supervisory Board.
Outside Audit & Supervisory Board Member	Yoko Okano	She attended 16 out of 16 meetings of the board of directors and 12 out of 12 meetings of the Audit & Supervisory Board Member meetings held on this fiscal year. She primarily makes statements required to deliberate agenda items from this perspective at board of directors, based on specialized knowledge obtained as an attorney and other factors. She also makes timely, necessary statements on compliance-related matters at Audit & Supervisory Board Member meetings.

V. Status of our Accounting Auditor

1. Name of our Accounting Auditor

   Grant Thornton Taiyo LLC

2. Remuneration paid to the Accounting Auditor for the fiscal year

Category	Amount of remuneration for Accounting Auditors corresponding to the current fiscal year
Amount paid	JPY53,182 thousand
Total amount of money and other property benefits to be paid to the Accounting Auditor by the Company and our subsidiaries	JPY65,310 thousand

(Notes) 1. As a result of checking the achievements or result between audit hours by audit item and by hierarchy in the previous fiscal year's audit plan, changes in the remuneration amount, and the status of the execution of duties by the Accounting Auditor based on the Practical Guidelines for Coordinating with Accounting Auditors as published by the Japan Audit & Supervisory Board Member Association and reviewing the validity of the fiscal year's audit plan and remuneration amount, the Audit & Supervisory Board Member Association gave its consent as provided for in paragraph (1) of Article 399 of the Companies Act.

2. The audit agreement concluded by and between us and the Accounting Auditor does not clearly distinguish amounts of remuneration for auditing between audits based on the Companies Act and audits based on the Financial Instruments and Exchange Act. As it is also not possible to distinguish these amounts in any practical sense, the sum of these amounts are stated in the amount of remuneration corresponding to the fiscal year.

3. While no policy on determining remuneration for audits to be paid to our Accounting Auditor has been set forth, remuneration is determined upon taking the number of days an audit takes to complete, the contents of the work involved, and other factors comprehensively into account.

4. Some of our consolidated subsidiary have been subject to audits performed by auditing firms other than our Accounting Auditor.

3. Contents of non-audit services

   Not applicable

4. Overview of contracts limiting liability

   We and Grant Thornton Taiyo LLC have concluded an agreement to limit liability for damages as provided for in paragraph (1) of Article 423 of the Companies Act in accordance with the provisions of paragraph (1) of Article 427 of the same Act. The maximum amount of the liability for damages under these agreements is the minimum amount of liability as prescribed in relevan laws and regulations.

5. Policy on determining the dismissal or non-reappointment of the Accounting Auditor

The Audit & Supervisory Board Member Board shall decide that the dismissal or non-reappointment of the Accounting Auditor shall be made a purpose of a general meeting of shareholder where the execution of the duties of the Accounting Auditor is impeded or where otherwise deemed necessary.

The Audit & Supervisory Board Member Board shall dismiss the Accounting Auditor with the unanimous consent of the Audit & Supervisory Board Member if the Accounting Auditor is deemed to fall under any of the items set forth in paragraph (1) of Article 340 of the Companies Act. In such a case, Audit & Supervisory Board Member elected by the Audit & Supervisory Board Member Board shall report the fact of and the grounds for the dismissal of the Accounting Auditor at the first general meeting of shareholder to be convened subsequent to the dismissal of the Accounting Auditor.

6. Matters concerning any suspension of business currently in effect

Not applicable

7. Matters concerning any suspension of business to which the Company has been subject in the last two years

Our Accounting Auditor was subject to a three-month suspension of business with respect to the conclusion of a new agreement from the Financial Services Agency (January 1, 2024, to March 31, 2024) on December 26, 2023.

8. Matters concerning an Accounting Auditor who has resigned or who has been dismissed

Not applicable

VI. Company systems and policies

1. Matters concerning the development of systems for ensuring the appropriateness of operations

The contents of a basic policy on establishing internal control systems as resolved by the Board of Directors are as follows.

(1) System for ensuring that the execution of duties by our Director, employees, the Director of our subsidiary, and employees complies with laws, regulations, and Article of Incorporation

① We and our group companies shall, in accordance with the Group Compliance Guidelines, construct a system for ensuring that the execution of duties by the Director and employees of us and our group companies complies with laws, regulations, and Article of Incorporation as well as with social norms, corporate ethics, and internal rules and for having such duties executed in an appropriate and sound manner.

② We provide compliance training to the officers and employees of our group in order to cultivate an awareness of compliance throughout the entire Group.

③ We and our group companies shall take decisive actions in accordance with the law against antisocial forces and organizations that pose a threat to the order and safety of civil society, ban any relationship therewith, and refrain from engaging in conduct that has the effect of aiding or abetting the activities thereof.

④ We and our group companies shall develop and operate internal controls in accordance with the Financial Instruments and Exchange Act and other relevant laws and regulations in order to ensure the reliability of financial reporting.

(2) System concerning the retention and management of information pertaining to the execution of duties by our Director

① We shall record information pertaining to the execution of duties by the Director in documents or on electromagnetic media and appropriately retain and manage the foregoing in accordance with relevant laws and regulations and internal rules.

② In response to any request to access such information as made by the Director or Audit & Supervisory Board Member, the information in question shall be promptly made available for perusal.

(3) Regulations and other systems concerning the control of the risk of loss to us and our subsidiary

① We shall address risks that could potentially cause losses to the management of the Group in accordance with the Regulations Governing the Management of Group Risks. In addition, the board of directors and Risk Management Committee shall study a policy for dealing with especially serious risks and shall accurately identify and manage such risks.

② In the event that a serious risk materializes, we shall establish an emergency response team headed by our President or a person appointed by our President and appropriately implement countermeasures on a timely basis.

③ Each Group company shall appropriately establish its own risk-management system and crisis-management system.

(4) Systems to ensure that the efficient execution of the duties of our Director and the Director of the subsidiary

① We shall formulate a management strategy for the entire Group and a basic policy to constitute the basis of the management of the Group, provide guidance to Group companies, and conduct regular checks of the state of progress for the entire Group through the board of directors of Group companies and Group companies shall formulate and implement businesses plans based on the aforementioned strategy and basic policy.

② We shall prescribe standards applicable to the chain of command, authority, and other organizational matters in the Group and Group companies shall develop rules and systems accordingly.

(5) System for ensuring the appropriateness of operations of the corporate group comprising us and our subsidiary

① We shall prescribe Regulations Governing the Management of Affiliated Companies, engage in appropriate management and provide appropriate guidance in accordance with the status of Group companies based on these regulations and the relevant laws and regulations, and treat the determination of important matters at Group companies as matters to be submitted to and subject to approval of board of directors.

② We shall build a unity of purpose for the entire Group and instruct and supervise Group companies through the Director of Group companies.

③ We shall dispatch officers to Group companies to monitor and supervise these companies and our Internal Audit Department shall conduct audits of us and our Group companies and otherwise strengthen the audit system in collaboration with the Audit & Supervisory Board Member from the standpoint of ensuring compliance on the part of our company and our Group companies with relevant laws and regulations and with internal regulations.

④ We shall establish an internal reporting system for the Group in order to enable officers and employees of our Group to directly report on compliance matters concerning us and our Group companies to the Internal Audit Department and Audit & Supervisory Board Member.

⑤ Each Group company shall report important information to us via our President and the state of progress with respect to sales and businesses, monthly financial statements, and other matters concerning the operations of the Group company in general regularly to our Administrative Department.

(6) Matters concerning an employee whose assignment has been requested by our Audit & Supervisory Board Member for the purpose of assisting the employee in his or her duties (auxiliary employee), matters concerning the independence of this employee from our Director, and matters for ensuring the effectiveness of instructions issued to this employee

① Where our Audit & Supervisory Board Member has requested the assignment of an auxiliary employee, the Company shall assign a full-time employee or employee with a concurrent position.

② The auxiliary employee shall comply with our Employment Regulations but the right to issue commands and orders shall belong to our Audit & Supervisory Board Member and personnel matters pertaining to the auxiliary employee, such as any transfer, personnel evaluation, or disciplinary action affecting the auxiliary employee, shall be determined with the agreement of our Audit & Supervisory Board Member.

(7) System for reporting to our Audit & Supervisory Board Member

① Our Director and employees shall make necessary reports and provide information as requested by our Audit & Supervisory Board Member.

② The Director and employees of us and our Group companies shall report statutory matters as well as matters that substantially affect our Group, the status of internal audits, and the status of reports made through the Group's internal reporting system to our Audit & Supervisory Board Member.

(8) System for ensuring that persons who report to our Audit & Supervisory Board Member are not subject to disadvantageous treatment as a result thereof

The Company bans the imposition of disadvantageous treatment on any director or employee of the Company or any of its Group companies who has submitted a report to an Audit & Supervisory Board Member of the Company on the grounds that such a report was made and shall ensure that the directors and employees of the Company and its Group companies are fully aware of this ban.

(9) Matters concerning the policy on procedures applicable to prepayments or reimbursements of costs incurred for the execution of duties by our Audit & Supervisory Board Member and the treatment of costs or debts incurred for the execution of such duties

① Where any Audit & Supervisory Board Member of the Company makes a request for the prepayment of costs for the execution of his or her duties, the costs for which the request was made shall be promptly processed except where it is demonstrated that the costs for which the request was made do not need to be incurred for the execution of duties by the Audit & Supervisory Board Member concerned.

② Our Director shall take measures to ensure that the costs incurred for the execution of duties by our Audit & Supervisory Board Member are budgeted to ensure the effectiveness of audits.

(10) System for ensuring that auditing of our Audit & Supervisory Board Member is effectively conducted

① Our Audit & Supervisory Board Member shall, where required, conduct hearings of opinions to be obtained from the Director, important employees, and other parties at our subsidiaries and affiliates.

② Our Audit & Supervisory Board Member shall meet regularly with the Director of us and our affiliates.

③ Our Audit & Supervisory Board Member shall attend important meetings of us and our Group companies and may verify the status of deliberations concerning and reporting on important matters at these meetings.

④ Our Audit & Supervisory Board Member shall regularly exchange information and opinions with the Internal Audit Department and the Accounting Auditor and conduct audits in collaboration with each other.

2. Outline of the operational status of systems for ensuring the appropriateness of operations

The main operational status of the aforementioned internal-control systems in our 11th fiscal year (From April 1, 2023 to March 31, 2024) is as follows.

(1) Compliance initiatives

The Company's compliance initiatives entail efforts to raise awareness of compliance matters among the directors of the Company and its Group companies through the sharing of information and provision of training related to compliance through meetings of the Compliance Committee and other meetings held by the Company and its Group companies in accordance with the Group Compliance Guidelines.

In addition, the Company endeavors to increase the effectiveness of compliance by establishing a reporting system applicable to the entire Group on the basis of an internal reporting system for the Group.

(2) Initiatives concerning the management of the risk of loss and risks

With respect to initiatives concerning the management of risks for the entire Group, risks are ascertained, evaluated, and otherwise managed through meetings of the Compliance Committee and other meetings held by the Company and its Group companies.

(3) Initiatives for ensuring the appropriateness and efficiency of the execution of duties

Our board of directors comprises six Director, including three Outside Director, and four Audit & Supervisory Board Member, including two Outside Audit & Supervisory Board Member. During our 11th fiscal year (from April 1, 2023, to March 31, 2024), 16 board of directors meetings were held to allow the Board of Directors to engage in deliberations to confirm the status of the execution of duties by Director, confirm the status of the operations at individual Group companies, analyze the performance of us and our Group companies, and deal with other relevant matters and oversee the status of the execution of duties by Director of us and our Group companies and other relevant matters. In addition, officers dispatched by the Company are appropriately involved in important decision-making matters pertaining to management at Group companies and such matters are also submitted to and approved at meetings of the Board of Directors of the Company in accordance with the Regulations Governing the Management of Affiliated Companies as prescribed by the Company and rules of authority as prescribed by each Group company.

(4) Execution of duties by the Audit & Supervisory Board Member

Audit & Supervisory Board Members shall attend meetings of the Board of Directors and other committees of the Company and major meetings held by subsidiaries to confirm the status of deliberations and reports concerning important matters and share information at meetings of the Board of Auditors in accordance with the audit plan. In addition, Audit & Supervisory Board Members shall endeavor to ascertain a broad range of risks through operational audits conducted in collaboration with the Internal Audit Department and interviews with officers and employees and shall regularly meet with the Accounting Auditor.

3. Basic policy on control of the Company

There are no particular stipulations that have been made by the Company with respect to a basic policy concerning persons with control over decisions on the financial and business policies of the Company.

4. Matters concerning transactions with a parent company

Not applicable

5. Policy on the determination of dividends from surplus

The Company's basic policy is to pay dividends with a dividend payout ratio of at least 20% while regarding the ongoing and stable redistribution of profits to shareholders as an important management issue and working to secure internal reserves required to invest in business growth and reinforce management practices. In addition, our basic policy is to distribute dividends from surplus twice a year, which shall consist of an interim dividend and a year-end dividend, and it is stipulated in the Article of Incorporation that both such dividends shall be determined through board of directors resolutions in order to enable their flexible implementation.

In accordance with this basic policy, the annual dividend from surplus for the current term came to be JPY21.00 per share (JPY10.50 for the interim dividend and JPY10.50 for the year-end dividend). The annual dividend from surplus for the next term is slated to be JPY21.00 per share (JPY10.50 for the interim dividend and JPY10.50 for the year-end dividend).

We will also work to further increase our corporate value by effectively harnessing our internal reserves after dividends as funds for further expanding our existing businesses and investing in new businesses and endeavoring to sustainably improve our performance and maintain and enhance our ROE.

Matters concerning the year-end dividend

(1) Matters concerning the allocation of dividends to shareholder and the total amount thereof

We have paid JPY10.50 per common stock and a total of JPY233,895,785

(2) Effective date of the distribution of the dividend from surplus

June 11, 2024

Note: Monetary amounts indicated in this businesses report are rounded down to the nearest unit.

Consolidated Balance Sheet

(As of March 31, 2024)

(Unit: JPY thousand)

Account	Amount	Account	Amount
(Assets)		(Liabilities)	
Current assets	13,526,669	current liabilities	12,026,419
Cash and deposits	6,858,575	Short-term loans payable	7,095,072
Notes and accounts receivable-trade and contract assets	6,003,199	Accounts payable-other	1,883,132
Short-term investment securities	42,549	Accrued expenses	1,217,779
Inventories	31,579	Income taxes payable	338,369
Income taxes receivable	51,943	Accrued consumption taxes	394,293
Other	625,965	Provision for bonuses	160,252
Allowance for doubtful accounts	-87,142	Provision for directors' bonuses	13,156
Noncurrent assets	7,576,426	Other	924,363
Property, plant and equipment	1,491,050	Noncurrent liabilities	224,314
Buildings	767,877	Deferred tax liabilities	34,978
Vehicles	2,603	Net defined benefit liability	11,913
Tools, furniture and fixtures	665,051	Asset retirement obligations	108,611
Land	17,568	Other	68,810
Lease assets	37,950	Total liabilities	12,250,734
Intangible fixed assets	2,908,048	(Net assets)	
Goodwill	2,313,341	Shareholders' equity	7,685,971
Other	594,706	Capital stock	300,686
Investments and other assets	3,177,327	Capital surplus	66,354
Investment securities	1,793,427	Retained earnings	9,137,264
Long-term loans receivable	10,000	Treasury stock	-1,818,333
Deferred tax assets	294,932	Accumulated other comprehensive income	729,816
Lease and guarantee deposits	918,727	Valuation difference on available-for-sale securities	-107,144
Other	177,621	Foreign currency translation adjustment	836,960
Allowance for doubtful accounts	-17,381	Non-controlling interests	436,573
		Total net assets	8,852,361
Total assets	21,103,096	Total liabilities and net assets	21,103,096

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

Consolidated Income Statement

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

(Unit: JPY thousand)

Account	Amount	
Net sales		38,790,197
Cost of sales		28,699,374
Gross profit		10,090,823
Selling, general, and administrative expenses		8,051,117
Operating income		2,039,705
Non-operating income		
Interest income	19,961	
Foreign exchange gains	13,520	
Subsidy income	10,505	
Gain on investments in silent partnership	9,763	
Other	15,900	69,650
Non-operating expenses		
Interest expenses	19,530	
Commission fee	2,692	
Non-deductible consumption taxes	8,547	
Provision of allowance for doubtful accounts	12,943	
Other	6,528	50,240
Ordinary income		2,059,115
Extraordinary loss		
Loss on retirement of noncurrent assets	15,317	
Impairment loss	1,069,446	
Office transfer expenses	2,255	
Penalty fee	18,882	
Loss on businesses restructuring	87,319	
Other	11,071	1,204,292
Net income before taxes		854,823
Income taxes-current	711,836	
Income taxes-deferred	-48,606	663,229
Current net income		191,593
Net income attributable to non-controlling shareholder		14,665
Net income attributable to owners of the parent		176,927

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

Consolidated Balance Sheet

(As of March 31, 2024)

(Unit: JPY thousand)

Account	Amount	Account	Amount
(Assets)		(Liabilities)	
Current assets	942,173	current liabilities	6,319,122
Cash and deposits	448,842	Short-term loans payable	6,200,000
Prepaid expenses	67,275	Accounts payable-other	69,847
Accounts receivable - other	147,105	Accrued expenses	18,706
Income taxes receivable	27,621	Deposits received	14,784
Other	251,329	Provision for bonuses	3,000
Noncurrent assets	9,688,251	Provision for directors' bonuses	10,351
Property, plant and equipment	125,261	Dividends payable	2,433
Buildings	86,927	Total liabilities	6,319,122
Tools, furniture and fixtures	38,333	(Net assets)	
Intangible fixed assets	161,795	Shareholders' equity	4,418,436
Software	148,040	Capital stock	300,686
Trademark rights	9,517	Capital surplus	3,037,576
Other	4,237	Legal capital surplus	300,686
Investments and other assets	9,401,195	Other capital surplus	2,736,889
Investment securities	1,502,063	Retained earnings	2,898,508
Shares of subsidiaries and associates	6,939,909	Other retained earnings	2,898,508
Long-term loans receivable	10,000	Retained earnings brought forward	2,898,508
Long-term loans to subsidiaries and affiliates	2,079,420	Treasury stock	-1,818,333
Deferred tax assets	81,790	Valuation and translation adjustments	-107,134
Other	114,491	Valuation difference on available-for-sale securities	-107,134
Allowance for doubtful accounts	-1,326,480	Total net assets	4,311,302
Total assets	10,630,425	Total liabilities and net assets	10,630,425

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

Consolidated Income Statement

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

(Unit: JPY thousand)

Account	Amount	
Operating revenue		
Consulting fee income	1,190,614	
Fiduciary obligation fee	382,018	
Dividends from subsidiaries and affiliates	3,810,470	5,383,103
Operating expenses		1,889,235
Operating income		3,493,867
Non-operating income		
Interest income	21,033	
Foreign exchange gains	1,985	
Gain on investments in silent partnership	9,763	
Reversal of allowance for doubtful accounts	79,500	
Other	5,263	117,546
Non-operating expenses		
Interest expenses	22,359	
Other	3,075	25,435
Ordinary income		3,585,979
Extraordinary loss		
Loss on retirement of noncurrent assets	241	
Loss on valuation of stocks of subsidiaries and affiliates	1,760,612	1,760,854
Current net income before taxes		1,825,124
Income taxes-current	7,151	
Income taxes-deferred	-39,048	-31,896
Current net income		1,857,021

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

Accounting Auditor's Report on the consolidated financial statements

Independent Auditor's Report

May 24, 2024

To the Board of Directors of
DIGITAL HEARTS HOLDINGS Co., Ltd.

Grant Thornton Taiyo LLC
Tokyo Office

Designated limited liability partner Executive partners	Certified Public Accountant	Kenichi Nakamura
Designated limited liability partner Executive partners	Certified Public Accountant	Jun Ono

Auditor's opinion

We conducted an audit of consolidated financial statements consisting of the consolidated balance sheet, consolidated income statement, consolidated statement of changes in shareholder' equity, and notes to the consolidated financial statements corresponding to the consolidated fiscal year extending from April 1, 2023, to March 31, 2024, of the DIGITAL HEARTS HOLDINGS Co., Ltd. in accordance with the provisions of paragraph (4) of Article 444 of the Companies Act.

It is our opinion that the aforementioned consolidated financial statements properly present, in all material respects, the financial situation and situation in terms of profit and loss as pertains to the period corresponding to the consolidated financial statements in question of the corporate group that comprises DIGITAL HEARTS HOLDINGS Co., Ltd., and its consolidated subsidiaries in accordance with generally accepted principles of auditing in Japan.

Evidence for the auditor's opinion

We conducted our audit in accordance with generally accepted principles of auditing in Japan. Our responsibilities under these principles of auditing are described under "Auditor's responsibilities in auditing of consolidated financial statements."In accordance with rules of professional ethics in Japan, we are independent from the Company and its consolidated subsidiaries and fulfill other ethical responsibilities of an auditor. We believe that we have obtained sufficient and appropriate grounds for auditing to serve as the basis for statement of our opinion on the audit.

Other descriptions

Other descriptions are the businesses Report and supplementary schedules. Management is responsible for preparing and disclosing other information on the report. The Audit & Supervisory Board Member and the Audit & Supervisory Board Member Board are also responsible for monitoring the performance of Director duties in maintenance and operation of the reporting process.

Our opinion on the consolidated financial statements does not include any other contents, and we do not express an opinion on the other contents.

In auditing the consolidated financial statements, we are responsible for checking whether there are any material differences between the contents of other statements and the consolidated financial statements or the knowledge we have obtained in the process of auditing, and whether or not there are any other indications of material error in the contents other than such material differences.

If we determine, based on the work carried out, that there are material errors in the contents thereof, we are required to report the fact thereof.

There are no other matters that need to be reported to us regarding the contents thereof.

Responsibilities of management, the Audit & Supervisory Board Members, and the Audit & Supervisory Board regarding the consolidated financial statements

Management is responsible for proper preparation of consolidated financial statements conforming to generally accepted principles of corporate accounting in Japan. This includes the development and operation of internal controls as deemed necessary by management for the purpose of preparation of consolidated financial statements that present information accurately and are free from material misrepresentation due to malfeasance or error.

In preparing the consolidated financial statements, management is responsible for assessing the propriety of preparing consolidated financial statements based on the going-concern assumption and disclosing, as necessary, matters related to the going-concern assumption in accordance with generally accepted principles of corporate accounting in Japan.

The Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for monitoring the performance of the duties of the directors in maintenance and operation of the financial reporting process.

Responsibilities of Audit & Supervisory Board Members in an audit of the consolidated financial statements

Our responsibilities are to secure, based on our audit, reasonable assurance concerning whether or not the consolidated financial statements as a whole are free from material misrepresentation due to malfeasance or error and to state, in the audit report, an independent opinion on the consolidated financial statements. Misstatement may arise due to malfeasance or error, and it is judged to constitute material misstatement if it reasonably can be expected to impact decision-making by users of the consolidated financial statements, either individually or in sum.

Through the audit process in accordance with generally accepted principles of auditing in Japan, we implemented the following measures based on our judgment as specialists and a professional spirit of skeptical inquiry:

・ Identification and assessment of the risks of material misrepresentation due to malfeasance or error;Drafting and implementation of audit procedures suited to the risks of material misrepresentation;Making judgments on selection and application of audit procedures; and,Securing sufficient and appropriate audit evidence to serve as the basis for statement of our opinion.
・ While the purpose of a consolidated financial statements audit is not to offer an opinion on the efficacy of internal controls, in assessing risks we do consider internal controls related to the audit, in order to propose audit procedures appropriate to the circumstances.
・ We assess the propriety of the accounting policies adopted by management and their methods of application as well as the reasonability of accounting estimates made by management and the appropriateness of related notes.
・ We reach a conclusion on whether or not management's preparation of consolidated financial statements based on the going-concern assumption is appropriate and whether, based on audit evidence obtained, any material uncertainties can be identified with regard to phenomena or circumstances that could lead to material doubts regarding the going-concern assumption. If any material uncertainties are recognized regarding the going-concern assumption, attention must be drawn to the notes to the consolidated financial statements in the audit report. If the notes to the consolidated financial statements concerning material uncertainties are inappropriate, then an opinion must be expressed that mentions such exceptions to the consolidated financial statements. The auditor's conclusions are based on audit evidence obtained through the date of the audit report, and there is a possibility that future events or conditions could make it impossible for the Company to continue as a going concern.
・ We assess whether or not the presentation and notes in the consolidated financial statements conform to generally accepted principles of corporate accounting in Japan; the presentation, structures, and content of the consolidated financial statements, including related notes; and whether or not the consolidated financial statements accurately present the transactions and accounting facts on which they are based.
・ We obtain sufficient and appropriate audit evidence concerning the financial information of the Company and its consolidated subsidiary to serve as the basis for statement of our opinion on the consolidated financial statements. We are responsible for instructions, oversight, and implementation related to auditing of the consolidated financial statements. We are responsible for expression of an independent audit opinion.

We report to the Audit & Supervisory Board Members and the Audit & Supervisory Board on the scope and timing of the planned audit; any material discoveries of the audit, including material deficiencies in internal controls systems identified in the process of auditing; and other matters required under auditing standards.

We report to the Audit & Supervisory Board Member and the Audit & Supervisory Board Member Board on the fact that we maintain independence in accordance with rules of professional ethics in Japan and on any matters that reasonably could be considered to impact the independence of auditors and if measures are taken to eliminate impediments or if safeguards are applied to mitigate impediments to an acceptable level.

Conflicts of interest

There are no conflicts of interest between the Company / consolidated subsidiaries and our firm or the Engagement Partners that should be disclosed under the provisions of the Certified Public Accountants Act.

End of document

Accounting Auditor's Report

Independent Auditor's Report

May 24, 2024

To the Board of Directors of
DIGITAL HEARTS HOLDINGS Co., Ltd.

Grant Thornton Taiyo LLC
Tokyo Office

Designated limited liability partner Executive partners	Certified Public Accountant	Kenichi Nakamura
Designated limited liability partner Executive partners	Certified Public Accountant	Jun Ono

Auditor's opinion

We conducted an audit of financial statements consisting of the balance sheet, income statement, statement of changes in shareholder' equity, notes to the financial statements, and supplementary schedules related thereto (hereinafter referred to as "financial statements") corresponding to the fiscal year of 11th fiscal year, which extended from April 1, 2023, to March 31, 2024, of DIGITAL HEARTS HOLDINGS Co., Ltd. in accordance with the provisions of item (i) of paragraph (2) of Article 436 of the Companies Act.

It is our opinion that the aforementioned financial statements properly present, in all material respects, the financial situation and situation in terms of profit and loss as pertains to the period corresponding to the financial statements in question in accordance with generally accepted principles of auditing in Japan.

Evidence for the auditor's opinion

We conducted our audit in accordance with generally accepted principles of auditing in Japan. Our responsibilities under these principles of auditing are described under "Auditor's responsibilities in auditing of financial statements." In accordance with rules of professional ethics in Japan, we are independent from the Company and fulfill other ethical responsibilities of an auditor. We believe that we have obtained sufficient and appropriate grounds for auditing to serve as the basis for statement of our opinion on the audit.

Other descriptions

Other descriptions are the businesses Report and supplementary schedules. Management is responsible for preparing and disclosing other information on the report. The Audit & Supervisory Board Member and the Audit & Supervisory Board Member Board are also responsible for monitoring the performance of Director duties in maintenance and operation of the reporting process.

Our opinion on the financial statements does not include any other contents, and we do not express an opinion on the other contents.

In auditing the financial statements, our responsibilities are to read the other contents thoroughly and examine whether there are any material differences between the contents thereof and the financial statements or the knowledge we have obtained in the process of auditing and to pay attention to whether or not there are any other indications of material mistakes in the contents thereof other than those that are material to the financial statements.

If we determine, based on the work carried out, that there are material errors in the contents thereof, we are required to report the fact thereof.

There are no other matters that need to be reported to us regarding the contents thereof.

Responsibilities of management, Audit & Supervisory Board Members, and the Audit & Supervisory Board regarding the financial statements

Management is responsible for proper preparation of financial statements conforming to generally accepted principles of corporate accounting in Japan. This includes the development and operation of internal controls as deemed necessary by management for the purpose of preparation of financial statements that present information accurately and are free from material misrepresentation due to malfeasance or error.

In preparing the financial statements, management is responsible for assessing the propriety of preparing financial statements based on the going-concern assumption and disclosing, as necessary, matters related to the going-concern assumption in accordance with generally accepted principles of corporate accounting in Japan.

The Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for monitoring the performance of the duties of the directors in maintenance and operation of the financial reporting process.

Responsibilities of Audit & Supervisory Board Members in an audit of the financial statements

Our responsibilities are to secure, based on our audit, reasonable assurance concerning whether or not the financial statements as a whole are free from material misrepresentation due to malfeasance or error and to state, in the audit report, an independent opinion on the financial statements. Misstatement may arise due to malfeasance or error, and it is judged to constitute material misstatement if it reasonably can be expected to impact decision-making by users of the financial statements, either individually or in sum.

Through the audit process in accordance with generally accepted principles of auditing in Japan, we implemented the following measures based on our judgment as specialists and a professional spirit of skeptical inquiry:

- Identification and assessment of the risks of material misrepresentation due to malfeasance or error;Drafting and implementation of audit procedures suited to the risks of material misrepresentation;Making judgments on selection and application of audit procedures; and,Securing sufficient and appropriate audit evidence to serve as the basis for statement of our opinion.
- While the purpose of a financial statements audit is not to offer an opinion on the efficacy of internal controls, in assessing risks we do consider internal controls related to the audit, in order to propose audit procedures appropriate to the circumstances.
- We assess the propriety of the accounting policies adopted by management and their methods of application as well as the reasonability of accounting estimates made by management and the appropriateness of related notes.
- We reach a conclusion on whether or not management's preparation of financial statements based on the going-concern assumption is appropriate and whether, based on audit evidence obtained, any material uncertainties can be identified with regard to phenomena or circumstances that could lead to material doubts regarding the going-concern assumption. If any material uncertainties are recognized regarding the going-concern assumption, attention must be drawn to the notes to the financial statements in the audit report. If the notes to the financial statements concerning material uncertainties are inappropriate, then an opinion must be expressed that mentions such exceptions to the financial statements. The auditor's conclusions are based on audit evidence obtained through the date of the audit report, and there is a possibility that future events or conditions could make it impossible for the Company to continue as a going concern.
- We assess whether or not the presentation and notes in the financial statements conform to generally accepted principles of corporate accounting in Japan; the presentation, structures, and content of the financial statements, including related notes; and whether or not the financial statements accurately present the transactions and accounting facts on which they are based.

We report to the Audit & Supervisory Board Members and the Audit & Supervisory Board on the scope and timing of the planned audit; any material discoveries of the audit, including material deficiencies in internal controls systems identified in the process of auditing; and other matters required under auditing standards.

We report to the Audit & Supervisory Board Member and the Audit & Supervisory Board Member Board on the fact that we maintain independence in accordance with rules of professional ethics in Japan and on any matters that reasonably could be considered to impact the independence of auditors and if measures are taken to eliminate impediments or if safeguards are applied to mitigate impediments to an acceptable level.

Conflicts of interest

There are no conflicts of interest between the Company and our firm or the Engagement Partners that should be disclosed under the provisions of the Certified Public Accountants Act.

End of document

Auditor's Report of the Audit & Supervisory Board Member Board

Audit & Supervisory Board Member's Report

After carrying out deliberations, the Audit & Supervisory Board Member Board prepared this audit report based on audit reports prepared by the Audit & Supervisory Board Member with respect to the execution of duties by the Director for the 11th fiscal year, which extended from April 1, 2023, to March 31, 2024. Accordingly, we hereby report as follows.

1. Methods by which Audit & Supervisory Board Member and the Audit & Supervisory Board Member Board conducted the audit and the contents thereof

(1) The Audit & Supervisory Board Member Board set forth an audit policy and the allocation of duties, received a report on the status of the conducting of an audit and the results thereof from each Audit & Supervisory Board Member, received reports from the Director and the Accounting Auditor on the status of the execution of their duties, and, where required, requested explanations.

(2) In accordance with the standards applicable to Audit & Supervisory Board Member audits as prescribed by the Audit & Supervisory Board Member Board, each Audit & Supervisory Board Member endeavored to communicate with the Director, Internal Audit Department, and other employees and parties and develop an environment for collecting and auditing information and conducted an audit in the following manner.

① Each Audit & Supervisory Board Member attended board of directors and other important meetings, received reports from the Director and employees on the status of the execution of their duties, requested explanations as required, perused important approval documents and other materials, and investigated the status of operations and assets at head office and major businesses offices. In addition, each Audit & Supervisory Board Member endeavored to communicate and exchange information with directors, auditors, and other parties at subsidiaries and received reports on business from subsidiaries as required.

② Each Audit & Supervisory Board Member received regular reports and requested explanations as required from Director, employees, and other parties and disclosed opinions on the contents of board of directors resolutions concerning the development of a system for ensuring the compliance of the execution of duties by the Director as stated in the businesses Report with the relevant laws and regulations and the Article of Incorporation and any other system as prescribed in paragraphs (1) and (3) of Article 100 of the Ordinance for Enforcement of the Companies Act as required to ensure the appropriateness of operations of the corporate group that comprises the stock company and its subsidiary as well as systems developed according to these resolutions (internal control systems) and on the status of the development and operations thereof.

③ Each Audit & Supervisory Board Member monitored and verified to check whether the Accounting Auditor maintained its independence and conducted an appropriate audit, received a report from the Accounting Auditor on the status of the execution of its duties, and requested explanations as required. Each Audit & Supervisory Board Member received notifications from the Accounting Auditor to the effect that [a system for ensuring that duties are properly carried out] (matters enumerated in the items of Article 131 of the Ordinance on Company Accounting) has been developed in accordance with the [Quality Control Standard for Audits] (Business Accounting Council) and asked for explanations as required.

In accordance with the aforementioned approach, businesses reports and supplementary schedules, financial statements (balance sheet, income statement, statement of changes in shareholder' equity, and notes to the financial statements) and supplementary schedules, and consolidated financial statements (consolidated balance sheet, consolidated income statement, consolidated statement of changes in shareholder' equity, and consolidated notes to the financial statements) corresponding to the fiscal year in question were examined.

2. Audit results

(1) Audited businesses reports and other documents

① In our opinion, the businesses report and supplementary schedules correctly present the condition of the firm in accordance with the relevant laws and regulations and Article of Incorporation.

② We found no misconduct or material fact in contravention of relevant laws, regulations, or Article of Incorporation in the execution of duties by the Director.

③ In our opinion, the contents of board of directors resolutions concerning internal-control systems are appropriate. In our opinion, there are also no matters that need to be pointed out as regards the contents of the business report or the execution of duties by Directors in connection with these internal control systems.

(2) Results of the audit of the financial statements and supplementary schedules

In our opinion, the method by which an audit was conducted by Grant Thornton Taiyo LLC and the results thereof are appropriate.

(3) Results of the audit of the consolidated financial statements

In our opinion, the method by which an audit was conducted by Grant Thornton Taiyo LLC and the results thereof are appropriate.

May 24, 2024

DIGITAL HEARTS HOLDINGS Co., Ltd. Board of Audit & Supervisory Board Member

Standing Audit & Supervisory Board Member		Masahide Date
Audit & Supervisory Board Member		Keiya Kazama
Audit & Supervisory Board Member	(Outside Audit & Supervisory Board Member)	Toshifumi Nikawa
Audit & Supervisory Board Member	(Outside Audit & Supervisory Board Member)）	Yoko Okano

End of document

Reference Materials for the General Meeting of Shareholders

Proposals and Reference Items

Proposal 1: Election of five (5) Directors

The terms of office of all six (6) Directors will come to an end at the conclusion of this general meeting. Therefore, the election of five (5) Directors (including three (3) Outside Directors) is requested.

The candidates for the position of Directors are as follows.

Candidate Number	Name (Date of birth)	Brief background description, positions, responsibilities, and any important concurrent positions		Number of the Company's shares held
1	[Re-elected] Toshiya Tsukushi (Born June 23, 1965)	April 1989	Joined Showa Shell Sekiyu K.K. (currently Idemitsu Kosan Co.,Ltd.).	13,505 shares
		September 1995	Joined Price Waterhouse Consultants Co., Ltd. (currently IBM Japan, Ltd.)	
		July 1999	Joined General Electric Capital Consumer Finance Co., Ltd. (currently Shinsei Financial Co., Ltd.)	
		December 2005	Executive Officer of the same company	
		September 2006	Executive Officer and General Manager of the Business Development Group, Nissen Holdings Co., Ltd.	
		March 2008	Director Executive Officer & General Manager of the Financial Planning Office of the same company	
		June 2009	Director Executive Officer and CFO of the same company	
		June 2017	Executive Officer and CFO of DIGITAL HEARTS HOLDINGS Co., Ltd.	
		October 2017	Director and General Manager of the Administration Division, DIGITAL HEARTS Co., Ltd.	
		June 2018	Director and CFO of DIGITAL HEARTS HOLDINGS Co., Ltd.	
		March 2020	Representative Director and President of FLAME Hearts Co., Ltd. (present)	
		March 2021	Director of Metaps Entertainment Limited (currently DIGITAL HEARTS CROSS Marketing and Solutions Limited) (present)	
		April 2021	Director (overseeing global operations), DIGITAL HEARTS Co., Ltd.	
		June 2021	Director, Executive Vice President and CFO of DIGITAL HEARTS HOLDINGS Co., Ltd.	
		April 2022	Representative Director and President of DIGITAL HEARTS Co., Ltd. (present)	
		April 2022	Director of AGEST, Inc.	
		April 2023	Director, Executive Vice President and COO of DIGITAL HEARTS HOLDINGS Co., Ltd.	
		April 2024	Representative Director, President and CEO of the same company (present)	
	[Grounds for election] Toshiya Tsukushi has been promoting management control of the entire Group and mergers and acquisitions in Japan and overseas as a Director since June 2018, as a Director Vice President since June 2021, and as a Representative Director and President since April 2024. He also has knowledge and experience in management and is expected to continue to spearhead our group management and help increase our corporate value.			

<table>
<tr><th>Candidate Number</th><th>Name
(Date of birth)</th><th colspan="2">Brief background description, positions, responsibilities, and any important concurrent positions</th><th>Number of the Company's shares held</th></tr>
<tr><td rowspan="2">2</td><td>[Re-elected]
Eiichi Miyazawa
(Born July 19, 1972)</td><td>April 2001

May 2006

April 2010

October 2013

July 2017
April 2024</td><td>Established DIGITAL HEARTS Co., Ltd. Representative Director and President
Representative Director and President, CEO of the same company
Representative Director, President and CEO of the same company
Representative Director, President and CEO of DIGITAL HEARTS HOLDINGS Co., Ltd.
Director and Chairman of the same company
Representative Director and Chairman of the same company (present)</td><td>9,423,655 shares</td></tr>
<tr><td colspan="4">[Grounds for election]
Eiichi Miyazawa is the founder of the Company, has been spearheading the management of this corporate group since it was founded, possesses a wealth of experiences, achievements, and knowledge pertaining to management, and is expected to continue to help increase the corporate value of the Company.</td></tr>
</table>

Candidate Number	Name (Date of birth)	Brief background description, positions, responsibilities, and any important concurrent positions		Number of the Company's shares held
3	[Re-elected] [Outside / Independent] Takashi Yanagiya (Born November 13, 1951)	October 2001	Full-Time Director, Nomura Securities Co., Ltd.	10,000 shares
		April 2002	Representative Director Senior Managing Director of the same company	
		June 2003	Representative Executive Officer & Senior Managing Executive Officer of the same company	
		April 2006	Representative Executive Officer, Executive Officer & Vice-President of the same company	
		April 2008	Executive Officer & Vice-President of the same company	
		October 2008	Executive Officer & Vice-President of the same company	
		April 2012	Permanent Advisor of the same company	
		August 2012	Advisor of the same company	
		March 2013	Resigned from the same company	
		June 2013	Outside Director of ALPHA SYSTEMS INC.	
		June 2014	Outside Director of DIGITAL HEARTS HOLDINGS Co., Ltd. (current position)	
		June 2015	Outside Director of Showa Sangyo Co., Ltd. (present)	
		May 2016	Chairman, Board of Trustees, Meiji University (present)	
		May 2016	Chairman, Board of Trustees, Nakano Gakuen (present)	
	[Outline of grounds for election and expected roles] Takashi Yanagiya is expected to continue to provide useful advice to the Board of Directors of the Company and supervise the management of the Company from an objective standpoint based on his extensive experience as a company manager. If he is elected, it is expected that he will also be involved in selecting candidates for officers of the Company and determining officer remuneration and other matters from an objective and neutral standpoint as a member of the Nomination and Remuneration Committee.			

<table>
<tr><th>Candidate Number</th><th>Name
(Date of birth)</th><th colspan="2">Brief background description, positions, responsibilities, and any important concurrent positions</th><th>Number of the Company’s shares held</th></tr>
<tr><td rowspan="2">4</td><td>[Re-elected]
[Outside / Independent]
Emiko Murei
(Born January 11, 1969)</td><td>April 1992
March 1995

February 2006

April 2007

April 2009

April 2012

June 2015

June 2022

April 2023</td><td>Joined Chuo Shinko Audit Corporation
Registered as a certified public accountant (until May 2005)
Registered as a certified public accountant (present)
Chief, MUREI C.P.A. Office (present)
Specially appointed associate professor, Graduate School of Accounting, University of Hyogo
Associate Professor, Graduate School of Accounting, University of Hyogo
Associate Professor, Aoyama Gakuin University Graduate School of Professional Accountancy
Outside Director, Kansai Super Market Ltd. (currently Kansai Food Market Ltd.) (Audit & Supervisory Committee Member)
Outside Director of DIGITAL HEARTS HOLDINGS Co., Ltd. (present)
Professor, Aoyama Gakuin University Graduate School of Professional Accountancy (present)</td><td>— shares</td></tr>
<tr><td colspan="4">[Outline of grounds for election and expected roles]
Emiko Murei has extensive experience as a certified public accountant and university teacher and is expected to provide our board of directors with advice on sustainability, finance, and accounting and supervise our management from an objective standpoint. If she is elected, it is expected that she will also be involved in selecting candidates for officers of the Company and determining officer remuneration and other matters from an objective and neutral standpoint as a member of the Nomination and Remuneration Committee. While she has no experience in managing a company other than as an outside officer, she is highly knowledgeable about corporate accounting as a certified public accountant and is believed to be someone who can appropriately execute her duties as a Outside Director.</td></tr>
</table>

<table>
<tr><th>Candidate Number</th><th>Name
(Date of birth)</th><th colspan="2">Brief background description, positions, responsibilities, and any important concurrent positions</th><th>Number of the Company’s shares held</th></tr>
<tr><td rowspan="2">5</td><td>[Re-elected]
[Outside]
Ryo Chikasawa
(Born May 16, 1984)</td><td>September 2008

January 2019

June 2022</td><td>Registered as a lawyer (Daini Tokyo Bar Association)
Joined Mori Hamada & Matsumoto
Partner lawyer, Mori Hamada & Matsumoto (present)
Outside Director of DIGITAL HEARTS HOLDINGS Co., Ltd. (present)</td><td>— shares</td></tr>
<tr><td colspan="4">[Outline of grounds for election and expected roles]
Ryo Chikasawa is qualified as an attorney and is expected to provide our board of directors with advice on corporate governance- and compliance-related matters and supervise our management from an objective standpoint. If he is elected, it is expected that he will also be involved in selecting candidates for officers of the Company and determining officer remuneration and other matters from an objective and neutral standpoint as a member of the Nomination and Remuneration Committee. While he has no experience in managing a company, he is highly knowledgeable about global corporate legal affairs as an attorney and is believed to be someone who can appropriately execute her duties as a Outside Director.</td></tr>
</table>

(Notes) 1. There are no special interests between any of the candidates for Director and the Company. While we have concluded a legal advisory agreement with the law firm to which Ryo Chikasawa belongs, the amount of remuneration under this arrangement equals less than 1% of the sales of the same law firm and less than 1% of our consolidated sales.

2. Takashi Yanagiya, Emiko Murei, and Ryo Chikasawa are candidates for Outside Director.

3. Takashi Yanagiya is currently a Outside Director of us and his term of office will be 10 years as of the conclusion of this general meeting. Emiko Murei and Ryo Chikasawa are currently Outside Director of the Company and their term of office will be two (2) years as of the conclusion of this general meeting.

4. We have concluded agreements to limit liability for damages as provided for in paragraph (1) of Article 423 of the Companies Act to the minimum liability amount as prescribed by law in accordance with the provisions of paragraph (1) of Article 427 of the same Act with Takashi Yanagiya, Emiko Murei, and Ryo Chikasawa and, if the re-election of each person is approved, such agreements are slated to be continued with each person.

5. We have concluded a liability insurance agreement for officers as prescribed in paragraph (1) of Article 430-3 of the Companies Act with an insurance company and an outline of the contents of this agreement is as stated on page 19 of the businesses report. Each Director candidate is included in the scope of insured persons under this insurance agreement. If this agenda item is approved in its original form and each Director candidate assumes the office of Director of ours, the candidate will continue to be included in the scope of insured persons under this insurance agreement. In addition, this insurance agreement is slated to be renewed with the same contents during the terms of office of the Directors under this agenda item.

6. Takashi Yanagiya and Emiko Murei satisfy the criteria for independence as prescribed by the Tokyo Stock Exchange. We have designated both individuals as independent officers in accordance with provisions as set forth by the Tokyo Stock Exchange and notified the Tokyo Stock Exchange of the fact thereof. If the re-election of both persons is approved, the Company plans to continue to notify their status as independent officers to the Tokyo Stock Exchange. If the re-election of Ryo Chikasawa is approved, no notification of his status as an independent officer is planned to be made to the Tokyo Stock Exchange in accordance with the internal regulations of the law firm to which he belongs.

[Reference] Skills-matrix of Director candidates

The following is a skill-matrix of Director if Agenda Item 1 is approved in its original form.

Number	Name	Position	Age	Gender	In office Number of years	Expertise and experience					
						Corporate management Global	Finance Accounting M&A	Legal Affairs Risk Management	ESG Sustainability	IT (Quality and DX) Security)	Sales Marketing
1	Toshiya Tsukushi	Representative Director and President	59	Male	6	●	●	●	●	●	
2	Eiichi Miyazawa	Representative Director and Chairman	51	Male	11	●			●	●	●
3	Takashi Yanagiya	Outside Director	72	Male	10	●	●	●	●		●
4	Emiko Murei	Outside Director	55	Female	2		●		●		
5	Ryo Chikasawa	Outside Director	40	Male	2	●	●	●	●		

Proposal 2: Election of one (1) Substitute Audit & Supervisory Board Member

In anticipation of a shortfall in the number of Outside Audit & Supervisory Board Member as mandated by law, the election of one (1) Substitute Audit & Supervisory Board Member is requested in advance.

This agenda item is for the election of Toshifumi Nikawa and Yoko Okano, both of whom are currently elected. Where the individual assumes office as Audit & Supervisory Board Member, his or her term of office will expire at the end of the term of office of the Audit & Supervisory Board Member in which the individual resigned, as set forth by our Article of Incorporation.

In addition, the election may be revoked by way of a resolution by the board of directors with the consent of the Audit & Supervisory Board Member Board only prior to the assumption of office by the individual as an Outside Audit & Supervisory Board Member.

The consent of the Audit & Supervisory Board Member Board has been obtained with respect to this agenda item.

The candidate for Audit & Supervisory Board Member to fill a vacancy is as follows.

Name (Date of birth)	Brief background description, positions, responsibilities, and any important concurrent positions	Number of the Company's shares held
[Outside / Independent] Satoru Koga (Born January 22, 1982)	August 2006 Joined Accenture Japan Ltd December 2014 Registered as a lawyer (Tokyo Bar Association) April 2016 Joined the Kimura Masanori Law Office (currently Kimura & Koga Law Office) August 2020 Partner, Kimura & Koga Law Office (present)	— shares
	[Grounds for election] The Company would like to see Satoru Koga, who is qualified as a lawyer, put to use his extensive knowledge of corporate legal affairs and compliance matters for audits as a Outside Audit & Supervisory Board Member of the Company. While he has no experience in directly managing a company, he is highly knowledgeable about corporate legal affairs and compliance matters as an attorney and is believed to be someone who can appropriately execute his duties as a Outside Audit & Supervisory Board Member.	

(N.B.) 1. There are no special interests between Satoru Koga and the Company.

2. Satoru Koga is a candidate for Outside Audit & Supervisory Board Member to fill a vacancy.
3. If Satoru Koga assumes office as Outside Audit & Supervisory Board Member, the Company plans to conclude an agreement to limit liability for damages as provided for in paragraph (1) of Article 423 of the Companies Act to the minimum liability amount as prescribed by law in accordance with the provisions of paragraph (1) of Article 427 of the same Act.
4. We have concluded a liability insurance agreement for officers as prescribed in paragraph (1) of Article 430-3 of the Companies Act with an insurance company and an outline of the contents of this agreement is as stated on page 19 of the businesses report. If this agenda item is approved in its original form and Satoru Koga assumes the office of External Auditor of the Company, he will be included in the scope of insured persons under this insurance agreement.
5. Satoru Koga satisfies the requirements of an independent officer in accordance with provisions as set forth by the Tokyo Stock Exchange. If he assumes the office of Audit & Supervisory Board Member, we plan to designate him as an independent officer and notify the Tokyo Stock Exchange of the fact thereof.

End of document

Map for arriving at the venue for our general meeting of shareholders

3-20-2 Nishi-Shinjuku, Shinjuku-ku, Tokyo
Conference Room 2, 7F, Tokyo Opera City Tower
TEL 03-5333-1231
(Take any elevator from the second floor to arrive at the seventh floor.)

- We ask for your understanding as there are no gifts at the general meeting of shareholder.
- The exercise of voting rights at this general meeting of shareholder can be conducted in writing or via the Internet in advance. Therefore, please be sure to use the voting rights at this general meeting of shareholders.

● Transportation information
3-minute walk from the east exit of the Keio New Line (heading towards the Toei Shinjuku Line) [Hatsudai Station]