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Materials for the 23rd Ordinary General Meeting of Shareholders

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

Business Report
- Principal place of business
- Status of employees
- Status of major lenders
- Status of stock acquisition rights, etc.
- Status of accounting auditors
- Overview of the system to ensure the appropriateness of business operations and the status of the system's operation

Consolidated Financial Statements
- Consolidated statements of changes in equity
- Notes to consolidated financial statements

Non-consolidated Financial Statements
- Financial Statements of Changes in Shareholders' Equity
- Notes to non-consolidated financial statements

23rd term (from April 1, 2024 to March 31, 2025)

CHANGE Holdings, Inc.

The above matters are not included in the document to be delivered to shareholders who have requested delivery of written documents in accordance with laws and regulations and Article 14 of the Articles of Incorporation of the Company.
For this Ordinary General Meeting of Shareholders, irrespective of whether or not a request for the delivery of written documents has been made, written documents containing the above-mentioned items, which are excluded from the matters regarding electronic provision measures, will be sent to all shareholders.

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■ Business Report

Principal place of business (as of March 31, 2025)

(1) The Company

Head office	Minato-ku, Tokyo

(2) Subsidiaries

TRUSTBANK, Inc.	Head office (Shinagawa-ku, Tokyo)
Orb, Inc.	Head office (Shinagawa-ku, Tokyo)
beacapp Inc.	Head office (Minato-ku, Tokyo)
Govmates, Inc.	Head office (Matsuyama City, Ehime Prefecture)
DFA Robotics Inc.	Head office (Minato-ku, Tokyo)
Travel Zip Co., Ltd.	Head office (Shibuya-ku, Tokyo)
CHANGE, Inc.	Head office (Minato-ku, Tokyo)
E-Guardian Inc.	Head office (Minato-ku, Tokyo)
UpClose, Inc.	Head office (Minato-ku, Tokyo)
CyLeague Holdings, Inc.	Head office (Minato-ku, Tokyo)
IdealRoute Consulting Inc.	Head office (Chiyoda-ku, Tokyo)
Toko Computer Service Co., Ltd.	Head office (Odate City, Akita Prefecture)
fundbook, Inc.	Head office (Minato-ku, Tokyo)

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Status of employees (as of March 31, 2025)

(1) Status of employees of the corporate group

Number of employees	Change from the end of the previous consolidated accounting year
1,448 (2,080)	Increase of 379 people (Increase of - people)

(Note) 1. The number of employees refers to the number of people in employment (excluding people seconded from the Group to outside the Group and including people seconded to the Group from outside the Group). It does not include part-time employees and contract employees, who are separately indicated in numbers in parentheses as the annual average number.

2. The number of employees increased compared to the previous consolidated fiscal year mainly due to the smooth progression of the Group-wide recruitment plan.

(2) Status of employees of the Company

Number of employees	Change from the end of the previous fiscal year	Average age	Average years of service
67 (12)	Increase of 22 people (increase of 3 people)	41.4 years old	4.5 years

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

Status of major lenders (as of March 31, 2025)

Lender	Amount of borrowings
Sumitomo Mitsui Banking Corporation	21,155 million yen
Mizuho Bank, Ltd.	9,830 million yen

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Status of stock acquisition rights, etc.

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

		Round 2 stock acquisition rights
Date of resolution for issuance		October 14, 2015
Those eligible to allocation for stock acquisition rights		Directors, auditors and employees
Number of stock acquisition rights		4 units
Class and number of shares for the purpose of stock acquisition rights		Common shares 19,200 shares (Per stock acquisition right 4,800 shares)
Amount to be paid upon exercise of stock acquisition rights		No payment is needed in exchange for stock acquisition rights.
Value of property to be incorporated upon exercise of stock acquisition rights		Per stock acquisition right 76,800 yen (Per share 16 yen)
Period for exercising stock acquisition rights		From October 16, 2017 to October 10, 2025
Conditions for exercising stock acquisition rights		(Note) 1
Status of officers holding stock acquisition rights	Directors (Excluding external directors)	Number of stock acquisition rights 0 units Number of shares for this purpose 0 shares Number of holders 0 people
	Auditors	Number of stock acquisition rights 0 units Number of shares for this purpose 0 shares Number of holders 0 people

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

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

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(2) The status of stock acquisition rights delivered to employees, etc. as consideration for execution of duties during the current fiscal year

Not applicable.

(3) Other important matters pertaining to stock acquisition rights, etc.

At the Board of Directors Meeting held on September 24, 2024, the Company resolved to issue stock acquisition rights with charge to the Company's directors and employees, as well as to the directors and employees of the Company's affiliates, in order to further enhance motivation and morale and boost its unity as the Company aims to expand its medium-to long-term business and corporate value. Details are as below.

		Round 4 stock acquisition rights
Date of resolution for issuance		September 24, 2024
Those eligible to allocation for stock acquisition rights		Directors and employees of the Company, as well as the directors and employees of the Company's affiliates
Number of stock acquisition rights		29,050 units
Class and number of shares for the purpose of stock acquisition rights		Common shares 2,905,000 shares (Per stock acquisition right 100 shares)
Amount to be paid upon exercise of stock acquisition rights		Per stock acquisition right 100 yen
Value of property to be incorporated upon exercise of stock acquisition rights		Per stock acquisition right 129,100 yen (1,291 yen per share)
Period for exercising stock acquisition rights		From September 25, 2027 to September 24, 2034
Conditions for exercising stock acquisition rights		(Note) 1
Status of officers holding stock acquisition rights	Directors (Excluding external directors)	Number of stock acquisition rights 15,000 units Number of shares for this purpose 1,500,000 shares Number of holders 3
	External Director	Number of stock acquisition rights 500 units Number of shares for this purpose 50,000 shares Number of holders 1
	Auditors	Number of stock acquisition rights 0 units Number of shares for this purpose 0 shares Number of holders 0 people

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(Note) 1. Conditions for exercising stock acquisition rights

(1) Holders of stock acquisition rights may exercise those options up to the limit of the exercisable ratio of stock acquisition rights allotted to the holder, up to the maximum percentage specified in (a) and (b) below (hereinafter referred to as the "exercisable ratio"), provided that the conditions specified in (a) and (b) below are satisfied. If there are any fractions less than one unit in the number of exercisable stock acquisition rights, the number shall be rounded down.

(a) If the Company's consolidated profit before taxes exceeds 18,000 million yen in any fiscal year from the fiscal year ending March 31, 2027 to the fiscal year ending March 31, 2028: an exercisable ratio of 50%

(b) If the Company's consolidated profit before taxes exceeds 23,000 million yen in any fiscal year from the fiscal year ending March 31, 2027 to the fiscal year ending March 31, 2028: an exercisable ratio of 100%

The determination of consolidated profit before taxes under (a) and (b) above shall refer to the figures stated in the consolidated income statement included in the securities report submitted by the Company. However, in cases where the Company's Board of Directors determines that it is inappropriate to base the determination on the actual figures stated in the consolidated income statement due to changes in the accounting period, changes in applicable accounting standards, or events such as corporate acquisitions that significantly affect the Company's performance, the Company may make appropriate adjustments within a reasonable scope to exclude such effects.

(2) Holders of stock acquisition rights shall not be entitled to exercise such rights unless they continue to hold the position of director, auditor, executive officer, or employee of the Company or any of its affiliates from the date of allocation of such rights until March 31, 2026. However, this shall not apply to cases when the Board of Directors finds a justifiable reason, such as retirement from office due to expiry of tenure and retirement at the mandatory age limit.

(3) The exercise of stock acquisition rights by the heirs of stock acquisition right holders shall not be permitted.

(4) If exercising the stock acquisition rights would cause the total number of issued shares of the Company to exceed the total number of authorized shares at that point, the stock acquisition rights may not be executed.

(5) A stock acquisition right constituting less than one unit may not be exercised.

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Status of accounting auditors

(1) Name　　Ernst & Young ShinNihon LLC

(2) Fees and other amounts

	Amount of remuneration, etc.
Fees and other amounts for the auditing auditors relating to the current fiscal year	85 million yen
Sum of the monetary and other property gains that the Company and its subsidiaries owe to the accounting auditors	88 million yen

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

2. The Board of Auditors performed necessary verification of the contents of the accounting auditors' audit plans, the status of execution of duties in accounting audits and appropriateness of the grounds for calculating the fees and others, then decided to consent to the fees and other amounts payable to the accounting auditors.

3. Among the Company's significant subsidiaries, E-Guardian Inc. is subject to audits by an audit firm other than the Company's accounting auditor.

4. Fees and other amounts for the auditing auditors relating to the current fiscal year are as stated above, plus an additional remuneration of 16 million yen for the previous fiscal year.

5. The sum of the monetary and other property gains that the Company and its subsidiaries owe to the accounting auditors is 16 million yen in addition to the above, which is the amount of additional remuneration for the previous fiscal year.

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

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

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

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

(1) Overview of decision content concerning the system to ensure the appropriateness of business operations
The following is an overview of the decision content concerning the system to {1}ensure that directors execute their duties in compliance with laws and regulations and the Articles of Incorporation,{2} and the system to ensure the appropriateness of the Company's other business operations.

(i) System to ensure that directors and employees execute their duties in compliance with laws and regulations and the Articles of Incorporation.

A) The Company has a code of conduct in place that ensures that directors and employees behave in compliance with laws and regulation, the Article of Incorporation and social norms as well as internal rules, and conducts continual education and dissemination activities on the basics of compliance and information management, etc. necessary for business operations.

B) The Compliance Committee investigates whether there is a problem with the compliance system and compliance, and gives instructions to make improvement if there are any problems.

C) The Company has a reporting system in place against suspected compliance violations and takes strict measures through the established "Regulations on internal reporting" to protect the anonymity of whistleblowers and prevent whistleblowers from being subject to disadvantageous treatment.

D) Should a compliance violation occur, the Compliance Committee will investigate the cause, attempt to prevent its recurrence, and take strict disciplinary actions after clarifying who is responsible.

(ii) System to store and manage information related to the execution of duties by directors
The Company appropriately stores and manages information related to the execution of duties by directors in the form of documents or electromagnetic records in accordance with internal rules, including the "Regulations on document storage and management."

(iii) Regulations and other systems for managing loss risk

A) Regarding loss risk, the Company strives to prevent the occurrence of such risk and the expansion of a crisis through responses based on the "Regulations on risk management."

B) The status of activities concerning risk management by departments and divisions is reported to Board of Directors meetings as necessary, and the internal audit unit audits the effectiveness of the risk management system.

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

(iv) System to ensure the effective execution of duties by directors

A) To ensure that directors execute their duties effectively, the Board of Directors holds monthly meetings, as well as extraordinary ones when required.

B) Board of Directors meetings set out company-wide goals to be shared by directors and employees, and directors strive to disseminate them through the organization.

C) Each director makes necessary decisions on matters delegated to him/her to execute in accordance with the "Regulations on division of duties."

(v) System to ensure the appropriateness of business operations in the corporate group, comprising the Company and its subsidiaries

A) The chief administrator of affiliate companies supervises and manages the execution by directors of subsidiaries in accordance with internal regulations, including the "Regulations for administration of affiliate companies."

B) The chief administrator of affiliate companies reports significant decisions on the corporate management of subsidiaries to the Company's Board of Directors and implements them after obtaining approval.

C) The Company holds regular meetings with subsidiaries to share information, promote communicate among Group businesses, and unify Group management policy.

D) The Company's internal audit unit periodically audits the business operations, internal controls, etc. of subsidiaries and reports on the outcomes to the Representative Director and President as well as full-time auditors.

(vi) System related to employees and matters related to the independence of employees from directors where auditors request the assignment of employees to assist them in their duties

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

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B) These employees are not prevented from holding concurrent positions, but if the Company is requested by auditors to dedicate such employees to assisting the auditors, the Company complies with the request.

C) The transfer, performance assessment and disciplinary action of such employees are decided after obtaining consent from the auditors.

(vii) System for directors and employees to report to auditors, and other systems related to reporting to auditors

A) Auditors may attend corporate management meetings in addition to Board of Directors meetings in order to grasp the status of significant decision-making processes and the execution of duties.

B) Auditors may access circular letters for approval (ringi-sho) and other important documents, and the Company promptly submits related documents, materials, etc. to auditors upon their request.

C) Directors promptly report to auditors if it is feared that considerable damage may be caused to the Group in the course of executing their own duties.

D) Auditors may directly ask directors and employees to report to them on significant matters that may affect operations and company performance.

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

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

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

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

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

A) If the auditors deem it necessary, they may request the internal audit unit, which conducts internal audits, to examine specific matters in consultation with the Representative Director and President. The auditors may request the internal audit unit to cooperate with the audit as required at any time.

B) Auditors periodically exchange information with the internal audit unit and accounting auditors, and collaborate closely with them by exchanging information and opinions with regard to internal control system conditions identified by each of them, risk assessments and priority audit items, thereby conducting efficient audits.

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

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

B) Accordingly, the Group has established the "Regulations on measures against anti-social forces" with the Control & Management Unit specified as the unit in charge of dealing with anti-social forces, and works to gather information from relevant government agencies. The Group has built an organizational system that enables it to deal with any problem that might occur by closely communicating with relevant government agencies and legal advisors.

C) When intending to enter business with a new customer, before doing so the Group thoroughly examines the entity under the "Regulations on measures against anti-social forces," and also investigates it independently through online searches of relevant newspaper and magazine articles as well as using credit information agencies.

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

(i) Status of significant meetings

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

(ii) Compliance system

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

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

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

(iii) Risk management

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

(iv) Audit system for auditors

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

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Consolidated statements of changes in equity

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

(Unit: million yen)

	Equity attributable to owners of parent						Non-controlling interests	Total equity
	Capital	Capital surplus	Retained earnings	Treasury shares	Other components of capital	Total		
April 1, 2024 Balance	1,006	22,048	17,937	△1,405	△102	39,483	10,439	49,923
Current Profit			7,532		-	7,532	478	8,011
Comprehensive profit for the current term					△1	△1	△0	△2
Total comprehensive profit for the current term	-	-	7,532	-	△1	7,531	477	8,009
New shares issuance	35	34			-	70		70
Issuance of stock acquisition rights		2			-	2		2
Dividends			△1,353		-	△1,353	△182	△1,535
Treasury share acquisition		△6		△4,476	-	△4,482		△4,482
Changes due to loss of control over subsidiaries					-	-	△2,398	△2,398
Changes in equity at continuously controlled subsidiaries		1			△0	1	64	65
Increase/decrease due to changes in equity for companies included under the equity method					0	0		0
Stock compensation transactions of consolidated subsidiaries					-	-	19	19
Total of transactions with owners	35	33	△1,353	△4,476	△0	△5,761	△2,497	△8,259
March 31, 2025 Balance	1,042	22,081	24,117	△5,882	△104	41,254	8,419	49,673

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

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■ Notes on consolidated financial statements

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

1. Basis for preparing consolidated financial statements

Basis and standards for preparing consolidated financial statements

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

2. Scope of consolidation

Consolidated subsidiaries

Number of consolidated subsidiaries:	29 companies
Names of major consolidated subsidiaries:	TRUSTBANK, Inc.
	Orb, Inc
	beacapp Inc.
	Govmates, Inc.
	DFA Robotics Inc.
	Travel Zip Co., Ltd.
	CHANGE, Inc.
	E-Guardian Inc.
	UpClose, Inc.
	CyLeague Holdings, Inc.
	IdealRoute Consulting Inc.
	Toko Computer Service Co., Ltd.
	fundbook, Inc.

Major changes in the scope of consolidation

(New) - Share acquisition
Toko Computer Service Co., Ltd., fundbook, Inc.

(excluded) - Number of companies included under the equity method
Digital Growth Academia, INC., LOGOSWARE Corporation

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3. Application of the equity method

Number of companies included under the equity method: 6 companies

Names of major companies included under the equity method: Digital Growth Academia, INC.
LOGOSWARE Corporation
HOPE, Inc.

Major changes in the scope of applying the equity method

(New) - Change from consolidated subsidiaries
Digital Growth Academia, INC., LOGOSWARE Corporation

4. Information on the fiscal years of consolidated subsidiaries

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

5. Information on significant accounting policies

(1) Financial instruments

(i) Financial assets

(i) Initial recognition and measurement

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

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

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

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

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

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

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

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

(ii) Post-measurement

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

(a) Financial assets measured based on amortized cost

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

(b) Financial assets measured based on fair value

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

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

(iii) Discontinuance of recognition of financial assets

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

(iv) Impairment of financial assets

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

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

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always recognizes the amount equivalent to the entire period's expected credit loss as a bad debt allowance irrespective of whether credit risks have significantly grown since the time of initial recognition.

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

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

(ii) Financial liabilities

(i) Initial recognition and measurement

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

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

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

(ii) Post-measurement

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

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

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

(b) Financial liabilities measured based on amortized cost

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

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

(iii) Discontinuance of recognition of financial liabilities

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

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(iii) Indication of financial assets and financial liabilities

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

(iv) Derivatives

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

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

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

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(2) Inventories

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

(3) Property, plant and equipment

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

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

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

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

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

(4) Goodwill

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

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

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

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

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(5) Intangible assets

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

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

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

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

- Software: 3 to 5 years
- Trademark rights: 10 years
- Customer-related assets 9 to 20 years

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

(6) Lease

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

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

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

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

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

(7) Impairment of non-financial assets

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

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

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

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

If the recoverable amount of an asset or fund generation unit is less than its book value, the asset is written down to its recoverable amount, and the decrease in book value is recognized as an impairment loss. Impairment loss recognized in relation to fund generation units is first distributed in a way that reduces the book value of goodwill distributed to the units and then the book value of other assets in the units is reduced proportionally.

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

(8) Allowances

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

(9) Revenue

The Group recognizes revenue from contracts with customers by applying the steps specified below.

Step 1: Identify agreements with customers

Step 2: Identify duties to be performed under the agreements

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Step 3: Calculate transaction prices
Step 4: Distribute the transaction prices to duties to be performed under the agreements
Step 5: Recognize revenue when such duties are fulfilled (or as such duties are fulfilled)

(i) NEW-IT Transformation Business

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

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

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

M&A intermediary services involve the provision of services to execute the transfer of customers' shares or business, with revenue primarily recognized upon completion of the transfer.

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

(ii) Publitech Business

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

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

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

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

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

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

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

(10) Financial revenue and financial cost

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

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

(11) Conversion to foreign currency

Foreign currency transactions

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

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

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

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Notes on accounting estimates

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

   (1) Amount reported in consolidated financial statements for the current consolidated fiscal year
   Other financial assets (investment securities): 3,646 million yen

   (2) Other information that contributes to the understanding of users of consolidated financial statements about the content of accounting estimates
   If market prices at which the same issues are traded in active markets cannot be obtained, the fair value is assessed based on the most recent transaction prices if information on the most recent transactions between independent third parties and finance prices is available. It is assumed that the most recent transaction prices are effective for a certain period of time after transactions are conducted.
   If information on these most recent transactions is not available, the corporate value is assessed using methods such as the market approach, cost approach, and income approach.
   Although fair values are assessed based on the business plans, etc. developed by the entities targeted for investment, if events occur that lead to the deterioration of financial results at such entities or decrease in investment value such as the worsening of the fund procurement environment, they may have significant effects on consolidated financial statements in the following consolidated fiscal year and thereafter.

2. Valuation of goodwill

   (1) Amount reported in consolidated financial statements for the current consolidated fiscal year
   Goodwill: 28,881 million yen

   (2) Other information that contributes to the understanding of users of consolidated financial statements about the content of accounting estimates
   Goodwill is subject to an annual impairment test. In determining the recoverable amount, the higher of the fair value of each fund-generating unit and the fair value less costs to sell is adopted. If the recoverable amount is lower than the book value, an impairment loss is recognized.
   Estimated future cash flows used in the valuation of value in use are based on a three- to five-year business plan, which has been prepared using historical experience and external inputs and approved by management, with a terminal value calculated assuming a 0 to 1% growth rate for subsequent periods.
   In the fiscal year under review, the recoverable value exceeded the book value of the fund generation units or group of fund generation units; however, if there are material changes in major assumptions, such as discount rates, the sales revenue growth rate, or number of contracts, the recoverable value may be less than the book value.

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Notes on the statements of consolidated financial position

1. Allowance for doubtful accounts deducted directly from assets

Current assets	30 million yen
Non-current assets	1,332 million yen

2. Accumulated depreciation and impairment losses on property, plant, and equipment 451 million yen

Notes to the consolidated income statement

1. Impairment loss

The Group recognized impairment losses on the following assets during the fiscal year under review.

Type	Impairment losses
Goodwill	236 million yen
Property, plant and equipment	9
Intangible assets	553
Total	798

The book value was impaired to the recoverable amount due to a decline in profitability and the inability to recover the investment amount. The resulting decrease was recognized as an impairment loss. The recoverable amount was calculated based on the asset's value in use.

2. Provision of allowance for doubtful accounts

The provision of allowance for doubtful accounts primarily consists of provisions for uncollectible or delayed receivables arising from the energy business.

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Notes on the consolidated statements of changes in equity

1. Classes and total outstanding number of shares as of the last day of the fiscal year under review
   Common shares 73,852,362 shares
2. Classes and the total outstanding number of treasury shares as of the last day of the fiscal year under review
   Common shares 4,273,415 shares
3. Dividend of surplus

(1) Dividend payout amounts

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

(2) Payout amount of dividends with record date in the current fiscal year but effective date in the following fiscal year

The following item is planned to be discussed.

Resolution	Class of shares	Source of dividend	Total amount of dividends (million yen)	Dividend per share (yen)	Record date	Effective date
June 26, 2025 Ordinary General Meeting of Shareholders	Common shares	Retained earnings	1,454	20.90	March 31, 2025	June 27, 2025

4. Classes and the total number of shares for which stock acquisition rights are intended (excluding those yet to reach the first day of the exercise period), as of the last day of the fiscal year under review
   Common shares 19,200 shares

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Notes on revenue recognition

1. Resolution of revenue

(Unit: million yen)

	Reporting segments		
	New-IT Transformation Business	Publitech Business	Total
Period of revenue recognition			
Goods or services transferred at one point in time	16,178	21,553	37,731
Services transferred for a certain period of time	4,104	4,551	8,655
Total	20,283	26,104	46,387

2. Outstanding agreements

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

(Unit: million yen)

	April 1, 2024	March 31, 2025
Claims arising from agreements with customers	9,613	10,798
Contractual assets	112	175
Contractual liabilities	878	543

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

Contractual liabilities mainly comprise advances from customers. The amount included in contractual liabilities at the beginning of the fiscal year under review for revenue recognized during the fiscal year under review is 496 million yen. Among other factors, the decrease was partly attributable to a reduction in advances received resulting from the loss of control over Digital Growth Academia, INC..

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

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

4. Assets recognized in terms of costs for winning or performing agreements with customers
   There is no asset recognized by the Group based on costs for winning or performing agreements.

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Notes on financial instruments

1. Information on the status of financial instruments

(1) Capital management

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

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

(2) Financial risk management

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

(3) Credit risk management

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

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

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

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

(4) Liquidity risk management

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

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

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(5) Exchange risk management

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

(6) Interest rate risks

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

(7) Share price fluctuation risks

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

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2. Information on fair values of financial instruments

(1) Fair value of financial instruments

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

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

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

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

(2) Financial instruments measured based on fair value

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

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

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

(Other financial assets and other financial liabilities)

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

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

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

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

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

(Put option liability granted to non-controlling interests)

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

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

(Unit: million yen)

	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets measured based on fair value through net profit/loss				
Other financial assets				
Shares	838	-	259	1,098
Investments in investment limited partnerships and other partnerships	-	238	1,360	1,599
Others	-	-	0	0
Financial assets measured based on fair value through other comprehensive profits				
Other financial assets				
Shares	-	-	2,025	2,025
Total	838	238	3,646	4,722
Liabilities:				
Financial liabilities measured based on fair value through net profit/loss				
Other financial liabilities				
Derivatives	-	0	-	0
Total	-	0	-	0

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

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Valuation processes

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

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

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

(Unit: million yen)

Opening balance	3,101
Total gains and losses	△233
Net profit/loss (Note 1)	△233
Purchases	988
Others (Note 2)	△209
Closing balance	3,646
Changes in unrealized gains or losses recognized in net profit/loss on assets held at the end of the reporting period (Note)	△233

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

2. “Other” primarily comprises distributions from investment limited partnerships and the derecognition of certain items following the consolidation of Toko Computer Service Co., Ltd. as a subsidiary.

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(3) Financial instruments measured based on amortized cost

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

(Unit: million yen)

	Book value (*)	Fair value (*)
Long-term borrowings (including current portion of long-term borrowings)	(32,604)	(33,037)
Bonds payable	(117)	(118)

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

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

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

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

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

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

Notes on per-share information

1. Equity attributable to owners of parent per share	592.91 yen
2. Basic profit per share	107.49 yen

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Notes on business combinations

(Acquisition of Toko Computer Service Co., Ltd.)

(1) Outline of business combinations

(i) Name of the acquired company and its business

Name of acquired company: Toko Computer Service Co., Ltd.

Its business: Development of business software and systems, implementation support, hardware sales, and web production

(ii) Major reason for the business combination

By combining our customer base of over 1,700 municipalities and business development capabilities with the trust and customer base that Toko Computer Service Co., Ltd. has developed in Akita Prefecture and the Tohoku region, we aim to enhance medium-to long-term corporate value and contribute to a sustainable Japan and regional revitalization through new business development in the carbon credit field.

(iii) Acquisition date

September 20, 2024

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

Acquisition of shares through cash payment for compensation

(v) Name after the combination

The name remains unchanged after the combination.

(vi) Ratio of voting rights acquired

Ratio of voting rights before the business combination	14.5%
Ratio of voting rights acquired on the date of business combination	85.5%
Ratio of voting rights after the acquisition	100.0%

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

(Unit: million yen)

	Amount
Fair value of shares held immediately prior to the business combination on the business combination date	58
Fair value of compensation paid (cash)	341
Fair value of assets acquired and liabilities undertaken	
Cash and cash equivalents	761
Other current assets	1,719
Non-current assets	216
Current liabilities	△1,196
Non-current liabilities	△1,133
Fair value of assets acquired and liabilities undertaken (net)	367
Non-controlling interests	-
Goodwill	32

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

Acquisition-related costs in this business combination are 0 million yen and are reported as part of the selling, general, and administrative expenses in the consolidated income statement.

The goodwill generated through the business combination is reported in the Publitech Business segment. It consists mainly of the excess profit-making ability expected chiefly in businesses that will be developed by Toko Computer Service Co., Ltd. in the future.

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

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(3) Cash flows from the acquisition

(Unit: million yen)

	Amount
Cash and cash equivalents disbursed for acquisition	341
Cash and cash equivalents held by the acquired company at the time of acquisition	△761
Proceeds due to the acquisition of the subsidiary	420

(4) Effects on financial results

The effects of Toko Computer Service Co., Ltd.'s sales revenue and net profit during the period from the day of acquisition to the end of the fiscal year under review on the Group's consolidated income statement are minor.

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

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(Acquisition of fundbook, Inc.)

(1) Outline of business combinations

(i) Name of the acquired company and its business

Name of the acquired company: fundbook, Inc.

Its business: M&A brokerage business

(ii) Major reason for the business combination

Aims to contribute to a sustainable Japan and regional revitalization by playing an important role in revitalizing regional economies (regional revitalization) through M&A support for business succession and growth strategies.

In addition, because the M&A brokerage industry is undergoing transformation and is receptive to new business models and value-creating approaches, combining this with the Group's consulting expertise is expected to drive growth.

(iii) Acquisition Date

December 23, 2024

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

Acquisition of shares through cash payment for compensation

(v) Name after the combination

The name remains unchanged after the combination.

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(vi) Ratio of voting rights acquired

Ratio of voting rights before the business combination	0.0%
Ratio of voting rights acquired on the date of business combination	100.0%
Ratio of voting rights after the acquisition	100.0%

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

(Unit: million yen)

	Amount
Fair value of compensation paid (cash)	15,500
Fair value of assets acquired and liabilities undertaken	
Cash and cash equivalents	2,418
Other current assets	296
Non-current assets	1,312
Current liabilities	△1,057
Non-current liabilities	△470
Fair value of assets acquired and liabilities undertaken (net)	2,499
Non-controlling interests	-
Goodwill	13,000

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

Acquisition-related costs in this business combination are 132 million yen and are reported as part of the selling, general, and administrative expenses in the consolidated income statement.

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

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

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(3) Cash flows from the acquisition

(Unit: million yen)

	Amount
Cash and cash equivalents disbursed for acquisition	15,500
Cash and cash equivalents held by the acquired company at the time of acquisition	△2,418
Expenditure due to the acquisition of the subsidiary	13,081

(4) Effects on financial results

The effects of fundbook, Inc.'s sales revenue and net profit during the period from the day of acquisition to the end of the fiscal year under review on the Group's consolidated income statement were 2,282 million yen and 592 million yen, respectively.

Assuming the business combination was completed at the beginning of the fiscal year under review, the Group's pro forma information would be sales revenue of 49,567 million yen and current profit of 8,208 million yen. An audit certification has not been received for this pro forma information.

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Finalization of provisional treatment related to business combinations

(E-Guardian Inc.)

With regard to E-Guardian Inc., which was acquired on October 11, 2023, the allocation of the acquisition cost to the related assets and liabilities had not been completed in the previous fiscal year, and the intangible assets and goodwill had been reported on a provisional basis. However, the allocation has been finalized in the fiscal year under review. As a result, intangible assets increased by ¥6,907 million and non-controlling interests increased by ¥2,362 million, while goodwill decreased by ¥2,433 million. The acquisition consideration, assets acquired, liabilities assumed, non-controlling interests, and goodwill as of the acquisition date are as follows.

(Unit: million yen)

	Amount
Fair value of compensation paid (cash)	16,157
Fair value of assets acquired and liabilities undertaken	
Cash and cash equivalents	8,956
Other current assets	1,616
Intangible Assets	7,641
Other non-current assets	1,313
Current liabilities	△2,007
Non-current liabilities	△2,527
Fair value of assets acquired and liabilities undertaken (net)	14,993
Non-controlling interests	7,691
Goodwill	8,856

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(IdealRoute Consulting Inc.)

With regard to IdealRoute Consulting Inc.(Digital Arts Consulting Inc. as acquisition of the date), which was acquired on March 29, 2024, the allocation of the acquisition cost to the related assets and liabilities had not been completed in the previous fiscal year, and the intangible assets and goodwill had been reported on a provisional basis. However, the allocation has been finalized in the fiscal year under review. As a result, intangible assets increased by ¥692 million while goodwill decreased by ¥443 million. The acquisition consideration, assets acquired, liabilities assumed, non-controlling interests, and goodwill as of the acquisition date are as follows.

(Unit: million yen)

	Amount
Fair value of compensation paid (cash)	2,296
Fair value of assets acquired and liabilities undertaken	
Cash and cash equivalents	232
Other current assets	399
Intangible Assets	727
Other non-current assets	31
Current liabilities	△ 398
Non-current liabilities	△ 244
Fair value of assets acquired and liabilities undertaken (net)	748
Non-controlling interests	60
Goodwill	1,608

Loss of control

(1) Overview of loss of control

On April 1, 2024, the class shares of Digital Growth Academia, INC. held by KDDI Corporation were converted into common shares, resulting in KDDI Corporation's voting rights ratio increasing to 50.01%, and accordingly, Digital Growth

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Academia, INC. and its subsidiary LOGOSWARE Corporation changed from being the Company's consolidated subsidiaries to equity-method affiliates.

(2) Assets and liabilities associated with loss of control

(Unit: million yen)

	Amount
Cash and cash equivalents	4,068
Other current assets	270
Non-current assets	2,232
Total assets	6,571
Current liabilities	△444
Non-current liabilities	△1,453
Total liabilities	△1,897

(Note) The non-controlling interests in Digital Growth Academia, INC. and LOGOSWARE Corporation at the time of loss of control amounted to 2,398 million yen.

(3) Profit or loss due to loss of control over subsidiaries

A gain of 1,569 million yen was recognized due to the loss of control, which is recorded under "Gain from loss of control over subsidiaries" in the consolidated income statement and allocated to the NEW-IT segment.

This is due to the remeasurement at fair value as of the date of loss of control of the Company’s ownership interest in Digital Growth Academia, Inc. The fair value was measured using a discounted cash flow method based on business plans. The key assumptions used in the fair value measurement were the discount rate and the revenue growth rate.

(4) Changes in cash and cash equivalents due to loss of control

(Unit: million yen)

	Amount
Cash received as consideration (Note)	-
Cash and cash equivalents of subsidiaries excluded from consolidation	△4,068
Decrease in cash and cash equivalents due to exclusion from consolidation	△4,068

(Note) This loss of control resulted from the conversion of class shares into common shares by KDDI Corporation, so no cash or cash equivalents were received as a result of the loss of control.

Notes on significant subsequent events

Not applicable.

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Financial Statements of Changes in Shareholders' Equity

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

(Unit: million yen)

	Shareholders' Equity							
	Capital	Capital surplus			Retained earnings		Treasury shares	Total shareholders' equity
		Capital reserve	Other capital surplus	Capital Surplus Total	Other retained earnings Retained earnings carried forward	Retained Earnings Total		
Opening balance	1,006	1,006	36,576	37,583	1,426	1,426	△1,405	38,610
Change during current period								
New shares issuance	35	35		35		-		70
Dividend of surplus				-	△1,353	△1,353		△1,353
Net income				-	3,096	3,096		3,096
Treasury share acquisition						-	△4,476	△4,476
Change during current period excluding shareholder equity (net amount)				-		-		-
Change during current period - Total	35	35	-	35	1,743	1,743	△4,476	△2,662
Closing balance	1,042	1,042	36,576	37,618	3,169	3,169	△5,882	35,947

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	Valuation and conversion differences, etc.		Stock option	Total net assets
	Other differences from valuation of securities	Valuation/ conversion Total of differences, etc.		
Opening balance	249	249	1	38,860
Change during current period				
New shares issuance		-		70
Dividend of surplus		-		△1,353
Net income		-		3,096
Treasury share acquisition		-		△4,476
Change during current period excluding shareholder equity (net amount)	15	15	1	17
Change during current period - Total	15	15	1	△2,645
Closing balance	265	265	2	36,215

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

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■ List of Individual Notes

Notes on items related to significant accounting policies

1. Valuation standards and methods for securities

(1) Investments in Subsidiaries and Affiliates

Stated at cost determined by the moving-average method

(2)Available-for-sale securities

Other than shares, etc. without market prices	The present market value is recorded. (Valuation differences are incorporated into net assets in full, and selling prices were computed based on the moving-average method.) With respect to investments in investment partnerships, the Company adopts a method whereby the book value of investment securities is adjusted based on the Company’s share of the operating results of the partnership, as calculated using the most recent financial statements of the partnership.
Shares, etc. without market prices	Stated at cost, mainly using the moving-average method.

2. Depreciation and amortization methods for depreciable assets

(1) Tangible fixed assets	The Company amortizes intangible assets using the straight-line method. The range of useful lives of main property, plant and equipment are as follows: Buildings 3 - 22 years Tools, furniture and fixtures 2 - 13 years
(2) Intangible fixed assets	The Company amortizes intangible assets using the straight-line method. Software used in-house is amortized by the straight-line method over its useful life assuming in-house use of five years.

3. Basis for Recording Allowance Provisions

(1) Allowance for Doubtful Accounts

To provide for potential credit losses on receivables, the Company assesses the collectibility of each receivable individually and records an allowance for the estimated uncollectible amounts.

4. Basis for recording significant revenues and expenses

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

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Notes on accounting estimates

Valuation of investment securities without market prices

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

Investment securities: 3,497 million yen

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

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

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

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

Valuation of shares in affiliates

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

Affiliates' shares in which the excess profit-making ability at the time of acquisition is reflected in the real value before valuation: 16,319 million yen

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

With respect to affiliates' shares without market prices but whose real value reflects the excess profit-making ability at the time of acquisition, the Group examines whether their real value has declined significantly due to the impairment of the excess profit-making ability and other factors. The presence or absence of impairment to excess profit-making capacity and other factors is affected by the likelihood of achieving the business plan. Major assumptions, such as the sales revenue growth rate and number of contracts, are used in the development of the business plan.

If major assumptions change substantially and the real value declines significantly, the estimates may have significant effects on amounts recognized in the financial statements for the following fiscal year and thereafter.

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Notes to the balance sheet

1. Cumulative depreciation of property, plant and equipment 75 million yen

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

Overdraft limit total	33,400 million yen
Borrowing balance	-
Difference	33,400

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

TRUSTBANK, Inc.	450 million yen

4. Monetary claims and obligations to affiliates

Short-term monetary claims	278 million yen
Long-term monetary claims	20 million yen
Short-term monetary obligations	120 million yen

Note: Amounts separately presented on the balance sheet are excluded.

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Notes to the statement of income

Amount of transactions with subsidiaries and affiliates

Amount of business transactions

Operating revenue	8,819 million yen
Operating expenses (including Reimbursement of Secondment Expenses)	△5 million yen
Transactions other than operational transactions	38 million yen

Notes to the financial statements of changes in shareholders' equity

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

Common shares	4,273,415 shares

Notes on tax effect accounting

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

Deferred tax assets		
Asset retirement obligations	10	million yen
Loss on valuation of investment securities	189	
Loss on valuation of shares of subsidiaries and associates	4,071	
Provision of allowance for doubtful accounts	302	
Loss carried forward	136	
Others	3	
Deferred tax assets - subtotal	4,714	
Valuation allowance	△4,714	
Deferred tax assets - Total	-	
Deferred tax liabilities		
Valuation difference on available-for-sale securities	135	
Others	11	
Deferred tax liabilities - Total	146	
Deferred tax liabilities - Net	146	

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Notes on transactions with related parties

Type	Company name	Percentage of voting rights held	Relationship with related party	Transaction amount (million yen)	Subject	Closing balance (million yen)
Subsidiary	TRUSTBANK, Inc.	Direct 100%	Receipt of business guidance fee (Note 1)	1,728	Accounts receivable	158
			Loan of funds (Note 2)	11,638	-	-
			Loan repayments (Note 2)	11,638	-	-
			Interest received (Note 2)	2	-	-
			Borrowings (Note 2)	14,104	Short-term Borrowings from Affiliates	3,077
			Borrowings of repayments (Note 2)	11,026		
			Interest payments (Note 2)	4		
			Guarantee for borrowings (Note 3)	7,858	-	-
Subsidiary	CHANGE, Inc.	Direct 100%	Receipt of business guidance fee (Note 1)	96	Accounts receivable	8
			Payments of Consulting fee (Note 4)	264	Accounts payable - other and accrued expenses	79
			Loan of funds (Note 2)	809	Short-term loans	209
			Loan repayments (Note 2)	600	-	-
			Guarantee for borrowings (Note 3)	7,858	-	-
Subsidiary	Govmates, Inc.	Direct 100%	Loan of funds (Note 2)	400	Short-term loans	1,266
					Long-term loans	334

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			Interest received (Note 2)	7	Other current assets	5
Subsidiary	CyLeague Holdings, Inc.	Direct 100%	Loan of funds (Note 2)	140	Short-term loans	140
					Long-term loans	2,331
			Interest received (Note 2)	20	Other Investments and other assets	20
			Transfer of Shares (Note 2)	2,331		

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

2. In the case of loans and repayments of funds, interest rates are reasonably determined taking into account market interest rates.

3. The Company has received joint guarantees from TRUSTBANK, Inc. and CHANGE, Inc. for its borrowings from financial institutions. The transaction amount indicates the balance of borrowings remaining as of end of the fiscal year that is subject to the guarantee obligation. There is no payment of a warranty fee.

4. The consulting fee is determined through mutual consultation between the parties, taking into consideration the nature of the services provided.

5. The share transfer price is determined based on the results of a valuation conducted by an independent third-party institution.

Notes on per-share information

1. Net assets per share	520.45 yen
2. Net profit per share	44.18 yen

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Notes on significant subsequent events

Not applicable.