(Securities code: 2389)

Date of issue: March 5, 2024

Date of electronic provision measures commencement: March 4, 2024

To our shareholders:

Atsushi Nouchi
President and Group CEO
DIGITAL HOLDINGS, INC.
6, Yonbancho, Chiyoda-ku, Tokyo

Convocation Notice of the 30th Annual General Meeting of Shareholders

You are cordially invited to attend the 30th Annual General Meeting of Shareholders (the "Meeting") of DIGITAL HOLDINGS, Inc. (the "Company"), which will be held as described below.

When convening the General Meeting of Shareholders, the Company takes measures to electronically provide the information that is the content of the reference documents for the general meeting of shareholders, etc. (Electronic Provision Measures Matters), and posts this information as the "Convocation Notice of the 30th Annual General Meeting of Shareholders" on the Company's website. Please access the Company's website using the Internet address shown below to review the information.

Two-dimensional code

The Company's website:
https://www.digital-holdings.co.jp/ir/stocks_meeting/
(in Japanese)

In addition to the Company's website, the Company also posts this information on the website of the Tokyo Stock Exchange, Inc. (TSE). Please access the TSE website (Listed Company Search) by using the Internet address given below, input "DIGITAL HOLDINGS" in the issue name (company name) field or "2389" in the securities code field, and click "Search." Then, click "Basic information" and select "Documents for public inspection/PR information" to check the information under "[Notice of General Shareholders Meeting /Informational Materials for a General Shareholders Meeting]."

Two-dimensional code

TSE website (Listed Company Search):
https://www2.jpx.co.jp/tseHpFront/JJK010010Action.do?Show=Show
(in Japanese)

If you are unable to attend the Meeting, you can exercise your voting rights in writing or via the Internet. Please refer to the Reference Documents for the General Meeting of Shareholders, and exercise your voting rights no later than 6:00 p.m., Wednesday, March 27, 2024 (JST). Although we have live streamed general meetings of shareholders on the Internet since the 27th Annual General Meeting of Shareholders, please note that the Meeting will not be live streamed this year. We highly appreciate your understanding.

1. **Date and Time:** Thursday, March 28, 2024 at 10:00 a.m. (JST)
2. **Place:** Conference room, Head office, DIGITAL HOLDINGS, Inc.
5th floor, 6 Yonbancho, Chiyoda-ku, Tokyo, Japan
3. **Agenda of the Meeting:**

Matters to be reported:

I. Report on Business Report, Consolidated Financial Statements and audit results of the Consolidated Financial Statements by the Accounting Auditor and the Audit and Supervisory Committee for the 30th Fiscal Term (from January 1, 2023 to December 31, 2023).

II. Report on the Non-Consolidated Financial Statements of the Company for the 30th Fiscal Term (from January 1, 2023 to December 31, 2023).

Proposals to be resolved:

<Company's proposals (Proposal No. 1 and Proposal No. 2)>

Proposal No. 1: Election of Seven (7) Directors (Excluding Directors Who Are Audit and Supervisory Committee Members)

Proposal No. 2: Election of Three (3) Directors Who Are Audit and Supervisory Committee Members

<Shareholder's proposals (Proposal No. 3 and Proposal No. 4)>

Proposal No. 3: Purchase of Treasury Shares

Proposal No. 4: Partial Amendments to the Articles of Incorporation (Disclosure of Individual Director Remuneration)

The Board of Directors of the Company is opposed to Proposal No. 3 and Proposal No. 4.

4. **Instructions for Exercising Voting Rights**

(1) Exercising voting rights in writing

To vote in writing, please indicate your approval or disapproval of the proposal on the Voting Rights Exercise Form sent together with this Convocation Notice, and return the Form by post to reach us by 6:00 p.m. Wednesday, March 27, 2024 (JST).

* If you do not indicate your approval or disapproval of each proposal, your vote shall be treated **as an indication of "approval" for the Company's proposals (Proposal No. 1 and Proposal No. 2), and an indication of "disapproval" for the Shareholder's proposals (Proposal No. 3 and Proposal No. 4)**.

(2) Exercising voting rights via the Internet

To vote via the Internet, please access to the "Voting Right Exercise Site (https://www.net-vote.com/)" (in Japanese), which is provided on the Voting Rights Exercise Form sent together with this Convocation Notice. Follow the instructions and indicate your approval or disapproval by 6:00 p.m. Wednesday, March 27, 2024 (JST). If you want to use your smartphone, you can exercise your voting rights by using QR code (Please refer to the page after next for details.)

(3) Handling of exercising voting rights in duplicate

1) If you vote both in writing and via the Internet, voting rights exercise via the Internet shall be deemed valid.
2) If you vote more than once via the Internet, the most recent shall be deemed as valid.

Notice

- When attending the Meeting in person, you are kindly requested to submit the Voting Rights Exercise Form sent together with this Convocation Notice at the reception desk. Please bring this Convocation Notice of the 30th Annual General Meeting of Shareholders with you to the meeting.
- If a proxy exercises your voting rights, the proxy shall be another shareholder who has voting rights in accordance with the provisions of the Company's Articles of Incorporation. When a proxy attends the Meeting in person, the proxy is required to submit a written proof of the right of proxy (power of attorney) together with the Voting Rights Exercise Form at the reception desk.
- The English version of the Convocation Notice of the Annual General Meeting of Shareholders and the Reference Documents for the General Meeting of Shareholders are available on the Company's website (https://digital-holdings.co.jp/en/).
- If amendments to the Electronic Provision Measures Matters are to be taken arise, a notice of the amendments and the details of the matters before and after the amendments will be posted on the Company's aforementioned website and the TSE website.
- The number of seats available for shareholders at the Meeting will be limited. Therefore, even if you come to the venue on the day, we may refuse your entry into the venue.
- For some officers, participation may be via remote communication.
- No souvenir will be handed out to shareholders attending the Meeting in person.

Shareholders' Comments

To improve communication with shareholders, we are accepting inquiries for the General Meeting of Shareholders (to distinguish from inquiries made by exercising the right to inquire under the Article 314 of the Companies Act, hereinafter the "Comments") through the following methods. Although they will not be regarded as formal statements at the General Meeting of Shareholders, some of the Comments may be featured and answered during the General Meeting of Shareholders. We highly appreciate your understanding on this matter.

Method: Enter your comment at: https://digital-holdings.co.jp/contact_ir (in Japanese) and send it by 6:00 p.m. Friday, March 22, 2024 (JST).

Instructions for Exercising Voting Rights via the Internet

You can exercise your voting rights via the Internet by accessing the Voting Right Exercise Site as instructed below from your PCs or smartphones.

1. Accessing the Voting Right Exercise Site

[Address of Voting Right Exercise Site] https://www.net-vote.com/ (in Japanese)
Please access the Voting Right Exercise Site at the URL provided above. You can exercise your voting rights until 6:00 p.m. Wednesday, March 27, 2024 (JST).

2. How to vote via the Internet

[For PC users]

Access the Voting Right Exercise Site at the URL provided above, log in by entering the login ID and password printed on the Voting Rights Exercise Form sent together with this Convocation Notice and follow the instructions on the screen to indicate your approval or disapproval of the proposals.

[For smartphone users]

Simply scan the QR code® located on the Voting Rights Exercise Form sent together with this Convocation Notice. You don't have to enter login ID nor password.

In case you would like to change any of your indication, access the Voting Right Exercise Site at the above URL, log in by entering the login ID and password printed on the Voting Rights Exercise Form and follow the instructions on the screen to indicate approval or disapproval of the proposal. (QR code® is a registered trademark of DENSO WAVE INCORPORATED).

3. Notes

(1) Any costs arising from accessing the Voting Right Exercise Site shall be borne by shareholders.
(2) Depending on your network environments, you may not be able to access the Voting Right Exercise Site.
(3) The Voting Right Exercise Site is not accessible via some cellular phones such as feature phones.

Institutional investors can exercise their voting rights through "The Electronic Proxy Voting Platform" operated by ICJ, Inc.

For an inquiry regarding online exercise of the voting rights, please contact the following:

Custody Service Department, IR Japan, Inc.

TEL: 0120-975-960

Business Hours: 9:00 a.m. to 5:00 p.m. (JST) (not available on Saturdays, Sundays and holidays)

Reference Documents for the General Meeting of Shareholders

<Company’s proposals (Proposal No. 1 and Proposal No. 2)>

Proposal No. 1: Election of Seven (7) Directors (Excluding Directors Who Are Audit and Supervisory Committee Members)

The terms of office of all the current seven (7) Directors (excluding Directors who are Audit and Supervisory Committee members; the same shall apply hereinafter in this proposal) will expire at the conclusion of this Annual General Meeting of Shareholders.

In that regard, the Company proposes to elect seven (7) Directors.

As for this proposal, the Audit and Supervisory Committee of the Company has agreed that all the candidates are qualified to serve as Directors.

The candidates for Director are as follows:

<table>
<tr><th>Candidate No.</th><th>Name
(Date of birth)</th><th colspan="2">Career Summary and Position in the Company
(Significant concurrent positions)</th><th>Number of the Company’s Shares Owned</th></tr>
<tr><td rowspan="2">1</td><td>Noboru Hachimine
(June 22, 1967)</td><td>Apr. 1991
Mar. 1994

Jun. 2016
Mar. 2017
Mar. 2020
Apr. 2020
Mar. 2021
Mar. 2022</td><td>Joined Mori Building Co., Ltd.
Established Deca Legs Ltd. (currently the Company) and assumed the position as President
Outside Director, UT Group Co., Ltd.
Director, SoldOut, Inc.
Chairperson, the Company (current position)
President and Representative Director, Digital Shift, Inc.
Chairperson and Representative Director, Digital Shift, Inc.
Chairperson and Director, Digital Shift, Inc. (current position)</td><td>4,525,200</td></tr>
<tr><td colspan="4">[Reasons for nomination as candidate for Director]
Mr. Noboru Hachimine has long been demonstrating excellent leadership and driving growth in the Group’s corporate value. He has been nominated because he is well-qualified to continue to build an operational foundation for the realization of sustainable Group-wide growth and to improve corporate value over the medium to long term.</td></tr>
<tr><td rowspan="2">2</td><td>Atsushi Nouchi
(December 21, 1967)</td><td>Apr. 1991
Oct. 1996
Mar. 1999
Feb. 2015

Mar. 2017
Mar. 2020</td><td>Joined Mori Building Co., Ltd.
Joined OPT, Inc. (currently the Company)
Director, OPT, Inc.
CEO, OPT Ventures, Inc. (currently Bonds Investment Group Inc.) (current position)
Vice President and Group COO, the Company
President and Group CEO, the Company (current position)</td><td>1,285,800</td></tr>
<tr><td colspan="4">[Reasons for nomination as candidate for Director]
Mr. Atsushi Nouchi is well-versed in all aspects of the Group’s operations and has been driving growth in the Group’s corporate value through strong leadership, decisiveness and executive capabilities. He has been nominated because he is well-qualified to continue to build an operational foundation for the realization of sustainable Group-wide growth and to improve corporate value over the medium to long term.</td></tr>
<tr><td rowspan="2">3</td><td>Daisuke Kanazawa
(September 4, 1980)</td><td>Sep. 2005
Jan. 2008
Apr. 2013
Apr. 2015
Apr. 2017
Apr. 2019
Apr. 2020

Oct. 2020
Mar. 2021</td><td>Joined OPT, Inc. (currently the Company)
General Manager of Sales Department, OPT, Inc.
Executive Officer, OPT, Inc.
President, Representative Director and CEO, OPT, Inc.
Senior Executive Officer, the Company
Group Executive Officer, the Company
Director, OptDigital, Inc. (currently Re:teigi, Inc.) (current position)
Director, RePharmacy, Inc.
Director and Group COO, the Company (current position)</td><td>34,100</td></tr>
<tr><td colspan="4">[Reasons for nomination as candidate for Director]
Mr. Daisuke Kanazawa has been engaged in marketing throughout his career since he joined OPT, Inc. in 2005 and has long been leading the execution of operations in the Group’s core business domains through strong leadership, decisiveness and executive capabilities by serving in such positions as Representative Director at OPT, Inc. and Group Executive Officer of the Company. He has been nominated because he is well-qualified for the Group to continue to aim for corporate value of JPY 1 trillion.</td></tr>
</table>

<table>
<tr><th>Candidate No.</th><th>Name
(Date of birth)</th><th>Career Summary and Position in the Company
(Significant concurrent positions)</th><th>Number of the Company's Shares Owned</th></tr>
<tr><td rowspan="2">4</td><td>Tomoyuki Mizutani
(August 16, 1964)</td><td>Apr. 1988 Joined Recruit Co., Ltd. (currently Recruit Holdings Co., Ltd.)
Apr. 1997 Editor-in-Chief, “Tech Being”
Apr. 2001 Editor-in-Chief, “Recruit Navi Career” (currently “RikuNavi NEXT”)
Apr. 2002 Editor-in-Chief, “Being” (Kanto region edition)
Apr. 2004 Corporate Executive Officer (responsible for Human Resource (HR) Division), Recruit Co., Ltd. (currently Recruit Holdings Co., Ltd.)
Apr. 2006 Director, Recruit HR Marketing Co., Ltd. (currently Recruit Jobs Co., Ltd.)
Apr. 2007 Director and Corporate Executive Officer (responsible for HR, administration, corporate communication), Recruit Co., Ltd. (currently Recruit Holdings Co., Ltd.)
Apr. 2011 President, Recruit Agent Co., Ltd.
Oct. 2012 First President, Recruit Career Co., Ltd.
Apr. 2015 Advisor, Recruit Holdings Co., Ltd.
Apr. 2016 Advisor, Japan Executive Search and Recruitment Association (current position)
Mar. 2017 External Director, the Company (current position)</td><td>10,000</td></tr>
<tr><td colspan="3">[Reasons for nomination as candidate for Director and outline of expected role]
Mr. Tomoyuki Mizutani has spent much of his career at Recruit Co., Ltd. (currently Recruit Holdings Co., Ltd.), mainly in the HR business domain. He was active in multiple high-ranking executive positions, including as a Corporate Executive Officer (responsible for HR Division) at Recruit and the first President of Recruit Career Co., Ltd. Outside of the Recruit Group, he has been active in a wide range of activities with HR and societal-contribution themes, including cultivation of social entrepreneurs. In addition to such extensive experience, he possesses broad insight. He has been nominated because he is expected to offer opinions and advice to ensure appropriate, sound management decision-making from an independent and objective standpoint.</td></tr>
<tr><td rowspan="2">5</td><td>Koji Yanagisawa
(May 19, 1971)</td><td>Apr. 1995 Joined The Fuji Bank, Limited (currently Mizuho Bank, Ltd.)
May 1999 Joined NTT DATA INSTITUTE OF MANAGEMENT CONSULTING, Inc.
May 2005 Joined Mizuho Securities Co., Ltd.
Feb. 2006 Full-time Statutory Auditor, START TODAY CO., LTD. (currently ZOZO, Inc.)
Jun. 2008 Director and General Manager of Strategic Planning and Business Administration Division, START TODAY CO., LTD.
Apr. 2009 Director and CFO, START TODAY CO., LTD.
Dec. 2015 External Director, COLOPL, Inc. (current position)
Apr. 2017 Director, Executive Vice President & CFO, START TODAY CO., LTD. (current position)
Mar. 2020 External Director, the Company (current position)</td><td>0</td></tr>
<tr><td colspan="3">[Reasons for nomination as candidate for Director and outline of expected role]
With his experience as CFO and others at a growing company, Mr. Koji Yanagisawa possesses broad insight in overall business administration centered on accounting, finance, IR, legal affairs, and corporate governance. He has been nominated because he is expected to offer opinions and advice to ensure appropriate, sound management decision-making from an independent and objective standpoint.</td></tr>
</table>

Candidate No.	Name (Date of birth)	Career Summary and Position in the Company (Significant concurrent positions)	Number of the Company's Shares Owned
6	Yasuhiro Ogino (September 29, 1973)	Aug. 2005 Joined Macromill, Inc. Jan. 2008 Executive Officer (in charge of Finance and Accounting Headquarters), Macromill, Inc. Jun. 2008 Joined J-Magic K.K. Dec. 2008 Director, CFO, General Manager of Administration Management Division, J-Magic K.K. Dec. 2009 Joined mixi, Inc. Nov. 2011 Executive General Manager of the Administrative Headquarter, mixi, Inc. Feb. 2012 Executive Officer, mixi, Inc. Jun. 2012 Director, mixi, Inc. May 2017 Representative Director, SMART HEALTH Inc. Apr. 2018 Executive Officer, mixi, Inc. Mar. 2020 External Director, the Company (current position) Apr. 2020 Director and CFO, OCT Inc. (currently ANDPAD Inc.) (current position)	0
	[Reasons for nomination as candidate for Director and outline of expected role] With his experience as CFO and others at growing companies, Mr. Yasuhiro Ogino possesses abundant insight in overall business administration centered on business development and M&A. He has been nominated because he is expected to offer opinions and advice to ensure appropriate, sound management decision-making from an independent and objective standpoint.		
7	Mariko Tokioka (July 29, 1979)	Oct. 2002 Joined Oracle Corporation Japan Dec. 2010 Co-founder & COO, Quipper Limited Oct. 2013 Founder & CEO, East Meet East, Inc. (current position) Jun. 2019 External Director, Asteria Corporation (current position) Mar. 2022 External Director, the Company (current position)	0
	[Reasons for nomination as candidate for Director and outline of expected role] Ms. Mariko Tokioka is the founder and CEO of an IT company based in the U.S. and has a wealth of experience and a wide range of insight, including entrepreneurial experience in the SaaS field, global business management, and diversity management. She has been nominated because she is expected to offer opinions and advice to ensure appropriate, sound management decision-making from an independent and objective standpoint.		

(Notes)
1. None of the candidates has any special interests in the Company or vice versa.
2. Messrs. Tomoyuki Mizutani, Koji Yanagisawa, and Yasuhiro Ogino, and Ms. Mariko Tokioka are External Director candidates.
3. Messrs. Tomoyuki Mizutani, Koji Yanagisawa, and Yasuhiro Ogino, and Ms. Mariko Tokioka are currently External Directors of the Company; Mr. Tomoyuki Mizutani will have served for seven years as of the conclusion of the 30th Annual General Meeting of Shareholders, Messrs. Koji Yanagisawa and Yasuhiro Ogino for four years, and Ms. Mariko Tokioka for two years.
4. If Messrs. Tomoyuki Mizutani, Koji Yanagisawa, and Yasuhiro Ogino, and Ms. Mariko Tokioka are reappointed, the Company plans to renew each of the existing agreements with them pursuant to the provisions of Article 427, paragraph 1 of the Companies Act and Article 32, paragraph 2 of the Company's Articles of Incorporation. The agreements limit their liability for damages under Article 423, paragraph 1 of the Companies Act to the minimum liability stipulated in Article 425, paragraph 1 of the same act.
5. The Company has concluded Directors and Officers liability insurance contracts as provided for in Article 430-3, paragraph 1 of the Companies Act with an insurance company. The insured under such insurance contracts are Directors and managerial employees of the Company, and Directors, Auditors, and managerial employees of the Company's subsidiaries. The insurance contracts cover losses that may arise from an insured's assumption of liability incurred in the course of the performance of duties, or receipt of claims pertaining to the pursuit of such liability. However, in order to ensure that the appropriateness of the insured's performance of duties is not compromised, coverage is not provided in cases of a willful breach of trust, criminal or fraudulent acts, or willful violation of laws and regulations by the insured. In the event that each candidate's election as a Director is approved, he or she shall be the insured under the said insurance contract. The insurance contract is scheduled to be renewed with the same terms and conditions at the next renewal.
6. Messrs. Tomoyuki Mizutani, Koji Yanagisawa, and Yasuhiro Ogino, and Ms. Mariko Tokioka meet the independent director requirements of the Tokyo Stock Exchange, Inc. If reappointed, they will continue to serve as independent directors.
7. The number of the Company's shares owned by Mr. Noboru Hachimine includes 4,520,200 shares owned by HIBC Co., Ltd., an asset management company wholly owned by Mr. Hachimine.
8. The number of the Company's shares owned by Mr. Atsushi Nouchi includes 400,800 shares owned by Time and Space, Ltd., an asset management company wholly owned by Mr. Nouchi.

Proposal No. 2: Election of Three (3) Directors Who Are Audit and Supervisory Committee Members

The terms of office of all the current four (4) Directors who are Audit and Supervisory Committee members will expire at the conclusion of this Annual General Meeting of Shareholders. In view of the current status of the Company's audit system, including coordination, etc. with the internal audit staff, the Company has decided to reduce the number of Directors who are Audit and Supervisory Committee members by one (1) to three (3) Directors who are Audit and Supervisory Committee members, as it determined that the effectiveness of audits will be maintained with the reduced number. In that regard, the Company proposes to elect three (3) Directors who are Audit and Supervisory Committee members. The consent of the Audit and Supervisory Committee has been obtained for this proposal.

The candidates for Directors who are Audit and Supervisory Committee members are as follows:

Candidate No.	Name (Date of birth)	Career Summary and Position in the Company (Significant concurrent positions)	Number of the Company's Shares Owned
1	Yuki Okabe (May 5, 1973)	Apr. 1992 Joined THE OITA BANK, LTD. Mar. 1998 Joined Takahashi Tax Accounting Office Oct. 2002 Joined ChuoAoyama Audit Corporation Jul. 2007 Joined Ernst & Young ShinNihon LLC Oct. 2011 Established Okabe Yuki Certified Public Accountant and FP Office Jun. 2016 Full-time Audit & Supervisory Board Member, fonfun corporation Jul. 2018 Full-time Audit & Supervisory Board Member, AltPlus Inc. Mar. 2020 External Director and Audit and Supervisory Committee, the Company (current position) Mar. 2021 Auditor, SoldOut, Inc. Mar. 2021 Auditor, Digital Shift, Inc. (current position) Mar. 2021 Auditor, Bonds Investment Group Inc. Mar. 2022 Auditor, OPT, Inc. (current position) Mar. 2022 Auditor, Re:teigi, Inc. (current position) Mar. 2022 Auditor, RePharmacy, Inc.	0
	[Reasons for nomination as candidate for Director who is Audit and Supervisory Committee member and outline of expected role] In addition to possessing significant insight in finance and accounting as a CPA, Ms. Yuki Okabe has experience as an Auditor at multiple listed companies. She has been nominated because she is expected to offer necessary opinions and advice in the deliberation of matters from an objective standpoint.		
2	Ryoichi Kagizaki (August 1, 1974)	Oct. 2002 Joined Ushijima & Partners, Attorneys-at-Law Jan. 2012 Joined LIXIL Corporation Oct. 2017 Joined LINE Corporation (currently LY Corporation) Jan. 2019 Joined Miura & Partners (current position) Mar. 2022 External Director and Audit and Supervisory Committee member, the Company (current position)	0
	[Reasons for nomination as candidate for Director who is Audit and Supervisory Committee member and outline of expected role] Although Mr. Ryoichi Kagizaki does not have experience of being involved in corporate management directly by any method other than being an external officer in the past, he has a wealth of experience and expertise as a lawyer. He has been nominated as a candidate for Director who is Audit and Supervisory Committee member because he is expected to offer necessary opinions and advice in the deliberation of matters.		

<table>
<tr><th>Candidate No.</th><th>Name
(Date of birth)</th><th>Career Summary and Position in the Company
(Significant concurrent positions)</th><th>Number of the Company’s Shares Owned</th></tr>
<tr><td rowspan="2">3</td><td>*
Kazuhide Yamauchi
(October 19, 1960)</td><td>Apr. 1983 Joined The Tokai Bank, Ltd. (currently MUFG Bank, Ltd.)
Jun. 2011 Joined Mitsubishi UFJ Lease & Finance Company Limited (currently Mitsubishi HC Capital Inc.)
Jul. 2012 Corporate Officer, Mitsubishi UFJ Lease & Finance Company Limited (currently Mitsubishi HC Capital Inc.)
May 2013 President, Bangkok Mitsubishi UFJ Lease Co., Ltd. (currently Bangkok Mitsubishi HC Capital Co., Ltd.)
Jun. 2013 Executive Officer, Mitsubishi UFJ Lease & Finance Company Limited (currently Mitsubishi HC Capital Inc.)
Jun. 2015 Full-time Audit & Supervisory Board Member, Mitsubishi UFJ Lease & Finance Company Limited (currently Mitsubishi HC Capital Inc.)
Jun. 2018 Senior Advisor, Mitsubishi UFJ Lease & Finance Company Limited (currently Mitsubishi HC Capital Inc.)
Full-time Audit & Supervisory Board Member, Mitsubishi Auto Leasing Corporation
Full-time Audit & Supervisory Board Member, Mitsubishi Auto Leasing Holdings Corporation (currently Mitsubishi Auto Leasing Corporation)
Jul. 2023 Part-time Advisor, Mitsubishi HC Capital Inc.
Sep. 2023 Advisor, Financial Partners Group Co., Ltd.
Dec. 2023 Outside Audit & Supervisory Board Member, Financial Partners Group Co., Ltd. (current position)</td><td>0</td></tr>
<tr><td colspan="3">[Reasons for nomination as candidate for Director who is Audit and Supervisory Committee member and outline of expected role]
Mr. Kazuhide Yamauchi has a long career at financial institutions and possesses considerable expertise in finance and accounting, as well as experience as an Audit & Supervisory Board Member at several companies. He has been newly nominated as a candidate for Director who is Audit and Supervisory Committee member because he is expected to offer necessary opinions and advice in the deliberation of matters from a professional and objective standpoint.</td></tr>
</table>

(Notes)
1. New candidates for Director are indicated by an asterisk (*).
2. None of the candidates has any special interests in the Company or vice versa.
3. Ms. Yuki Okabe, Messrs. Ryoichi Kagizaki and Kazuhide Yamauchi are External Director candidates.
4. Ms. Yuki Okabe and Mr. Ryoichi Kagizaki are currently External Directors who are Audit and Supervisory Committee members of the Company; they will have served as External Directors for four years and two years, respectively, as of the conclusion of the 30th Annual General Meeting of Shareholders.
5. Ms. Yuki Okabe is an Auditor of OPT, Inc., Digital Shift, Inc., and Re:teigi, Inc., which are subsidiaries of the Company.
6. If Ms. Yuki Okabe and Mr. Ryoichi Kagizaki are reappointed, the Company plans to renew each of the existing agreements with them pursuant to the provisions of Article 427, paragraph 1 of the Companies Act and Article 32, paragraph 2 of the Company’s Articles of Incorporation. The agreements limit their liability for damages under Article 423, paragraph 1 of the Companies Act to the minimum liability stipulated in Article 425, paragraph 1 of the same act. If the election of Mr. Kazuhide Yamauchi is approved, the Company plans to enter into the same liability limitation agreement with him.
7. The Company has concluded Directors and Officers liability insurance contracts as provided for in Article 430-3, paragraph 1 of the Companies Act with an insurance company. The insured under such insurance contracts are Directors and managerial employees of the Company, and Directors, Auditors, and managerial employees of the Company’s subsidiaries. The insurance contracts cover losses that may arise from an insured’s assumption of liability incurred in the course of the performance of duties, or receipt of claims pertaining to the pursuit of such liability. However, in order to ensure that the appropriateness of the insured’s performance of duties is not compromised, coverage is not provided in cases of a willful breach of trust, criminal or fraudulent acts, or willful violation of laws and regulations by the insured. In the event that each candidate’s election as a Director who is Audit and Supervisory Committee member is approved, he or she shall be the insured under the said insurance contract. The insurance contract is scheduled to be renewed with the same terms and conditions at the next renewal.
8. Ms. Yuki Okabe and Mr. Ryoichi Kagizaki meet the independent director requirements of the Tokyo Stock Exchange, Inc. If reappointed, they will continue to serve as independent directors. Mr. Kazuhide Yamauchi also satisfies the same requirements and will be reported as an independent director if his election is approved.

<Shareholder's proposals (Proposal No. 3 and Proposal No. 4)>

Proposal No. 3 and Proposal No. 4 are proposals submitted by the shareholder LIM Japan Event Master Fund (hereinafter the "Proposing Shareholder").

We quote herein the original text of the outline of and the reasons for such proposal submitted in writing by the Proposing Shareholder in relation to the exercise of shareholder's right to Propose. The opinion of the Board of Directors of the Company on the Shareholder's proposal is also included herein following the Shareholder's proposal.

Proposal No. 3: Purchase of Treasury Shares

(1) Outline of the proposal

Pursuant to the provisions of Article 156, paragraph 1 of the Companies Act, within one year from the conclusion of the Annual General Meeting of Shareholders, the Company shall acquire its common shares of up to 4.7 million shares in total, with a total acquisition price of up to JPY 5.7 billion, by delivering cash (however, if the total acquisition price permitted under the Companies Act (i.e., the "distributable amount" as defined in Article 461 of the Companies Act) is less than such amount, the maximum amount of the total acquisition price permitted under the Companies Act).

(2) Reasons for the proposal

The Company's minority shareholders have been forced to endure difficult situations. In the past few years, while the Company's efforts to transform its business came to a standstill, the Company has not taken corrective action on its excess capital structure, which will be discussed later. As a result, its price-to-book ratio (PBR) has continued to fall below the dissolution value of 1x. Moreover, there have been times when the share price fell to a level at which the real core business enterprise value (EV), which takes into account assets under management held by the non-core financial investment business and non-controlling interests, could have fallen into the negative territory. Negative EV means an abnormal valuation where, when the Company is acquired without a premium, its businesses will be acquired for free, with even some money given back in return. This leads us to question not only the Company's eligibility to be listed on the Prime Market, but also the very meaning of being listed.

The extremely low valuation of the Company's stock is the result of ignoring capital allocation (redistribution of capital), preserving large amounts of cash and deposits and operating funds that cause capital efficiency to deteriorate, and neglecting the resulting excess capital. As a matter of fact, as of September 30, 2023, the Company recorded cash and deposits of JPY 17.9 billion, operational investment securities of JPY 6.3 billion, and investment securities of JPY 8.2 billion on the consolidated balance sheet, which came to a total of approximately JPY 32.5 billion, approximately 1.5 times more than the market capitalization of JPY 21.1 billion as of January 12, 2024.

In "TSE's Future Actions in Response to the Summary of Discussions of the Follow-up Council," which was published on January 30, 2023 by Tokyo Stock Exchange, Inc., it stated specific actions to "Require that management and the board of directors properly identify the company's cost of capital and capital efficiency, evaluate those statuses and its stock price and market capitalization, and disclose policies and specific initiatives for improvement and the progress thereof as necessary," "Especially for companies that clearly need to improve, such as those with a PBR consistently below 1x."

In response, the Company issued a press release in November 2023 titled, "Action to Implement Management that is Conscious of Cost of Capital and Stock Price" and revised its dividend policy, etc. However, uncertainty remains over the future of high equity ratios relative to business risks and returns, which would lead to a higher cost of capital and an underestimation of the return on equity (ROE). There is a lack of discussion on the optimal capital structure and ROE target at the Company.

The Company's equity ratio after taking into account non-controlling interests stood at a record high of approximately 70% as of September 30, 2023, and the dividend on equity ratio (DOE) introduced by the Company can only be described as "a drop in the bucket." If the Company continues to hold disproportionately large assets under management and excess capital relative to its market capitalization, it will not be able to correct its inefficient capital allocation under which ROE is subordinated to the cost of shareholders' equity, and therefore the PBR will remain below 1x and the Company is highly likely to fall into negative EV.

Accordingly, a drastic share buyback is required. As mentioned above, the Company has more than sufficient resources to purchase treasury shares, since its cash and deposits and assets under management that do not contribute to the core business account for more than 100% of the Company's market capitalization. The total number of shares we propose buying back is equivalent to 20% of the trading volume of the Company's shares over the past year, which is a reasonable level that can be fully absorbed by the market from the perspective of liquidity.

[Opinion of the Board of Directors of the Company on Proposal No. 3]

The Company's Board of Directors is <u>opposed to Proposal No. 3</u>.
The Company recognizes that the return of profit to its shareholders serves as one of its key managerial challenges and accordingly purchased its treasury shares amounting to approximately JPY 1.0 billion in fiscal 2020, approximately JPY 2.0 billion in fiscal 2021, and approximately JPY 5.0 billion in fiscal 2022. This was pursuant to its policy of flexible and agile shareholder returns during the periods entitled "Initial Year of Transformation" of the fiscal year ended December 31, 2020, and "DS Innovation 2023" extending from the fiscal year ended December 31, 2021 to the fiscal year ended December 31, 2023. On November 30, 2023, we canceled all treasury shares (accounting for 26.7% of the total number of shares issued prior to such cancellation of the treasury shares) in seeking to enhance shareholder returns and improve capital efficiency. As in the three years extending from the fiscal year ending December 31, 2024, the Company will continue to take a flexible and agile approach in considering timing and monetary amounts appropriate in purchasing its treasury shares, taking into account trading activity and share price of the Company's stock, the Company's financial status, investment plans, and other such factors. Moreover, as stated in its "Notice on Change in Dividend Policy" released on November 7, 2023, the Company changed its dividend policy in that it has opted to target "dividends equivalent to 20% of profit attributable to owners of parent before amortization of goodwill," and it has also added a new policy for determining dividend amounts based on the dividend on equity ratio (DOE). The Company furthermore aims to adopt, in principle, "dividends equivalent to 20% of profit attributable to owners of parent before amortization of goodwill or equivalent to 3% of DOE, whichever is greater," for the four-year period from the fiscal year ended December 31, 2023 to the fiscal year ending December 31, 2026. The Company paid dividends of JPY 75.00 per share for the fiscal year ended December 31, 2023, which consisted of a dividend of JPY 45.00 per share upon having adopted a "3% of DOE" dividend policy based on operating results, as well as a commemorative dividend of JPY 30.00 per share to commemorate the Company's 30th anniversary (special dividend), thereby exceeding the dividends of JPY 67.00 per share for the fiscal year ended December 31, 2022. In regard to the Company's cost of capital and share price, ROE has consistently fallen below the cost of shareholders' equity, ROIC has consistently fallen below WACC, and PBR is below 1x. As such, the Company's Board of Directors has resolved to establish a basic policy pertaining to initiatives for improving PBR and other benchmarks taking into account this situation. Whereas specifics in this regard were disclosed in "Action to Implement Management that is Conscious of Cost of Capital and Stock Price," released on November 7, 2023, the Company deems that the aforementioned situation is primarily attributable to factors that include diminished business profitability during the period of transformation and insufficient future prospects as a result of the transformation not yielding operating results. Furthermore, our analysis indicates that the Company's prevailing low levels of capital efficiency and market valuation are mainly attributable to it having not sufficiently conveyed its potential for sustainable growth to investors. As such, we believe that the notion of improving the Company's corporate value (PBR exceeding 1x) calls for us to systematically implement initiatives underpinned by consistent and sustained ROE increases combined with a medium- to long-term value creation narrative. Specifically, we will strive to increase ROE and PER through initiatives that involve reorganizing our business portfolio, reorganizing capital allocations, and enhancing IR and non-financial strategy. The Company has again set a target of aiming to consistently achieve 10% ROE. Having established the Group's purpose "to kindle an Industrial Transformation and solve Social Issues through New Value Creation" in 2020, the Group aims to realize a sustainable society as it takes on the challenges of creating new value by actualizing Industrial Transformation (IX) through a digital shift and providing "unique frameworks" that directly link to the development of growth-oriented companies. Under these circumstances, we set "DS Innovation 2023" as our medium-term business goal in fiscal 2021, and have accordingly been diversifying our revenue opportunities by using new revenue models and actively investing in growth in new domains in order to make the Digital Shift Business a core business second only to the Advertising Business. From fiscal 2024 onward, we will continue to take on such challenges in terms of hastening support that directly affects sales and profits of growing companies by leveraging the strengths of our original business. This will involve engaging in Group integration and business streamlining, making plans for investment focused on core businesses, and actively pushing forward with investment that contributes to improving corporate value with priority assigned to growth investment in areas such as business partnerships and M&A. In addition, we also need to secure readily available funds that can be flexibly enlisted to provide for changes in the business environment, disasters, and other such unforeseen events. We accordingly deem that the Company's cash assets are currently at an appropriate level upon having taken such requirements into account. On the other hand, the purchase of treasury shares associated with this shareholder's proposal does not take into account the necessity of matters such as the key business investment and growth investment previously mentioned. As such, we have determined that the proposal is subject to financial constraints that would potentially hamper the prospect of improving the Company's corporate value over the medium to long term. For the reasons above, the Company's Board of Directors is opposed to the shareholder's proposal involving the purchase of treasury shares.

Proposal No. 4: Partial Amendments to the Articles of Incorporation (Disclosure of Individual Director Remuneration)

(1) Outline of the proposal

We propose to establish an Article in the Articles of Incorporation of the Company as follows. If the Article described in this proposal needs to be revised as a formality (including, but not limited to, an amendment to the number of articles) due to the approval of other proposals (including proposals by the Company) at the Annual General Meeting of Shareholders, the Article pertaining to this proposal shall be replaced with the amended Article to which necessary revisions have been made.

(Underlines denote amendments)

Current Articles of Incorporation	Proposed Amendments
(Newly established)	Article 31 (Remuneration, etc. for Directors) 1. (Omitted) <u>2. The amount, details, and determination methods of the remuneration for individual Directors shall be disclosed annually in the business report and the annual securities report.</u>

(2) Reasons for the proposal

In light of the fact that the Company’s Board of Directors has long allowed the PBR to fall below 1x and EV to be negative, we propose to establish a provision in the Articles of Incorporation to require the Company to disclose individual Director remuneration, in order to create an environment in which minority shareholders can more proactively conduct checks.

A review of capital allocation is an urgent issue for the Company. In contrast, individual Director remuneration is an indication of how the Board of Directors assesses the challenges facing the Company and how this is reflected in the remuneration paid to individual Directors. Disclosing individual Director remuneration will serve to identify the causes for the lack of protection of minority shareholders’ interests and contributes to improving corporate governance at the Company.

In the Company’s Corporate Governance Report published in April 2023, the section on Director remuneration states that the Company’s remuneration “consists of basic remuneration and performance-linked remuneration” and “only basic remuneration is paid to Non-Executive Directors (excluding External Directors and Directors who are Audit and Supervisory Committee members), External Directors (excluding Directors who are Audit and Supervisory Committee members), and Directors who are Audit and Supervisory Committee members.” It describes that the basic remuneration “shall be fixed monthly remuneration consisting of consideration for representation, compensation for resolution and supervision, and compensation for business execution, and shall be determined by comprehensively taking into consideration the required responsibilities and external compensation database services.” However, the amount and specific calculation methods have not been disclosed.

Performance-linked remuneration “shall be medium- to long-term monetary remuneration for Executive Directors only and shall be paid in a lump sum in the fiscal year following the relevant three fiscal years, in accordance with the rate of achievement, only when the rate of achievement of the KPIs reaches the target, by setting the market capitalization (set for every three fiscal years), which is a key indicator for improving the corporate value of the Company, as the KPI.” “The Nomination and Remuneration Committee shall make a report on the ratio of remuneration for Executive Directors by type of remuneration based on external remuneration database services and other information. Thereafter, the Board of Directors shall determine the details of remuneration, etc. for each Director within the scope of the ratio of remuneration by type indicated in the report, while respecting the content of the report of the Nomination and Remuneration Committee.” However, ultimately, it is not possible to clarify from the disclosed materials how the incentives for Executive Directors are linked to the interests of shareholders (especially the interests of minority shareholders) at the Company.

The Corporate Governance Code stipulates that “The board should design management remuneration systems such that they operate as a healthy incentive to generate sustainable growth, and determine actual remuneration amounts appropriately through objective and transparent procedures. The proportion of management remuneration linked to mid- to long-term results and the balance of cash and stock should be set appropriately.” (Corporate Governance Code (June 2021 Edition) Supplementary Principle 4.2.1 [page 16] in Japanese version). On the other hand, the details of performance-linked remuneration for the Company’s Directors are unclear, and the remuneration system may not be designed to “raise consciousness of their contribution to medium- to long-term improvement of business performance and corporate value," as stated in the Company's "Basic policy" for the remuneration system.

Therefore, in order to create an environment in which shareholders and the market can appropriately evaluate the performance of the Company's management and the Company's capital allocation issues, we propose to establish a provision in the Articles of Incorporation to require the Company to disclose individual Director remuneration.

[Opinion of the Board of Directors of the Company on Proposal No. 4]

The Company's Board of Directors is opposed to Proposal No. 4.

With respect to reasons for the shareholder's proposal seeking partial amendments to the Articles of Incorporation, the Proposing Shareholder contends that disclosure of individual Director remuneration should be required to provide for an understanding of how the Board of Directors assesses the challenges facing the Company and how this is reflected in Director remuneration, given the notion that review of capital allocation serves as an urgent issue for the Company amid circumstances where the Company's Board of Directors has long allowed for a situation of PBR below 1x and negative EV.

In this regard, the notion that the Company's Board of Directors has been neglecting the situation is unfounded in that we also acknowledge the seriousness of the current situation involving low market valuation of the Company, exemplified in part by its PBR of less than 1x. As explained in the reasons given for opposition to the shareholder's proposal involving the purchase of treasury shares, the Company's Board of Directors perceives that the low market valuation is primarily attributable to diminished business profitability during the period of transformation beginning in 2020 along with a situation where the Company has not sufficiently conveyed to investors outcomes of the transformation and details on the Company's sustainable growth. Going forward, we will strive to increase ROE and PER through initiatives that involve reorganizing our business portfolio, reorganizing capital allocations, and enhancing IR and non-financial strategy. In regard to initiatives to improve PBR along with shareholder returns, the Company released "Notice on Change in Dividend Policy" and "Action to Implement Management that is Conscious of Cost of Capital and Stock Price" on November 7, 2023, thereby providing notification that the Company has revised its dividend policy for 2024 to 2026 in terms of changing to payment, in principle, of "dividends equivalent to 20% of profit attributable to owners of parent before amortization of goodwill or equivalent to 3% of DOE, whichever is greater." Moreover, the Company has already adopted performance-linked remuneration for Directors (excluding External Directors, Directors who are Audit and Supervisory Committee members, and other Non-Executive Directors; hereinafter the "Executive Directors"), as was also noted by the Proposing Shareholder. The Company accordingly provides the Executive Directors with incentives associated with improving corporate value in seeking to facilitate greater value sharing with its shareholders. Going forward, the Company will continue to engage in initiatives toward improving its corporate value, which will entail adequately disclosing information and furnishing explanations in accordance with laws and regulations to ensure that such circumstances are appropriately evaluated by shareholders and the market.

At the Board of Directors meeting held on February 19, 2021, the Company passed a resolution on its policy for determining the details of individual remuneration, etc. for Directors, upon having received a report of the Nomination and Remuneration Committee, with an External Director serving as its Chairperson and External Directors also comprising a majority of its membership. Details of the resolution have been released in the Company's Corporate Governance Report, dated March 4, 2023. Under the policy, the Nomination and Remuneration Committee makes a report on the ratio of basic remuneration and performance-linked remuneration of Executive Directors based on external remuneration database services and other information. The Company's Board of Directors then determines such remuneration within the scope of remuneration indicated in the report in a manner that respects the content of the report. For each fiscal year, individual remuneration, etc. of Directors is determined in a transparent and objective manner by the Board of Directors based on a report furnished to the Board of Directors upon deliberation by the Nomination and Remuneration Committee, based on such decision policy within the scope of maximum remuneration resolved at a general meeting of shareholders. As for individual remuneration, etc. for Directors for the fiscal year ended December 31, 2023, the Board of Directors confirmed that the method of determining the details of remuneration, etc. and the details of remuneration, etc. determined are consistent with the decision policy resolved by the Board of Directors and that the report from the Nomination and Remuneration Committee is respected, and has determined that the details of remuneration, etc. are in line with the relevant decision policy. In regard to remuneration, etc. for Directors in each fiscal year determined in this manner, the Company discloses information that includes total amounts of remuneration, etc. for each officer category, total amounts of remuneration, etc. by type, and numbers of eligible officers in the business report and the annual securities report in accordance with laws and regulations.

As stated above, individual remuneration, etc. for the Company's Directors is determined through a transparent and objective process, which entails appropriately providing disclosure regarding Director remuneration in the business report and annual securities report. As such, the Company deems that it adequately discloses information as necessary for shareholders and the market to appropriately evaluate performance of the Company's Directors and the Company's corporate governance structure.

The Proposing Shareholder pointed out that the details of performance-linked remuneration are unclear in that it is not possible to tell from the disclosed materials how the incentives for Executive Directors are linked to the interests of shareholders and it is not possible to confirm whether or not the remuneration system "raises awareness of Executive Directors' contribution to medium- to long-term improvement of business performance and corporate value." The Company's performance-linked remuneration is designed to ensure alignment with shareholder interests in terms of stock price gains. This accordingly involves setting market capitalization as the KPI every three fiscal years and providing the Company's Executive Directors with incentives for stock price gains achieved in the three fiscal years by paying them an amount calculated in accordance with the rate of achievement only when the target rate of achievement of KPI has been attained. However, we do take the feedback regarding the lack of clear content very seriously, and we accordingly intend to consider options for enabling further clarification of the details of performance-linked remuneration going forward.

Given that the Company acknowledges that Director remuneration serves as a key aspect of corporate governance, we will persist with our efforts to consider and implement appropriate decision-making and information disclosure in that regard going forward.

However, we deem that provisions requiring disclosure of individual Director remuneration need not be included in the Articles of Incorporation on the grounds that such provisions are not suitable for inclusion in the Articles of Incorporation, which ultimately serve as our fundamental corporate rules.
For the reasons above, the Company's Board of Directors is opposed to the shareholder's proposal seeking partial amendments to the Articles of Incorporation.

Business Report (January 1, 2023 to December 31, 2023)

1. Overview of the Group

(1) Business for the Year Ended December 31, 2023

DIGITAL HOLDINGS, Inc. and its consolidated subsidiaries (hereinafter the "Group") are surrounded by a business environment where there are concerns regarding the impact on the Japanese economy of the rising price of goods, mainly driven by soaring resource prices in recent years, and the impact on the domestic market of the declining population of Japan, accelerated by its aging society with a falling birth rate in the medium- to long-term. However, dramatic technological innovations such as generative AI have further boosted the trend to realize digital transformation (DX) that transforms conventional products and services as well as business models by leveraging massive amounts of data and digital technologies. In addition, we believe that "Society 5.0," a human-centered society that balances economic advancement with the resolution of social problems by a system that highly integrates cyberspace (virtual space) and physical space (real space), as advocated by the Japanese Cabinet Office, will become a reality, and we expect that demand for digital shift-related products and services that the Group will offer will further increase.

With the sights set on the vision of becoming a "true digital shift company committed to creating new value that will be a driver for Society 5.0 as well as resolving social challenges" by 2030, the Group has set a management policy to maximize the Group's corporate value and cash flows by providing growth-oriented companies with unique frameworks that directly link to sales and profit. The Group also aims to expand its business by shifting its main business domain from the Advertising Business, which centers on support for clients' sales promotion, to the Digital Shift Business, thereby achieving a target of "corporate value of JPY 1 trillion by 2030." In fiscal 2021, the Group set "DS Innovation 2023" as its medium-term business goal through 2023. In order to make the Digital Shift Business a core business second only to the Advertising Business, we have invested intensively in the DX and IX domains. This fiscal year, the final year of DS Innovation 2023, was a year in which the Group transformed the signs of its past focused investment into results. To this end, we engaged in further selection and concentration in the Digital Shift Business, set "launching Advertising Transformation (AX)" and "sustainable expansion of DX" as key measures for this fiscal year, and implemented measures, respectively.

The details of specific measures are as follows.

Key Measures

1) Launching AX
   Under DS Innovation 2023, we developed and provided multiple Industrial Transformation (IX) products and services. Based on the know-how we accrued through these efforts, in the Group's core Advertising Business, we launched products and services toward AX, focusing on our AD YELL, a BNPL service for advertising expenditures. As a result, the Group had cumulative AD YELL GMV (Gross Merchandise Value) of JPY 19,153 million for this fiscal year, with a cumulative total of 160 client companies. We also launched STOCK YELL, a BNPL service for purchasing expenditures of goods, as one of our YELL series, and began its full-scale operations.

2) Sustainable DX revenue expansion in the Digital Shift Business
   We focused on acquiring leads through efforts such as strengthened coordination within the Group, primarily in DX development and DX marketing consulting, with the goal of making the Digital Shift Business the second pillar of our business after the Advertising Business over the medium- to long-term. As a result, the Group recorded gross profit of JPY 1,575 million and gross profit composition ratio of 17.8%.

As a result of the above, the Group reported operating results for the fiscal year ended December 31, 2023 (hereinafter the "current fiscal year") with revenue of JPY 16,264 million (up 4.9% YoY), gross profit of JPY 10,948 million (up 9.3% YoY), operating profit of JPY 616 million (operating loss of JPY 354 million in the previous fiscal year), EBIT of JPY 401 million (negative JPY 459 million in the previous fiscal year), EBITDA of JPY 2,008 million (up 82.3% YoY), and profit attributable to owners of parent of JPY 237 million (loss attributable to owners of parent of JPY 212 million in the previous fiscal year).

SoldOut, Inc., its subsidiaries, and SIGNATE Inc. were excluded from the scope of consolidation in the second quarter of the previous fiscal year. In order to ensure the ability to compare figures against operating results for the current fiscal year, operating results for the previous fiscal year and year-on-year comparisons in the operating results explanations are the results excluding these figures.

The full-year operating results for each business segment are as follows.

Digital Shift Business

Digital Shift Business consists of DX development and DX marketing consulting led by Digital Shift, Inc. and OPT Incubate Inc.; installment and deferred payment service for advertising expenditures by Vankable, Inc.; and the development of new businesses and provision of services, including industry-specific Vertical SaaS for solving industry issues faced by various industries, led by RePharmacy, Inc., ConnectOM, Inc., and JOMYAKU, Inc.

The Digital Shift business segment posted operating results for the current fiscal year with revenue of JPY 4,538 million (down 0.5% YoY), gross profit of JPY 1,575 million (down 4.2% YoY), operating loss of JPY 819 million (operating loss of JPY 624 million in the previous fiscal year), EBIT of negative JPY 731 million (negative JPY 734 million in the previous fiscal year), and EBITDA of negative JPY 347 million (negative JPY 547 million in the previous fiscal year).

Advertising Business

Advertising Business consists of the Internet advertising agency business, solution development and sales, etc., operated by OPT, Inc.

The Advertising Business segment posted operating results for the current fiscal year with revenue of JPY 8,308 million (down 1.7% YoY), gross profit of JPY 7,295 million (down 1.7% YoY), operating profit of JPY 2,157 million (down 18.5% YoY), EBIT of JPY 2,149 million (down 18.5% YoY), and EBITDA of JPY 2,340 million (down 18.2% YoY).

Financial Investment Business

Financial Investment Business consists of the investment business managed by DIGITAL HOLDINGS, Inc., Bonds Investment Group Inc., BIG No. 1 Limited Partnership for Investment, BIG No. 2 Limited Partnership for Investment, and OPT America, Inc., as well as BIG SX No. 1 Limited Partnership for Investment, which was formed in December 2022 to specialize in investing in start-ups that promote sustainable businesses that can transform and solve social issues and social structures.

The Financial Investment Business segment posted operating results for the current fiscal year with revenue of JPY 3,529 million (up 36.1% YoY), gross profit of JPY 2,108 million (up 121.1% YoY), operating profit of JPY 1,945 million (up 154.7% YoY), EBIT of JPY 1,665 million (up 105.3% YoY), and EBITDA of JPY 2,603 million (up 38.5% YoY).

The Company discloses IRR (Internal Rate of Return) to enhance the transparency of investment returns.

As of the end of the current fiscal year, the after-tax IRR decreased by 0.2% from the end of the previous fiscal year to 18.8%. The calculation of IRR is now applied to stocks invested in by the Financial Investment Business since fiscal 2013, and the details of its calculation method are disclosed in the footnote. AUM (Assets Under Management) increased by 3.9% from the end of the previous fiscal year to JPY 14,362 million.

The definitions of IRR and AUM are as follows:

Internal Rate of Return (IRR)

Prerequisites for calculation

- Subject to: Securities invested in by the Financial Investment Business from 2013 through December 31, 2023
- The reference date for calculation: December 31, 2023
- Method:

1. Impaired investment: Calculated as if they were sold at the net asset value after impairment.
2. Investment involved in financing in the recent period: Calculated as if they were sold at the value of relevant financing.
3. IPOed investment: Calculated as if they were sold at the market value as of the reference date.
4. Fund: Calculated with the amount collected until the end of the reporting period and the book value as of the end of reporting period.

5. Others: Any other investment with no change in their acquisition cost due to sale, impairment, financing, IPO or the like are calculated as if they were sold on the reference date at the acquisition cost.

- Income taxes are included.

Assets Under Management (AUM)

AUM is defined as aggregate amount of 1) book value of affiliates' shares and 2) fair value after considering impairment of operational investment securities and investment securities.

i) Shares of affiliates: Stated at book value

ii) Operational investment securities and investment securities: Each security's fair market value is calculated depending on the classification shown below:

  - Notes or securities of which investment amount is small: Acquisition cost
  - Listed companies' shares: Closing price at the end of reporting period
  - Securities involved in financing in the recent period: Based on the value of relevant financing
  - Other securities: Calculated by using the comparable multiple method, DCF method, or net asset valuation method depending on each company's performance.

Management costs of DIGITAL HOLDINGS, Inc.

In the management division of the Company, selling, general and administrative expenses for the current fiscal year decreased by 15.6% from the previous fiscal year to JPY 2,658 million, mainly due to the recording of expenses associated with the sale of SoldOut, Inc., which was the Company's subsidiary, in the previous fiscal year.

(2) Issues to be Addressed

The Group's purpose is "to kindle an Industrial Transformation and solve Social Issues through New Value Creation." Under this purpose, the Group aims to realize a sustainable society as it takes on the challenges of creating new value, by actualizing Industrial Transformation (IX) through a digital shift and providing "unique frameworks" that directly link to the development of growth-oriented companies. In this context, the Group changed its trade name in 2020 and titled the period from the fiscal year ended December 31, 2021 to the fiscal year ended December 31, 2023 "DS Innovation 2023," reorganizing its business portfolio and taking on the challenge of business transformation. To realize IX, in addition to sustainable growth in existing businesses, we are promoting revenue increases over the medium- to long-term.

In order to achieve its sustainable growth and IX, the Group will focus on issues to be addressed as described in 1) through 4) below. The Group will also establish a sustainable profit structure by improving profitability and reinforcing its organizational foundation, and it will strive to continue to increase its corporate value.

1. Enhance the profitability of existing businesses
   The demand for "digital transformation (DX)" in Japan has been on the rise, and DX is driving business creation and corporate growth, especially among large corporations. Against this backdrop, the competition in the Group's business among DX-related services has been increasingly fierce as they are offered by a variety of companies, such as leading IT vendors and consulting firms. Under these circumstances, the Group is utilizing its advertising supports, polished over the course of many years; its base of diverse customers and partners, cultivated through its advertising supports; and its marketing know-how to develop and offer DX solutions, thereby engaging in ongoing business with existing customers as well as active development of new customers. Furthermore, the Group is eliminating and consolidating its consolidated subsidiaries and accelerating its integrated advertising and DX proposals through strengthened sales collaboration to contribute to the business growth of customers. At the same time, it is striving to cut the costs of redundant and other functions within the Group, promote more efficient Group management, and improve its sustainable profitability.
2. Realize high growth and profitability in Advertising Transformation (AX)
   To achieve the Group's purpose, in recent years we have diversified our revenue opportunities by using new revenue models, worked to expand into new domains, and actively invested in growth. As a result of these efforts, we are leveraging the strengths of our original business to launch and rapidly expand AX. The Group will further invest management resources in AX as it aims to achieve profitability as soon as possible.
3. Achieve optimal capital allocation
   The Group has set the achievement of ROE of 10% on a constant basis as a key objective by making decisions with a focus on investment efficiency in order to improve its profitability and capital efficiency. To this end, the Group intends to give consideration to shareholder return policies such as repurchase of treasury shares in a flexible and agile manner taking into account the level of internal reserves, while improving the profitability of its core businesses.
4. Create a human resource foundation
   In order to sustainably increase its corporate value, the Group believes that it is vitally significant that it develops human resources who can function autonomously and creates a framework that enables them to work successfully over the long term. To achieve this, we will implement systematic human resource development programs such as training to improve the skills of employees and next-generation management personnel development programs. At the same time, we will strive to design flexible working systems and provide working environments in which each and every employee can fully leverage their abilities, create diverse career paths, and work autonomously. The Group is also working to create and establish working environments and human resource systems in which employees can easily thrive over the medium- to long-term.

(3) Capital Expenditure

There were no significant capital expenditures.

(4) Financing

There are no special matters to be noted.

(5) Significant Reorganizations and Other Such Events

There are no special matters to be noted.

(6) Assets, net sales and income

(Yen in millions, unless otherwise stated)	FY2020	FY2021	FY2022	FY2023
Revenue (Presented as net sales up to FY2021)	88,768	98,515	16,924	16,264
Ordinary profit (loss)	4,358	14,662	(439)	378
Profit attributable to owners of parent	3,750	10,231	5,719	237
Earnings per share- basic (Yen)	167.86	473.28	299.29	13.61
Total assets	71,434	69,728	55,963	50,283
Net assets	40,018	40,930	36,245	33,892

(Notes) 1. Earnings per share is calculated based on the average number of shares issued (total shares issued excluding treasury shares) during each fiscal year.

2. The Accounting Standard for Revenue Recognition, etc. has been applied from the beginning of the 29th fiscal term, and the key management indicators, etc. for and after the 29th fiscal term are those after the application of this accounting standard, etc.

(7) Status of Parent Company and Principal Subsidiaries (As of December 31, 2023)

1) Status of Parent Company
Not applicable

2) Status of Principal Subsidiaries

Company Name	Capital (Yen in millions)	Voting rights owned by the Company	Major businesses
OPT, Inc.	100	100.0%	Internet advertising agency business
Digital Shift, Inc.	100	100.0%	Support businesses related to digital shift
OPT America, Inc.	2,405	100.0%	Financial investment business

(Notes) 1. The Company has 15 consolidated subsidiaries, including those in the table above.
2. The Company does not have any specified wholly owned subsidiaries as defined in the Companies Act.

(8) Major Businesses (As of December 31, 2023)

The Group is comprised of DIGITAL HOLDINGS, Inc. and 15 consolidated subsidiaries as of the end of the fiscal year ended December 31, 2023. It operates the Digital Shift Business segment, the Advertising Business segment, and the Financial Investment Business segment. The Digital Shift Business provides DX development, DX marketing consulting, and the installment and deferred payment service for advertising expenditures. The Advertising Business is engaged in the Internet advertising agency business and related solution development and sales. The Financial Investment Business invests in venture capital, manages funds, and supports the management of investee companies.

Segment	Major businesses
Digital Shift Business	• DX development, DX marketing consulting • Installment and deferred payment service for advertising expenditures, etc.
Advertising Business	• Internet advertising agency business • Solution development and sales, etc.
Financial Investment Business	• Venture capital investment • Fund management • Management support for investee companies, etc.

(9) Major Offices (As of December 31, 2023)

1) Main Office

Office	Address
Head Office	Chiyoda-ku, Tokyo

2) Subsidiaries

Company Name	Address
OPT, Inc.	Chiyoda-ku, Tokyo
Digital Shift, Inc.	Chiyoda-ku, Tokyo
OPT America, Inc.	California, U.S.A.

(10) Workforce (As of December 31, 2023)

Segment	Number of Employees	Change from Dec. 31, 2022
Digital Shift Business	275	-22
Advertising Business	653	+38
Financial Investment Business	5	–
Company-wide (common)	98	-7
Total	1,031	+9

(Notes)
1. Part-time, contractors and temporary workers are not counted as employees.
2. Personnel seconded to positions outside of the Group are not counted as employees.
3. The number of employees described as “Company-wide (common)” is the number of employees belonging to administrative divisions that cannot be classified into specific businesses.

(11) Main Lenders (As of December 31, 2023)

Lender	Amount borrowed (Yen in millions)
Sumitomo Mitsui Banking Corporation	3,000
Mizuho Bank, Ltd.	1,000
MUFG Bank, Ltd.	1,000

(12) Other Significant Matters Concerning the Group

Not applicable

2. Status of the Company

(1) Matters Concerning Shares (As of December 31, 2023)

1) Total Number of Shares Authorized to Be Issued 86,630,400 shares

2) Total Number of Shares Issued 17,459,907 shares

3) Number of Shareholders 6,399

4) Major Shareholders (Top 10)

Shareholder	Number of Shares Held (Shares)	Ownership of Shares (%)
HIBC Co., Ltd.	4,520,200	25.88%
The Master Trust Bank of Japan, Ltd. (Trust account)	1,242,900	7.11%
Tomohito Ebine	911,200	5.21%
Atsushi Nouchi	885,000	5.06%
Mynavi Corporation	755,800	4.32%
LIM JAPAN EVENT MASTER FUND	590,000	3.37%
内藤征吾	522,900	2.99%
Custody Bank of Japan, Ltd. (Trust account)	476,800	2.73%
Time and Space, Ltd.	400,800	2.29%
平野秀和	277,400	1.58%

(Notes) 1. The Company does not hold treasury shares.
2. The figures are rounded off to two decimal places.
3. HIBC Co., Ltd., is an asset management company wholly owned by the Chairperson of the Company, Noboru Hachimine.
4. The Chairperson of the Company, Noboru Hachimine, holds 5,000 shares of the Company.
5. Time and Space, Ltd. is an asset management company wholly owned by the President and Group CEO of the Company, Atsushi Nouchi.

5) Other Significant Matters Concerning Shares

Due to the cancellation of all treasury shares on November 30, 2023, the total number of shares issued decreased by 6,357,793 shares from the end of the previous fiscal year.

(2) Matters Concerning Share Options (As of December 31, 2023)

1) Share Options Held by Officers of the Company at Fiscal Year-End That Have Been Delivered as Remuneration

<table>
<tr><th colspan="3"></th><th>9th series share options</th></tr>
<tr><td colspan="3">Date of resolution on issuance</td><td>February 13, 2023</td></tr>
<tr><td colspan="3">Number of share options</td><td>2,200 units</td></tr>
<tr><td colspan="3">Class and number of shares underlying share options</td><td>Common shares: 220,000 shares
(100 shares per unit)</td></tr>
<tr><td colspan="3">Amount to be paid in for share options</td><td>JPY 100 per unit</td></tr>
<tr><td colspan="3">Value of property to be contributed upon exercise of share options</td><td>JPY 117,900 per unit
(JPY 1,179 per share)</td></tr>
<tr><td colspan="3">Exercise period</td><td>From March 1, 2023 to March 31, 2027</td></tr>
<tr><td colspan="3">Conditions for exercise</td><td>See (Note).</td></tr>
<tr><td rowspan="3">Status of holdings of share options by officers</td><td rowspan="2">Directors (excluding Directors who are Audit and Supervisory Committee members)</td><td>Directors (excluding External Directors)</td><td>Number of share options: 2,200 units
Number of underlying shares: 220,000 shares
Number of holders: 2 persons</td></tr>
<tr><td>External Directors</td><td>Number of share options: – units
Number of underlying shares: – shares
Number of holders: – persons</td></tr>
<tr><td colspan="2">Directors who are Audit and Supervisory Committee members</td><td>Number of share options: – units
Number of underlying shares: – shares
Number of holders: – persons</td></tr>
</table>

(Note) The conditions for exercise of the 9th series share options is as follows.

(1) During the period from the allotment date of the share options until the end of the exercise period, if the average closing price of the Company's common shares in regular trading over one month (21 trading days including the subject date) on the Financial Instruments Exchange is less than 50% of the exercise price at any time, the holders of the share options must exercise all of the remaining share options at the exercise price by the end of the exercise period. However, this does not apply in the following cases.
   1) It is found that the information disclosed by the Company includes material false statements.
   2) It is found that the Company did not appropriately disclose material facts that are required to be disclosed in accordance with laws and regulations and the rules of the Financial Instruments Exchange.
   3) There has been a material change in the circumstances assumed on the issuance date of the share options, such as delisting of the Company's shares or bankruptcy.
   4) The Company has committed an act that is objectively recognized as seriously damaging the trust of holders of the share options.

(2) Heirs of holders of share options are not permitted to exercise the share options.

(3) The share options may not be exercised if, in so doing, the total number of shares issued by the Company at that time would exceed the total number of authorized shares.

(4) The share options may not be exercised in fractions of less than one unit.

(5) Other conditions shall be stipulated in the "share option allocation agreement" to be concluded between the Company and the holders of share options.

2) Share Options Delivered During the Current Fiscal Year to Employees, etc. as Remuneration

<table>
<tr><th colspan="2"></th><th>9th series share options</th></tr>
<tr><td colspan="2">Date of resolution on issuance</td><td>February 13, 2023</td></tr>
<tr><td colspan="2">Number of share options</td><td>1,260 units</td></tr>
<tr><td colspan="2">Class and number of shares underlying share options</td><td>Common shares: 126,000 shares
(100 shares per unit)</td></tr>
<tr><td colspan="2">Amount to be paid in for share options</td><td>JPY 100 per unit</td></tr>
<tr><td colspan="2">Value of property to be contributed upon exercise of share options</td><td>JPY 117,900 per unit
(JPY 1,179 per share)</td></tr>
<tr><td colspan="2">Exercise period</td><td>From March 1, 2023 to March 31, 2027</td></tr>
<tr><td colspan="2">Conditions for exercise</td><td>See (Note).</td></tr>
<tr><td rowspan="2">Status of delivery to employees, etc.</td><td>Employees of the Company</td><td>Number of share options: 1,000 units
Number of underlying shares: 100,000 shares
Number of eligible holders: 3 persons</td></tr>
<tr><td>Officers and employees of subsidiaries</td><td>Number of share options: 260 units
Number of underlying shares: 26,000 shares
Number of eligible holders: 3 persons</td></tr>
</table>

(Note) The conditions for exercise of the 9th series share options is as follows.

(1) During the period from the allotment date of the share options until the end of the exercise period, if the average closing price of the Company's common shares in regular trading over one month (21 trading days including the subject date) on the Financial Instruments Exchange is less than 50% of the exercise price at any time, the holders of the share options must exercise all of the remaining share options at the exercise price by the end of the exercise period. However, this does not apply in the following cases.

1) It is found that the information disclosed by the Company includes material false statements.

2) It is found that the Company did not appropriately disclose material facts that are required to be disclosed in accordance with laws and regulations and the rules of the Financial Instruments Exchange.

3) There has been a material change in the circumstances assumed on the issuance date of the share options, such as delisting of the Company's shares or bankruptcy.

4) The Company has committed an act that is objectively recognized as seriously damaging the trust of holders of the share options.

(2) Heirs of holders of share options are not permitted to exercise the share options.

(3) The share options may not be exercised if, in so doing, the total number of shares issued by the Company at that time would exceed the total number of authorized shares.

(4) The share options may not be exercised in fractions of less than one unit.

(5) Other conditions shall be stipulated in the "share option allocation agreement" to be concluded between the Company and the holders of share options.

(3) Matters Concerning Corporate Officers

1) Matters Concerning Directors (As of December 31, 2023)

Position in Company	Name	Area of Responsibility and Significant Other Positions
Chairperson	Noboru Hachimine	Chairperson and Director at Digital Shift, Inc.
President and Group CEO	Atsushi Nouchi	Representative Director at Bonds Investment Group Inc.
Director and Group COO	Daisuke Kanazawa	Director at Re:teigi, Inc. Director at RePharmacy, Inc.
Director	Tomoyuki Mizutani	
Director	Koji Yanagisawa	Director, Executive Vice President & CFO at ZOZO, Inc. External Director at COLOPL, Inc.
Director	Yasuhiro Ogino	Director and CFO at ANDPAD Inc.
Director	Mariko Tokioka	Founder & CEO of East Meet East, Inc. External Director at Asteria Corporation
Director (Chairperson of Audit and Supervisory Committee, full-time)	Yuki Okabe	Certified Public Accountant Auditor at OPT, Inc. Auditor at Digital Shift, Inc. Auditor at Re:teigi, Inc. Auditor at RePharmacy, Inc.
Director (Audit and Supervisory Committee member)	Fumiyuki Shinomiya	Auditor at Vankable, Inc.
Director (Audit and Supervisory Committee member)	Masahiro Yamamoto	Certified Public Accountant Auditor at OPT Incubate Inc. Outside Audit & Supervisory Board Member at Nissui Corporation
Director (Audit and Supervisory Committee member)	Ryoichi Kagizaki	Lawyer

(Notes)
1. Directors Tomoyuki Mizutani, Koji Yanagisawa, Yasuhiro Ogino, and Mariko Tokioka, Director and Chairperson of the Audit and Supervisory Committee (full-time) Yuki Okabe, and Directors and Audit and Supervisory Committee members Fumiyuki Shinomiya, Masahiro Yamamoto, and Ryoichi Kagizaki are External Directors.
2. Director and Chairperson of the Audit and Supervisory Committee (full-time) Yuki Okabe has experience as an auditor at multiple listed companies and possesses considerable expertise in finance and accounting as a Certified Public Accountant (CPA).
3. Director and Audit and Supervisory Committee member Fumiyuki Shinomiya had a long career at a financial institution and possesses considerable expertise in finance and accounting.
4. Director and Audit and Supervisory Committee member Masahiro Yamamoto has experience in supporting numerous companies as a Representative Partner at audit firms and possesses considerable expertise in finance and accounting as a CPA.
5. Director and Audit and Supervisory Committee member Ryoichi Kagizaki possesses considerable expertise in corporate legal affairs as a lawyer.
6. The Company established a full-time Audit and Supervisory Committee position to strengthen audit and oversight functions, improve information gathering and increase audit effectiveness.
7. The Company has designated Directors Tomoyuki Mizutani, Koji Yanagisawa, Yasuhiro Ogino, and Mariko Tokioka, Director and Chairperson of the Audit and Supervisory Committee (full-time) Yuki Okabe, and Directors and Audit and Supervisory Committee members Fumiyuki Shinomiya, Masahiro Yamamoto, and Ryoichi Kagizaki as independent directors in accordance with the Tokyo Stock Exchange’s independence standards and filed a notification to that effect with the Tokyo Stock Exchange.

2) Outline of liability limitation agreement

Pursuant to the provisions of Article 427, paragraph 1 of the Companies Act and Article 32, paragraph 2 of the Company’s Articles of Incorporation, the Company and Directors (excluding Executive Directors, etc.) have entered into agreements limiting their liability for damages under Article 423, paragraph 1 of the Companies Act. The maximum amount of liability for damages under the said agreement is the statutory prescribed minimum amount.

3) Outline of Directors and Officers liability insurance contract, etc.

The Company has concluded Directors and Officers liability insurance contracts as provided for in Article 430-3, paragraph 1 of the Companies Act with an insurance company. The insured under such insurance contracts are Directors and managerial employees of the Company, and Directors, Auditors, and managerial employees of the Company’s subsidiaries. The premiums of the insurance contracts are borne entirely by the Company and the insured do not bear any of the premiums. The insurance contracts cover losses that may arise from an insured’s assumption of liability incurred in the course of the performance of duties, or receipt of claims pertaining to the pursuit of such liability. However, in order to ensure that the appropriateness of the insured's performance of duties is not compromised, coverage is not provided in cases of a willful breach of trust, criminal or fraudulent acts, or willful violation of laws and regulations by the insured.

4) Remuneration, etc. for Directors

A. Policy for determining the details of remuneration, etc. for officers

At the Board of Directors meeting held on February 19, 2021, the Company passed a resolution on the policy for determining the details of individual remuneration, etc. for Directors. When passing the said resolution by the Board of Directors, the Board of Directors consulted the Nomination and Remuneration Committee regarding the details of the resolution in advance and received its report.

As for individual remuneration, etc. for Directors for the current fiscal year, the Board of Directors has confirmed that the method of determining the details of remuneration, etc. and the details of remuneration, etc. determined are consistent with the decision policy resolved by the Board of Directors and that the report from the Nomination and Remuneration Committee is respected, and has determined that the details of remuneration, etc. are in line with the relevant decision policy.

The details of the policy for determining the details of individual remuneration, etc. for Directors are as follows:

a. Basic policy

The Company's remuneration consists of basic remuneration and performance-linked remuneration. However, only basic remuneration is paid to Non-Executive Directors (excluding External Directors and Directors who are Audit and Supervisory Committee members), External Directors (excluding Directors who are Audit and Supervisory Committee members), and Directors who are Audit and Supervisory Committee members, who are all responsible for governance functions. The Company's basic policy is that such remuneration should contribute to securing an excellent management team for the realization of the management plan and that such remuneration should raise awareness of their contribution to medium- to long-term improvement of business performance and corporate value.

b. Policy for determining the amount of individual basic remuneration (monetary remuneration) (including policy for determining the timing or conditions for granting remuneration, etc.)

The basic remuneration of Directors shall be fixed monthly remuneration consisting of compensation for representation, compensation for resolution and supervision, and compensation for business execution, and shall be determined by comprehensively taking into consideration the required responsibilities and external compensation database services.

c. Policy for determining the details of performance-linked remuneration, etc. and the method for calculating the amount or number of such remuneration (including policy for determining the timing or conditions for granting remuneration, etc.)

Performance-linked remuneration shall be medium- to long-term monetary remuneration for Executive Directors only and shall be paid in a lump sum in the fiscal year following the relevant three fiscal years, in accordance with the rate of achievement, only when the rate of achievement of the KPIs reaches the target, by setting the market capitalization (set for every three fiscal years), which is a key indicator for improving the corporate value of the Company, as the KPI. The values to be used as indicators in the performance-linked remuneration will be reviewed and revised periodically in response to changes in the business environment and based on the report of the Nomination and Remuneration Committee.

d. Policy for determining the ratio of the amount of monetary remuneration, the amount of performance-linked remuneration, etc., or the amount of non-monetary remuneration, etc., to the amount of individual remuneration, etc. of Directors

The Nomination and Remuneration Committee shall make a report on the ratio of remuneration for Executive Directors by type of remuneration based on external remuneration database services and other information. Thereafter, the Board of Directors shall determine the details of remuneration, etc. for each Director within the scope of the ratio of remuneration by type indicated in the report, while respecting the content of the report of the Nomination and Remuneration Committee.

e. Matters related to decisions on the details of individual remuneration, etc. for Directors
Individual remuneration, etc. of Directors is deliberated by the Nomination and Remuneration Committee, a voluntary body chaired by an External Director, and is resolved by the Board of Directors. Remuneration for Directors who are Audit and Supervisory Committee members is determined through consultation of Directors who are Audit and Supervisory Committee members with the consent of all members.

B. Total amount of remuneration, etc. for the current fiscal year

Category	Total amount of remuneration, etc. (Yen in millions)	Total amount of remuneration, etc. by type (Yen in millions)			Number of eligible officers (Persons)
		Basic remuneration	Performance-linked remuneration, etc.	Non-monetary remuneration, etc.	
Directors (excluding those who are Audit and Supervisory Committee members) (External Directors' share thereof)	145 (38)	145 (38)	– (–)	– (–)	7 (4)
Directors who are Audit and Supervisory Committee members (External Directors' share thereof)	28 (28)	28 (28)	– (–)	– (–)	4 (4)

(Notes) 1. Remuneration, etc. for Directors does not include salaries earned as employees by Directors who concurrently hold employee positions.

2. At the Annual General Meeting of Shareholders held on March 25, 2016, shareholders passed a resolution to set the remuneration for Directors (excluding those who are Audit and Supervisory Committee members) at up to JPY 200 million per year. The number of Directors (excluding those who are Audit and Supervisory Committee members) as of the conclusion of the said General Meeting of Shareholders is five.

3. At the Annual General Meeting of Shareholders held on March 27, 2020, shareholders passed a resolution to set the remuneration for Directors who are Audit and Supervisory Committee members at up to JPY 50 million per year. The number of Directors who are Audit and Supervisory Committee members as of the conclusion of the said General Meeting of Shareholders is four.

4. At the Annual General Meeting of Shareholders held on March 26, 2021, shareholders passed a resolution to set the performance-linked remuneration for Directors who are Executive Directors at up to JPY 600 million per year. The number of Directors who are Executive Directors as of the conclusion of the said General Meeting of Shareholders is three.

5) Matters Concerning External Directors

Position in the Company	Name	Significant Concurrent Positions at Other Entities	Main Activities at the Company
Director	Tomoyuki Mizutani		Mr. Mizutani attended 16 of 17 Board meetings held in 2023. He appropriately spoke up at meetings to ensure the validity and appropriateness of the Board's decision-making from an objective and neutral standpoint independent from management and fulfilled his role appropriately, capitalizing on his wealth of experience and long achievement in corporate management.
Director	Koji Yanagisawa	Director, Executive Vice President & CFO at ZOZO, Inc. External Director at COLOPL, Inc.	Mr. Yanagisawa attended 16 of 17 Board meetings held in 2023. He appropriately spoke up at meetings to ensure the validity and appropriateness of the Board's decision-making from an objective and neutral standpoint independent from management and fulfilled his role appropriately, capitalizing on his experience as CFO and others at a growing company as well as broad insight in overall business administration centered on accounting, finance, IR, legal affairs and corporate governance.
Director	Yasuhiro Ogino	Director and CFO at ANDPAD Inc.	Mr. Ogino attended all 17 Board meetings held in 2023. He appropriately spoke up at meetings to ensure the validity and appropriateness of the Board's decision-making from an objective and neutral standpoint independent from management and fulfilled his role appropriately, capitalizing on his experience as CFO and others at growing companies as well as broad insight in overall business administration centered on business development and M&A.
Director	Mariko Tokioka	Founder & CEO of East Meet East, Inc. External Director at Asteria Corporation	Ms. Tokioka attended all 17 Board meetings held in 2023. She appropriately spoke up at meetings to ensure the validity and appropriateness of the Board's decision-making from an objective and neutral standpoint independent from management and fulfilled her role appropriately, capitalizing on her abundant experience and broad knowledge, including her entrepreneurial experience in the SaaS field, global business management, and diversity management, as the founder and CEO of an IT company based in the U.S.
Director (Chairperson of the Audit and Supervisory Committee (full-time))	Yuki Okabe	CPA Auditor at OPT, Inc. Auditor at Digital Shift, Inc. Auditor at Re:teigi, Inc. Auditor at RePharmacy, Inc.	Ms. Okabe attended all 17 Board meetings and all 13 Audit and Supervisory Committee meetings held in 2023. She appropriately provided valuable perspectives on agenda items and other discussions and fulfilled her role appropriately, capitalizing on her career as a CPA as well as experience in serving as an auditor at multiple listed companies.
Director (Audit and Supervisory Committee member)	Fumiyuki Shinomiya	Auditor at Vankable, Inc.	Mr. Shinomiya attended 16 of 17 Board meetings and 12 of 13 Audit and Supervisory Committee meetings held in 2023. He appropriately provided valuable perspectives on agenda items and other discussions and fulfilled his role appropriately, capitalizing on his insight and wealth of domestic and international experience, mainly in the financial sector.
Director (Audit and Supervisory Committee member)	Masahiro Yamamoto	CPA Auditor at OPT Incubate Inc. Outside Audit & Supervisory Board Member at Nissui Corporation	Mr. Yamamoto attended 16 of 17 Board meetings and 12 of 13 Audit and Supervisory Committee meetings held in 2023. He appropriately provided valuable perspectives on agenda items and other discussions and fulfilled his role appropriately, capitalizing on his career as a CPA as well as experience in supporting numerous companies as a Representative Partner at audit firms.
Director (Audit and Supervisory Committee member)	Ryoichi Kagizaki	Lawyer	Mr. Kagizaki attended all 17 Board meetings and all 13 Audit and Supervisory Committee meetings held in 2023. He appropriately provided valuable perspectives on agenda items and other discussions and fulfilled his role appropriately from lawyer's perspectives.

(Notes) 1. The Company's relationships with ZOZO, Inc. and COLOPL, Inc., two companies at which Director Mr. Yanagisawa holds positions, do not warrant disclosure.

2. The Company's relationship with ANDPAD Inc., at which Director Mr. Ogino holds a position, does not warrant disclosure.

3. The Company's relationships with East Meet East, Inc. and Asteria Corporation, two companies at which Director Ms.

Tokioka holds positions, do not warrant disclosure.
4. OPT, Inc., Digital Shift, Inc., Re:teigi, Inc., and RePharmacy, Inc., at which Director and Chairperson of the Audit and Supervisory Committee (full-time) Ms. Okabe holds positions, are subsidiaries of the Company.
5. Vankable, Inc., at which Director and Audit and Supervisory Committee member Mr. Shinomiya holds a position, is the subsidiary of the Company.
6. OPT Incubate Inc., at which Director and Audit and Supervisory Committee member Mr. Yamamoto holds a position, is the subsidiary of the Company. The Company's relationship with Nissui Corporation, at which Mr. Yamamoto holds a position, does not warrant disclosure.

(4) Accounting Auditor

1) Name KPMG AZSA LLC

2) Amount of Compensation

(Yen in millions)

Accounting auditor's compensation for fiscal year ended December 31, 2023	52
Total monetary amount payable to the Accounting Auditor by the Company and its subsidiaries	63

(Notes) 1. The audit agreement between the Company and its Accounting Auditor does not explicitly distinguish the compensation for audit services performed pursuant to the Companies Act from the compensation for audit services performed pursuant to the Financial Instruments and Exchange Act. Given disaggregating compensation between the two types of audit services is not feasible, the Company is disclosing the above total amount as its Accounting Auditor's compensation for the fiscal year ended December 31, 2023.
2. The Audit and Supervisory Committee approved the Accounting Auditor's compensation after performing required verification of the appropriateness of the Accounting Auditor's audit plan, audit performance and basis for calculating estimates of its compensation.

3) Policy for Dismissal or Non-reappointment of Accounting Auditor

If the Audit and Supervisory Committee decides that the Accounting Auditor needs to be replaced for failure to perform its duties or for other reasons, it shall draft a proposal regarding dismissal or non-reappointment of the Accounting Auditor to be submitted to a general meeting of shareholders. Additionally, if any of the causes for dismissal fall into the provisions of Article 340, paragraph 1 of the Companies Act, the Audit and Supervisory Committee may dismiss the Accounting Auditor with the unanimous consent of all of its members.

If the Accounting Auditor is dismissed, an Audit and Supervisory Committee member selected by the Audit and Supervisory Committee shall report on the dismissal, including the reason(s) for it, at the earliest general meeting of shareholders convened after the dismissal.

3. The Systems and Policies of the Group

(1) Systems for Ensuring the Appropriateness of Business Operation

1) Controls to Ensure the Company and Its Subsidiaries' Directors and Employees Comply with Laws and Regulations, and Articles of Incorporation in Executing Their Duties

Under the directions and orders of those responsible for Group compliance, the division responsible for the Company's compliance conducts training sessions and prepares and distributes manuals in accordance with the "Group Compliance Rules," working to improve the compliance knowledge of the Directors and employees of the Company and its subsidiaries, and to cultivate a mindset of respect for compliance. Based on the "Group Internal Audit Rules," the division responsible for the Company's internal audit conducts regular audits of the execution of duties and confirms that the execution of duties complies with laws and regulations, and the Articles of Incorporation.

2) Systems Related to Storage and Management of Information Concerning Execution of Duties by the Company and Its Subsidiaries' Directors

Regarding information on important decision-making and reports, the Company and its subsidiaries' Directors prepare, store and manage documents and electronic records in accordance with the "Group Authority Rules," "Group Confidentiality Protection Rules" and "Group Document Management Rules." The Company's subsidiaries keep such information readily accessible if requested to do so by the Company's Audit and Supervisory Committee members or their own Auditors.

3) Rules and Other Systems Related to Management of the Company and Its Subsidiaries' Risk ofLosses

Based on the "Group Risk Management Basic Guidelines" and "Group Risk Management Rules" established by the Board of Directors, the Company operates the Group Risk Management Committee composed of the Company's officers, mainly those responsible for Group risk. The Group Risk Management Committee selects important risks, prepares annual response plans and conducts monitoring, and reports the status of Group risk management, including the results of such monitoring, to the Board of Directors on an as-needed basis. The Company's subsidiaries have implemented their own controls for managing risks, including the risk of losses, to the extent needed by their scale and attributes in accordance with the "Group Risk Management Rules."

4) Systems to Ensure the Company and Its Subsidiaries' Directors Execute Their Duties Effectively

The Company and its subsidiaries prepare business plans in accordance with the "Group Finance and Accounting Rules," explicitly set operating performance targets on a company-wide basis and clarify how they evaluate performance. They pursue improvement in operating efficiency by clearly defining every organizational division's responsibilities with respect to operating performance. The Company and its subsidiaries also analyze and make decisions on significant management matters in accordance with the "Group Authority Rules," working to ensure operating efficiency.

5) Systems to Ensure the Appropriateness of Business Operation of the Group Consisting of the Company and Its Subsidiaries

To ensure the Group's appropriateness of business operation, the Company supervises its subsidiaries as required based on their respective circumstances in accordance with the "Group Authority Rules." Additionally, in the project manager meetings held monthly, management teams of the Company and each subsidiary promote information-sharing and effective communication among the Group and alignment of the "Group Management Policies" by exchanging information on important matters affecting the Group as a whole.

6) Matters Related to Employees Requested by Audit and Supervisory Committee of the Company to Assist with Its Duties

When the Audit and Supervisory Committee requests employees to assist executing its duties, the Company assigns the needed employees to the Audit and Supervisory Committee.

7) Matters Related to the Independence from the Directors and Ensuring the Effectiveness of Instructions by the Directors of the Employees Assigned to Audit and Supervisory Committee

The Company respects the Audit and Supervisory Committee's request on assignment of employees to assist the Audit and Supervisory Committee. The employees that have been ordered to perform auditing tasks by the Audit and Supervisory Committee will not obey to orders or directions from the Company's

Directors (excluding Directors who are Audit and Supervisory Committee members) against the orders from the Audit and Supervisory Committee.

8) Systems for the Company and Its Subsidiaries' Directors (Excluding Company Directors Who Are Audit and Supervisory Committee Members) and Employees to Report to Chairperson of the Audit and Supervisory Committee

The Company's Directors (excluding Directors who are Audit and Supervisory Committee members) and employees are required to immediately report to the Chairperson of the Audit and Supervisory Committee if they become aware of an illegal act or misconduct by a Director (other than a Director who is an Audit and Supervisory Committee member) or if any matter that would cause a material loss on the Company arises or is at risk of arising.

Additionally, the Company has established an internal reporting channel within the Group in accordance with the "Group Internal Reporting Rules." It has created an environment in which misconduct and illegal acts can be reported either directly or indirectly to the Company's full-time Audit and Supervisory Committee member, working to enhance compliance to prevent misconduct and illegal acts throughout the entire Group.

9) Systems to Prevent Retaliation Against Whistleblowers

The Company prohibits retaliatory treatment for individuals who have reported to the full-time Audit and Supervisory Committee member, directly or through the internal reporting channel, and fully publicizes this prohibition among the Company's Directors (excluding Directors who are Audit and Supervisory Committee members), employees, its subsidiaries' Directors and employees.

10) Matters Concerning Policy Pertaining to Advance Payment or Reimbursement of Expenses Related to Execution of Duties by Audit and Supervisory Committee Members of the Company or Processing of Other Expenses or Obligations Related to Said Duties' Execution

When billed in advance for necessary expenses related to execution of Audit and Supervisory Committee members' duties, the Company promptly pays the billed charges.

11) Other Systems to Ensure Effectiveness of the Audit by the Audit and Supervisory Committee

The Company's Directors (excluding Directors who are Audit and Supervisory Committee members) endeavor to make the audit system function more efficiently by promoting deeper understanding about the audit system and creating an audit-friendly environment within the Company. Furthermore, the Representative Director notifies Audit and Supervisory Committee members of Board of Directors meeting dates, details, etc. in advance and promotes appropriate communication and effective performance of audit work to ensure that the Audit and Supervisory Committee's audits are conducted effectively.

12) Systems to Ensure Reliability of Financial Reporting

To ensure the reliability of its financial reporting, and effective and appropriate reporting on internal controls in accordance with the Financial Instruments and Exchange Act, the Company has established the "Basic Policy for Building Internal Controls Systems," and implements and operates internal controls over financial reporting accordingly. It also continually evaluates whether its internal controls are functioning properly and modifies them as needed.

13) Systems to Eradicate Antisocial Forces

The Company has established the "Group Rules on Response to Anti-Social Forces" containing required provisions on severing relations with anti-social forces (as defined in the "Guideline for How Companies Prevent Damage from Anti-Social Forces" issued by the Ministerial Meeting Concerning Measures Against Crime) pursuant to the "Group Compliance Basic Policy." Such rules mandate that the Company sever all relations with anti-social forces and respond organizationally to any illicit demands by anti-social forces. Moreover, the Company has established more specific guidelines for dealing with anti-social forces in the "Group Anti-Social Forces Response Manual," and ensures that the Directors and employees of the Company and its subsidiaries are well informed so that they will not have any relationship with anti-social forces. Additionally, the Company is a long-standing member of the Special Anti-Violence Countermeasures Federation of the Metropolitan Police Department. It also builds cooperative relationships with lawyers and other external related organizations, and incorporates an anti-social forces clause into its contracts with new suppliers and customers.

(2) Overview of Execution Status of Systems to Ensure Appropriateness of Business Operation

1) Execution of Directors' Duties

In the fiscal year ended December 31, 2023, the Company held Board of Directors meetings seventeen (17) times and made management decisions. The Board of Directors instituted Board of Directors Rules and other internal rules to ensure that Directors act in accordance with laws and regulations, the Company's Articles of Incorporation.

2) Execution of Duties by Audit and Supervisory Committee Members

In addition to conducting audits pursuant to audit plans formulated at Audit and Supervisory Committee meetings, Audit and Supervisory Committee members oversee the execution of duties by Directors (excluding Directors who are Audit and Supervisory Committee members) through such means as attending important meetings, including Board of Directors meetings, and regularly exchanging information with the Accounting Auditor and the division responsible for the Company's internal audit.

3) Risk Management and Compliance

The Company works to strengthen the risk management system to reduce risk, facilitate risk prevention, and take prompt action should a risk materialize, and in addition to establishing the "Group Risk Management Basic Guidelines" and the "Group Risk Management Rules," it has established the Group Risk Management Committee. Furthermore, the Company works to heighten awareness among the Directors and employees of the Company and its subsidiaries by creating the "Group Compliance Basic Policy" and the "Group Compliance Rules," establishing the Group Compliance Committee, and getting division responsible for the Company's compliance to prepare manuals and guidelines, and plan, conduct and administrate trainings.

(3) Policy for Determination of Dividends from Retained Earnings

The Company seeks to internally retain earnings to fund investments, including business and human-resource investments needed to strengthen its management team and improve profitability in pursuit of sustainably growing its corporate value. As its dividend policy for the four-year period from the fiscal year ended December 31, 2023 to the fiscal year ending December 31, 2026, the final year of the next medium-term business plan, which covers the period from January 2024 to December 2026, the Company, in principle, aims to adopt dividends equivalent to 20% of profit attributable to owners of parent before amortization of goodwill or equivalent to 3% of DOE (dividend on equity: total annual dividends/shareholders' equity×100), whichever is greater.

For the fiscal year ended December 31, 2023, the Company's Board of Directors passed a resolution authorizing a dividend of JPY 45.00 per share on February 13, 2024, adopting "3% of DOE," based on operating results for the fiscal year ended December 31, 2023. Furthermore, as announced in the "Notice Regarding 30th Anniversary Commemorative Dividend (Special Dividend)" dated August 7, 2023, the Company will celebrate the 30th anniversary of its foundation in March 2024. The Company would like to express its sincere gratitude to its shareholders and all of its stakeholders, without whose support this would not have been possible. As an expression of its gratitude for the support of its shareholders, to commemorate the Company's 30th anniversary, the Company will pay a commemorative dividend of JPY 30.00 per share, in addition to its ordinary dividends. The total dividends per share for the fiscal year ended December 31, 2023 will be JPY 75.00.

Monetary values presented in this Business Report are rounded down to the nearest whole unit in which they are presented; percentages and other numbers are rounded off to one decimal place.

Consolidated balance sheet

(As of December 31, 2023)

(Yen in millions)

Account	Amount	Account	Amount
Assets		Liabilities	
Current assets	40,498	Current liabilities	11,794
Cash and deposits	18,860	Accounts payable-trade	7,898
Accounts receivable-trade	7,994	Current portion of long-term borrowings	1,000
Contract assets	195		
Operational investment securities	5,552	Income taxes payable	39
Inventories	4	Contract liabilities	38
Accounts receivable - other	5,510	Provision for bonuses	372
Other	2,563	Other	2,445
Allowance for doubtful accounts	(183)		
		Noncurrent liabilities	4,596
Noncurrent assets	9,785	Long-term borrowings	4,000
Property, plant and equipment	216	Deferred tax liabilities	423
Buildings and structures	138	Asset retirement obligations	173
Other	77	Total liabilities	16,391
		Net assets	
Intangible assets	971	Shareholders’ equity	26,098
Goodwill	491	Share capital	8,212
Other	480	Capital surplus	3,843
		Retained earnings	14,043
Investments and other assets	8,597	Accumulated other comprehensive income	3,229
Investment securities	7,848	Valuation difference on available-for-sale securities	1,356
Leasehold and guarantee deposits	299		
Deferred tax assets	444	Foreign currency translation adjustment	1,872
Other	4		
		Share options	0
		Non-controlling interests	4,563
		Total net assets	33,892
Total assets	50,283	Total liabilities and net assets	50,283

(Note) The amounts presented above are rounded down to the nearest whole million yen.

Consolidated statement of income

(From January 1, 2023 to December 31, 2023)

(Yen in millions)

Account	Amount	
Revenue		16,264
Cost of sales		5,316
Gross profit		10,948
Selling, general and administrative expenses		10,332
Operating profit		616
Non-operating income		
Foreign exchange gains	3	
Other	6	9
Non-operating expenses		
Interest expenses	11	
Commission expenses	0	
Loss on investments in investment partnerships	231	
Other	4	247
Ordinary profit		378
Extraordinary income		
Gain on sales of investment securities	245	
Gain on sale of businesses	29	
Other	1	275
Extraordinary losses		
Loss on retirement of noncurrent assets	6	
Impairment loss	206	
Loss on valuation of investment securities	48	
Other	0	262
Profit before income taxes		390
Income taxes-current	244	
Income taxes-deferred	267	512
Loss		121
Loss attributable to non-controlling interests		359
Profit attributable to owners of parent		237

(Note) The amounts presented above are rounded down to the nearest whole million yen.

Consolidated statement of changes in net assets

(From January 1, 2023 to December 31, 2023)

(Yen in millions)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of year	8,212	3,843	23,674	(8,698)	27,031
Changes of items during the period					
Dividends of surplus			(1,170)		(1,170)
Profit attributable to owners of parent			237		237
Cancellation of treasury shares			(8,698)	8,698	—
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	—	(9,631)	8,698	(932)
Balance at end of year	8,212	3,843	14,043	—	26,098

	Accumulated other comprehensive income			Share options	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of year	1,389	1,409	2,799	—	6,414	36,245
Changes of items during the period						
Dividends from surplus						(1,170)
Profit attributable to owners of parent						237
Cancellation of treasury shares						—
Net changes of items other than shareholders' equity	(32)	462	429	0	(1,850)	(1,420)
Total changes of items during the period	(32)	462	429	0	(1,850)	(2,353)
Balance at end of year	1,356	1,872	3,229	0	4,563	33,892

(Note) The amounts presented above are rounded down to the nearest whole million yen.

Notes to Consolidated Financial Statements

1. Significant matters that form the basis of preparing consolidated financial statements:

(1) Scope of consolidation

1) Status of consolidated subsidiaries

- Number of consolidated subsidiaries: 15 consolidated subsidiaries
- Names of consolidated subsidiaries

OPT, Inc.
ConnectOM, Inc.
Bonds Investment Group Inc.
BIG No. 1 Limited Partnership for Investment
BIG No. 2 Limited Partnership for Investment
OPT Incubate Inc.
OPT China Limited
OPT Shenzhen (China)
OPT America, Inc.
Digital Shift, Inc.
Re:teigi, Inc.
RePharmacy, Inc.
Vankable, Inc.
JOMYAKU, Inc.
BIG SX No. 1 Limited Partnership for Investment

2) Status of major non-consolidated subsidiaries

Not applicable

(2) Application of equity method accounting

1) Status of equity-method affiliates

- Number of equity-method affiliates: Not applicable
  PharmaShift Co., Ltd. was excluded from the scope of equity method accounting because of share transfer in the fiscal year ended December 31, 2023.

2) Status of major non-consolidated subsidiaries and affiliates not subject to the equity method

- Name of non-consolidated subsidiaries and affiliates in this category
  Non-consolidated subsidiary: Not applicable
  Affiliates: Not applicable

(3) Fiscal years of consolidated subsidiaries

Consolidated subsidiaries have the same fiscal year-end as the consolidated closing date.

(4) Matters on accounting policies

1) Valuation standards and methods for significant assets

A. Securities

Shares of affiliates

Stated at cost using the moving-average method.

Available-for-sale securities (including operational investment securities)

- Securities other than shares, etc. that do not have a market price:

Stated at fair value (The related valuation differences are directly debited or credited to the net assets and the cost of securities sold is calculated using the moving average method).

- Shares, etc. that do not have a market price:

Stated at cost using the moving-average method.

- Investment in limited partnership for investment:

Stated at an amount calculated using the method where the amount equivalent to the Company's equity interests in the partnership is added to or subtracted from the partnership's gains or losses based on the most recent financial statements available.

B. Inventories

- Work in process:

Mainly stated at cost using the FIFO method. (The balance sheet value is calculated by writing down the book value based on decreased profitability.)

- Supplies:

Mainly stated at cost using the specific cost method. (The balance sheet value is calculated by writing down the book value based on decreased profitability.)

2) Depreciation/amortization method for significant depreciable/amortizable assets

A. Property, plant and equipment (excluding leased assets)

Mainly subject to the declining-balance method.

However, buildings (excluding equipment attached to buildings) acquired on or after April 1, 1998 and equipment attached to buildings and structures acquired on or after April 1, 2016 are subject to the straight-line method.

The straight-line method is adopted by overseas consolidated subsidiaries. Primary useful lives are as indicated below:

Buildings and structures:	3 to 18 years.
Other:	4 to 15 years.

B. Intangible assets (excluding leased assets)

Subject to the straight-line method.

Software for internal use is subject to the straight-line method based on the period available for internal use (mainly, five years).

C. Leased assets

- Leased assets from non-ownership-transfer finance lease transactions:

Subject to the straight-line method where the lease term is the useful life, and the residual value is the guaranteed residual value if the relevant lease agreement stipulates residual value guarantee, or otherwise, residual value is zero.

3) Standards for recognition of significant allowances

A. Allowance for doubtful accounts

To prepare for losses from receivables, uncollectible amounts are estimated and recognized, for ordinary receivables, by the actual bad debt ratio based on losses in the past, or for doubtful receivables and other certain receivables, by taking into consideration the collectability of individual receivable accounts.

B. Provision for bonuses

In terms of provision for bonuses, the amount accrued in the fiscal year for the estimated payout to employees is recognized to prepare for payments of bonuses to employees.

4) Standards for recognition of significant revenue and expenses

Revenue recognition for each of the major categories of revenue is as follows:

A. Contracted development services

The Company provides contracted development services for the purpose of supporting customers' DX, etc., and is obligated to produce and deliver deliverables such as software based on customer specifications.

Performance obligation is satisfied as the development work progresses, and revenue is recognized over a certain period if the degree of progress in the satisfaction of such performance obligation can be reasonably measured.

However, when the term from the transaction commencement date to the point when the performance obligation is expected to be fully satisfied is very short, revenue is recognized when the deliverables are accepted by a customer.

B. Advertisement-related services

In the programmatic advertising and affiliate services, the Company has performance obligations to act as an intermediary for placing advertisements and to optimize the placement and distribution of advertisements to achieve the advertising results expected by customers.

Performance obligation is satisfied when the results from distribution of advertisements are achieved in accordance with the arrangement with the customer, and revenue is recognized on a volume basis based on the number of results achieved.

The Company does not control the goods or services transferred to the advertisers in the case of intermediation of advertising space and management agency services in the case of programmatic advertising, which the Company determines to fall under agent transaction. For such transactions, revenue is recognized at the net amount of the amount received in exchange for services provided by the other party less the amount paid to the other party concerned.

The Company also enters into certain transactions in which it has an obligation to produce and deliver advertising productions. For these transactions, revenue is recognized at the time the performance obligation is satisfied upon fulfillment of delivery to a customer.

C. Financial investment services

The Group performs operational investment for the purpose of earning capital gains of venture companies.

In funds in which the Group participates as a limited liability partner, the Group contributes the amount promised to be invested based on the partnership agreement, and for funds managed by the Group, the amount promised to be invested for which contributions have been received is managed and operated in accordance with the partnership agreement.

Revenue is recognized at the time when operational investment securities held directly by the Company and investment targets held through funds are sold.

As consideration for the revenue recognized by the Group is received generally within one year from the satisfaction of performance obligation, it does not include a significant financing component.

5) Standard for translating significant assets or liabilities denominated in foreign currencies into Japanese yen

Assets and liabilities of overseas subsidiaries are translated into the Japanese yen based on the spot exchange rate as of the closing date while their earnings and expenses are translated into the Japanese yen based on the average rate. The translation differences are included in and recognized as foreign currency translation adjustment under net assets.

6) Amortization method and period for goodwill

Goodwill is regularly amortized over a reasonable period, which we estimate case-by-case based on the duration of its effect.

7) Other significant matters that form the basis of preparing consolidated financial statements

A. Accounting procedures for consumption taxes

Non-deductible consumption taxes are expensed for the current fiscal year.

B. Application of the group tax sharing system

The group tax sharing system is adopted.

C. Application of the practical solution on the accounting and disclosure under the group tax sharing system

The Company and its certain domestic consolidated subsidiaries have transitioned from the consolidated taxation system to the group tax sharing system from the current fiscal year. Accordingly, income taxes, local income taxes, and tax effect accounting are accounted and disclosed in accordance with the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (PITF No. 42, August 12, 2021; hereinafter "PITF No. 42"). Based on the paragraph 32 (1) of PITF No. 42, the Company and its certain domestic consolidated subsidiaries deem that there is no impact from changes in accounting policies due the adoption of PITF No. 42.

2. Notes on significant accounting estimates

Valuation of shares, etc. that do not have a market price and equity interests in investment limited partnerships and similar partnerships

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

Operational investment securities of JPY 5,552 million and investment securities of JPY 7,848 million were recorded in the consolidated balance sheet for the current fiscal year. These include JPY 4,360 million of shares, etc. that do not have a market price and JPY 7,723 million in equity interests in investment limited partnerships and similar partnerships.

(2) Information on significant accounting estimates for identified items

For shares, etc. that do not have a market price, the acquisition cost is used as the value on the consolidated balance sheet. However, if the actual value of the securities declines significantly due to a deterioration in the financial position of the issuer of the securities, a substantial reduction is made to the value, and the valuation difference is treated as a loss for the current period.

However, for securities acquired at a price substantially higher than the amount based on net assets per share reflecting the excess earning capacity, etc. of the investee at the time of acquisition, if it is judged that the excess earning capacity, etc. initially expected has not decreased, the actual value is deemed not to have decreased significantly, and no loss on valuation of securities is recognized. Judgments as to whether the excess earning capacity, etc. of investees has decreased are made based on the achievement of business plans, etc., but said judgments are carefully made, as they involve significant judgments by management since the development of venture businesses is subject to uncertainty.

In the event that the actual value, including excess earning capacity, of the investees declines significantly, such as when the business results of the investees fall far short of the business plans, there is a possibility that loss on valuation of securities may be recorded in the following fiscal year.

3. Notes to consolidated balance sheet

(1) Breakdown of inventories

	(Yen in millions)
Work in process	4

(2) Accumulated depreciation of property, plant and equipment

	(Yen in millions)
Accumulated depreciation	360

4. Notes to consolidated statement of income

Revenue from contracts with customers

The Company does not separate and state revenue from contracts with customers and other sources of revenue. The amount of revenue from contracts with customers is presented in "7. Notes on revenue recognition, (1) Disaggregation information of revenue for the current fiscal year" in the Notes to Consolidated Financial Statements.

5. Notes to consolidated statement of changes in net assets

(1) Matters concerning class and total number of shares issued and class and number of treasury shares

Class of stock	As of Jan. 1, 2023	Additions	Subtractions	As of Dec. 31, 2023
Shares issued				
Common shares	23,817,700 shares	—	6,357,793 shares	17,459,907 shares
Treasury shares				
Common shares	6,346,243 shares	11,550 shares	6,357,793 shares	—

(2) Matters concerning share options

Type	Breakdown of share options	Class of underlying stock	Number of underlying stock (Shares)				Balance as of Dec. 31, 2023 (Yen in millions)
			As of Jan. 1, 2023	Additions	Subtractions	As of Dec. 31, 2023	
The Company	Share acquisition rights as share options	Common shares	—	346,000	—	346,000	0
Total		—	—	346,000	—	346,000	0

(3) Matters concerning dividend

1) Amount of dividend distribution

Resolution date	Class of stock	Total dividend distribution (Yen in millions)	Dividend per share (Yen)	Record date	Effective date
February 13, 2023 Board of Directors Meeting	Common shares	1,170	67.0	December 31, 2022	March 3, 2023

2) Dividends with a record date in the fiscal year ended December 31, 2023, but with an effective date in the following fiscal year

Scheduled resolution date	Class of stock	Dividend funding source	Total dividend distribution (Yen in millions)	Dividend per share (Yen)	Record date	Effective date
February 13, 2024 Board of Directors Meeting	Common shares	Retained earnings	1,309	75.0	December 31, 2023	March 6, 2024

(Note) The dividend per share resolved by the Board of Directors meeting on February 13, 2024 includes a commemorative dividend (special dividend) of JPY 30.0 per share.

6. Notes on financial instruments

(1) Matters concerning financial instruments

1) Policy for financial instruments

The Group invests into financial assets focusing on safety and liquidity given own cash flows and financial market conditions. When borrowing funds or otherwise raising capital, the Group takes stability, cost-efficiency and flexibility into consideration in selecting funding instruments.

The Group manages investment businesses that invest in securities for investment purposes through dedicated business units.

2) Nature of financial instruments and associated risks

Notes and accounts receivable-trade, which are trade receivables, are exposed to customer credit risk. With respect to this risk, the Group has staff that manage receivable collection schedules and receivable balances on a customer-by-customer basis and periodically assess major customers' credit status in accord with regulations regarding the Group's credit management. Trade receivables denominated in foreign currencies are exposed to currency risk. Investment securities are mainly stocks of companies with which the Company has business relationships. They are exposed to the risk of market price fluctuations. Operational investment securities and investment securities other than the aforementioned investment securities held by the Group are mainly stocks and equity interests in partnerships and other such entities. The Group holds these securities for purely investment purposes or to advance its businesses. Listed stocks among these securities are exposed to the risk of market price fluctuations. Unlisted stocks among these securities are exposed to the following two risks because unlisted companies tend to be more sensitive than listed companies to changes in the economic environment and other such developments as a result of having less stable financial and earnings foundations and being more constrained in terms of management resources.

a. The Group has no assurance of earning any capital gains from its investments.

b. The Group may incur capital losses on its investments.

Accounts payable-trade, which are trade payables, are payable within one year. In addition, trade payables denominated in foreign currencies are exposed to currency risk.

Short-term loans payable and long-term borrowings are mostly funding needed for working capital, among other purposes.

3) Risk-management regime for financial instruments

- Management of credit risk (risk associated with counterparties' contractual nonperformance, etc.)

For trade receivables, the Group conducts credit screenings when it starts doing business with a new customer, continually monitors the collection status of receivables and reviews credit limits when necessary in accordance with its regulations regarding credit management.

- Management of market risks (foreign currency risk, interest rate fluctuation risk, etc.)

For operational investment securities and other investment securities, the Group periodically checks market values and assesses the issuer's (or counterparties') financial condition and continually reviews and, as necessary, adjusts its holdings in light of market conditions and/or its relationship with the counterparty.

- Management of liquidity risk in connection with financing (risk of inability to repay borrowings on the due date)

The Group manages liquidity risk through such means as having its finance staff prepare and update cash flow schedules on a timely basis.

4) Supplemental information on the fair value of financial instruments

In calculation of the fair value of financial instruments, as fluctuation factors are incorporated, the value may fluctuate by adopting different preconditions.

(2) Matters concerning financial instruments' fair value

The book value and fair value of financial instruments in the consolidated balance sheet as of December 31, 2023 (the consolidated balance sheet date for the current fiscal year) and their differences are as follows. "Cash and deposits," "accounts receivable-trade," "accounts receivable-other" and "accounts payable-trade" are omitted because they consist of cash and have short-term maturities, and their fair value approximates their book value.

(Yen in millions)

	Carrying amount in the consolidated balance sheet	Fair value	Difference
Operational investment securities and investment securities	1,317	1,317	—
Total assets	1,317	1,317	—
Long-term borrowings (including current portion thereof)	5,000	4,986	(13)
Total liabilities	5,000	4,986	(13)

(Note 1) Shares, etc. that do not have a market price and equity interests in investment limited partnerships and similar partnerships are not included in the above. The carrying amount of such financial instruments on the consolidated balance sheet are as follows:

(Yen in millions)

Type	Carrying amount on consolidated balance sheet
Operational investment securities and investment securities	
Unlisted stocks	4,360
Equity interests in investment limited partnerships and similar partnerships*	7,723
Total	12,083

(*) Equity interests in investment limited partnerships and similar partnerships are not subject to fair value disclosure in accordance with paragraph 24-16 of "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021).

(Note 2) Post-reporting-date maturity schedule for monetary receivables

(Yen in millions)

Type	Within 1 year	1-5 years	5-10 years	Over 10 years
(1) Cash and deposits	18,860	—	—	—
(2) Accounts receivable–trade	7,994	—	—	—
(3) Accounts receivable-other	5,510	—	—	—
Total	32,365	—	—	—

(Note 3) Post-reporting-date repayment schedule for loans payable

(Yen in millions)

Type	Within 1 year	1-5 years	5-10 years	Over 10 years
Long-term borrowings	1,000	4,000	—	—
Total	1,000	4,000	—	—

(3) Breakdown, etc. of financial instruments by level of fair value

The fair value of financial instruments is classified into the following three levels according to the observability and materiality of inputs used to measure fair value.

Level 1 fair value: Fair value measured using observable inputs, i.e., quoted prices in active markets for assets or liabilities that are the subject of such fair value measurement.

Level 2 fair value: Fair value measured using observable inputs other than Level 1 inputs.

Level 3 fair value: Fair value measured using unobservable inputs.

If multiple inputs that have significant impact on fair value measurement are used, the fair value is categorized in the level of the lowest priority for fair value measurement among the level of each input.

1) Financial instruments measured at fair value in the consolidated balance sheet

Type	Fair value (Yen in millions)			
	Level 1	Level 2	Level 3	Total
Operational investment securities and investment securities				
Shares	947	—	—	947
Other	—	—	370	370
Total assets	947	—	370	1,317

2) Financial instruments other than those measured at fair value in the consolidated balance sheet

	Fair value (Yen in millions)			
	Level 1	Level 2	Level 3	Total
Long-term borrowings (including current portion thereof)	—	4,986	—	4,986
Total liabilities	—	4,986	—	4,986

(Note) A description of the valuation technique(s) and inputs used in the fair value measurements

・ Operational investment securities and investment securities
Listed shares are valued using quoted prices. As listed shares are traded in active markets, their fair value is classified as Level 1. Other is share options of unlisted shares. Their fair value is measured based on the best available information from the issuer, taking into account the credit status, business conditions, etc. of the issuer, and is classified as Level 3.

・ Long-term borrowings
The fair value is measured by discounting the total amount of principal and interest at an interest rate that incorporates a benchmark rate (e.g., government bond yield) plus a credit spread, and is classified as Level 2.

7. Notes on revenue recognition

(1) Disaggregation of revenue from contracts with customers for the current fiscal year

(Yen in millions)

	Business segment			Total
	Digital Shift Business	Advertising Business	Financial Investment Business	
Goods or services transferred at a point in time	585	534	—	1,119
Goods or services transferred over a certain period	3,896	7,718	—	11,615
Revenue from contracts with customers	4,482	8,253	—	12,735
Other revenue	—	—	3,529	3,529
Revenue from external customers	4,482	8,253	3,529	16,264

(2) Basic information in understanding revenue

Basic information in understanding revenue is as presented in “1. Significant matters that form the basis of preparing consolidated financial statements, (4) Matters on accounting policies, 4) Standards for recognition of significant revenue and expenses” in the Notes to Consolidated Financial Statements.

(3) Information in understanding the amounts of revenue for the current fiscal year and following fiscal years

1) Contract asset and contract liability balances, etc.

	(Yen in millions)
Contract assets (balance at beginning of year)	21
Contract assets (balance at end of year)	195
Contract liabilities (balance at beginning of year)	39
Contract liabilities (balance at end of year)	38

Contract assets consist of unbilled accounts receivables-trade for which revenue is recognized over a certain period based on the estimated degree of progress in satisfying performance obligations. Contract assets are reclassified to receivables from contracts with customers when they are accepted by a customer. Contract liabilities primarily relate to advances received from customers for the period based on the payment terms on the contracts for which revenue is recognized at time of satisfaction of performance obligations. Contract liabilities are reversed as revenue is recognized.

2) Transaction price allocated to the remaining performance obligations
Since the Group does not have significant transactions with an initial expected contract term of more than one year, the Group has applied the practical expedient and figures are omitted. Further, there is no significant amount of consideration arising from contracts with customers that are not included in the transaction price.

8. Notes to per-share information

Net assets per share	¥1,679.72
Earnings per share	¥13.61

9. Notes to significant subsequent events

Not applicable.

Balance sheet

(As of December 31, 2023)

(Yen in millions)

Account	Amount	Account	Amount
Assets		Liabilities	
Current assets	21,021	Current liabilities	5,743
Cash and deposits	14,702	Current portion of long-term borrowings	1,000
Accounts receivable-trade	253	Accounts payable	507
Operational investment securities	1,451	Deposits received from subsidiaries and associates	3,985
Advances paid	80	Accrued expenses	147
Short-term loans receivable from subsidiaries and associates	1,900	Deposits received	45
Accounts receivable - other	131	Provision for bonuses	57
Income taxes refund receivable	1,567	Noncurrent liabilities	4,160
Other	2,639	Long-term borrowings	4,000
Allowance for doubtful accounts	(1,705)	Asset retirement obligations	160
Noncurrent assets	12,096	Total liabilities	9,903
Property, plant and equipment	204	Net assets	
Buildings and structures	130	Shareholders' equity	22,994
Tools, furniture and fixtures	74	Share capital	8,212
Intangible assets	81	Capital surplus	3,423
Trademark right	4	Legal capital surplus	3,423
Software	76	Retained earnings	11,358
Other	0	Other retained earnings	11,358
Investments and other assets	11,809	Retained earnings brought forward	11,358
Investment securities	1,610	Valuation and translation adjustments	219
Shares of subsidiaries and associates	8,588	Valuation difference on available-for-sale securities	219
Investments in other securities of subsidiaries and associates	1,220	Share options	0
Long-term prepaid expenses	0		
Deferred tax assets	119		
Leasehold and guarantee deposits	270		
Other	0	Total net assets	23,214
Total assets	33,118	Total liabilities and net assets	33,118

(Note) The amounts presented above are rounded down to the nearest whole million yen.

Statement of income

(From January 1, 2023 to December 31, 2023)

(Yen in millions)

Account	Amount	
Revenue		5,674
Cost of sales		2,750
Gross profit		2,924
Selling, general and administrative expenses		188
Operating profit		2,736
Non-operating income		
Interest income	14	
Gain on investments in partnership	109	
Other	3	126
Non-operating expenses		
Interest expenses	11	
Provision of allowance for doubtful accounts	479	
Other	0	491
Ordinary profit		2,371
Extraordinary income		
Recoveries of written off receivables	1	1
Extraordinary loss		
Loss on retirement of noncurrent assets	6	
Loss on valuation of shares of subsidiaries	9	15
Profit before income taxes		2,357
Income taxes-current	425	
Income taxes-deferred	269	694
Profit		1,662

(Note) The amounts presented above are rounded down to the nearest whole million yen.

Statement of changes in net assets

(From January 1, 2023 to December 31, 2023)

(Yen in millions)

	Shareholders' equity				
	Share capital	Capital surplus		Retained earnings	
		Legal capital surplus	Total capital surplus	Other retained earnings Retained earnings brought forward	Total retained earnings
Balance at beginning of year	8,212	3,423	3,423	19,564	19,564
Changes of items during period					
Dividends of surplus				(1,170)	(1,170)
Profit				1,662	1,662
Cancellation of treasury shares				(8,698)	(8,698)
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	—	—	(8,206)	(8,206)
Balance at end of year	8,212	3,423	3,423	11,358	11,358

	Shareholders' equity		Valuation and translation adjustments		Share options	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of year	(8,698)	22,502	608	608	—	23,110
Changes of items during period						
Dividends from surplus		(1,170)				(1,170)
Profit		1,662				1,662
Cancellation of treasury shares	8,698	—				—
Net changes of items other than shareholders' equity			(388)	(388)	0	(388)
Total changes of items during the period	8,698	492	(388)	(388)	0	103
Balance at end of year	—	22,994	219	219	0	23,214

(Note) The amounts presented above are rounded down to the nearest whole million yen.

Notes to Non-Consolidated Financial Statements

1. Notes to significant accounting policies

(1) Valuation standards and methods for significant assets

1) Valuation standards and methods for securities

A. Shares of subsidiaries and affiliates

Stated at cost using the moving-average method.

B. Available-for-sale securities (including operational investment securities)

• Securities other than shares, etc. that do not have a market price:

Stated at fair value (The related valuation differences are directly debited or credited to the net assets and the cost of securities sold is calculated using the moving average method).

• Shares, etc. that do not have a market price:

Stated at cost using the moving-average method.

• Investment in limited partnership for investment:

Stated at an amount calculated using the method where the amount equivalent to the Company's equity interests in the partnership is added to or subtracted from the partnership's gains or losses based on the most recent financial statements available.

(2) Depreciation/amortization methods for noncurrent assets

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

Mainly subject to the declining-balance method.

However, buildings (excluding equipment attached to buildings) acquired on or after April 1, 1998 and equipment attached to buildings and structures acquired on or after April 1, 2016 are subject to the straight-line method.

Primary useful lives are as indicated below:

Buildings and structures:	3 to 18 years
Tools, furniture and fixtures:	4 to 10 years

2) Intangible assets (excluding leased assets)

Subject to the straight-line method.

Software for internal use is subject to the straight-line method based on the period available for internal use (mainly, five years).

(3) Standards for recognition of significant allowances

1) Allowance for doubtful accounts

To prepare for losses from receivables, uncollectible amounts are estimated and recognized, for ordinary receivables, by the actual bad debt ratio based on losses in the past, or for doubtful receivables and other certain receivables, by taking into consideration the collectability of individual receivable accounts.

2) Provision for bonuses

In terms of provision for bonuses, the amount accrued in the fiscal year for the estimated payout to employees is recognized to prepare for payments of bonuses to employees.

(4) Standards for recognition of revenue and expenses

1) Services related to contracts with subsidiaries

The Company has performance obligations to provide back-office services and management consulting under contracts with its subsidiaries. As it is considered that the subsidiaries receive benefits as the Company performs its obligations under the contracts, revenue is recognized over the period in which the services are provided at the contract amounts agreed to with each subsidiary at the beginning of the fiscal year.

Management consulting fees are recognized as revenue at the amounts calculated based on the amount of revenue recognized by each subsidiary, and dividends from subsidiaries are also recognized as revenue on the effective date of the dividends.

2) Financial investment services

The Company performs operational investment for the purpose of earning capital gains of venture companies. In funds in which the Company participates as a limited liability partner, the Company contributes the amount promised to be invested based on the partnership agreement. Revenue is recognized as gains or losses at the time when operational investment securities held directly by the Company and investments held through funds are sold.

(5) Other significant matters that form the basis of preparing financial statements

1) Accounting procedures for consumption taxes

Non-deductible consumption taxes are expensed for the current fiscal year.

2) Application of the group tax sharing system

The group tax sharing system is adopted.

3) Application of the practical solution on the accounting and disclosure under the group tax sharing system

The Company has transitioned from the consolidated taxation system to the group tax sharing system from the current fiscal year. Accordingly, income taxes, local income taxes, and tax effect accounting are accounted and disclosed in accordance with the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (PITF No. 42, August 12, 2021; hereinafter “PITF No. 42”). Based on the paragraph 32 (1) of PITF No. 42, the Company deems that there is no impact from changes in accounting policies due the adoption of PITF No. 42.

2. Notes on significant accounting estimates

Valuation of shares, etc. that do not have a market price and equity interests in investment limited partnerships and similar partnerships

(1) Amounts recorded in the non-consolidated financial statements for the current fiscal year

Operational investment securities of JPY 1,451 million and investment securities of JPY 1,610 million were recorded in the balance sheet for the current fiscal year. These include JPY 1,359 million of shares, etc. that do not have a market price and JPY 1,329 million in equity interests in investment limited partnerships and similar partnerships.

(2) Information on significant accounting estimates for identified items

Notes are omitted because the same information is provided in “2. Notes on accounting estimates” in the Notes to Consolidated Financial Statements.

3. Notes to balance sheet

(1) Monetary receivables from and monetary payables to subsidiaries and associates (excluding those presented as separate line items)

	(Yen in millions)
Short-term monetary receivables	2,913
Short-term monetary payables	427

(2) Accumulated depreciation of property, plant and equipment

	(Yen in millions)
Accumulated depreciation	314

(3) Contingent liabilities

The Company guarantees the obligation of JPY 1,140 million in payables for customers of subsidiaries.

4. Notes to statement of income

Transactions with subsidiaries and associates

	(Yen in millions)
Operating transactions	
Revenue	3,496
Purchase of goods	1
Non-operating transactions	14

5. Notes to statement of changes in net assets

Matters concerning class and number of treasury shares

Class of stock	As of Jan. 1, 2023	Additions	Subtractions	As of Dec. 31, 2023
Common shares	6,346,243 shares	11,550 shares	6,357,793 shares	— shares

6. Notes to deferred tax accounting matters

Breakdown of deferred tax assets and deferred tax liabilities by main cause

	(Yen in millions)
Deferred tax assets	
Allowance for doubtful accounts	522
Provision for bonuses	17
Intangible assets	14
Asset retirement obligations	33
Loss on valuation of investment securities	936
Other	27
Subtotal deferred tax assets	1,551
Valuation allowance	(1,268)
Total deferred tax assets	283
Deferred tax liabilities	
Valuation difference on available-for-sale securities	(96)
Other	(66)
Total deferred tax liabilities	(163)
Net deferred tax assets	119

7. Notes to transactions with related party

(1) Subsidiaries, etc.

Type	Name of company	Address	Share capital or equity stake (Yen in millions)	Business	Percentage of voting rights holding (held)
Subsidiary	OPT, Inc.	Chiyoda-ku, Tokyo	100	Advertising Business	100.00% (—)
Subsidiary	Vankable, Inc.	Chiyoda-ku, Tokyo	100	Digital Shift Business	100.00% (—)
Subsidiary	Digital Shift, Inc.	Chiyoda-ku, Tokyo	100	Digital Shift Business	100.00% (—)
Subsidiary	ConnectOM, Inc.	Chiyoda-ku, Tokyo	100	Digital Shift Business	100.00% (—)
Subsidiary	Re:teigi, Inc.	Chiyoda-ku, Tokyo	10	Digital Shift Business	100.00% (—)
Subsidiary	JOMYAKU, Inc.	Chiyoda-ku, Tokyo	10	Digital Shift Business	100.00% (—)
Subsidiary	RePharmacy, Inc.	Chiyoda-ku, Tokyo	10	Digital Shift Business	100.00% (—)
Subsidiary	BIG No. 1 Limited Partnership for Investment	Shibuya-ku, Tokyo	4,150	Financial Business	100.00% (—)
Subsidiary	BIG SX No. 1 Limited Partnership for Investment	Shibuya-ku, Tokyo	404	Financial Business	100.00% (—)

Type	Name of company	Relationship with related party	Nature of transaction	Transaction amount (Yen in millions)	Account	Fiscal year-end balance (Yen in millions)
Subsidiary	OPT, Inc.	Director interlock Management involvement CMS transactions	Management consulting fee	1,869	Accounts receivable-trade	170
			Borrowing of funds via CMS (Note 1)	—	Deposits received from subsidiaries and associates	3,524
			Payment of interest (Note 2)	0	—	—
Subsidiary	Vankable, Inc.	Director interlock Guarantee of obligation Loans of funds CMS transactions	Guarantee of obligation (Note 3)	1,140	—	—
			Loans of funds	1,900	Short-term loans receivable from subsidiaries and associates	1,900
			Collection of loans receivable	1,900		
			Receipt of interest (Note 2)	9	—	—
			Borrowing of funds via CMS (Note 1)	—	Deposits received from subsidiaries and associates	444
			Payment of interest (Note 2)	0	—	—
Subsidiary	Digital Shift, Inc.	Director interlock CMS transactions	Borrowing of funds via CMS (Note 1)	—	Deposits received from subsidiaries and associates	226
			Payment of interest (Note 2)	0	—	—
			Capital investment	682	—	—
Subsidiary	ConnectOM, Inc.	Loans of funds	Loans of funds	350	Short-term loans receivable from subsidiaries and associates	—
			Collection of loans receivable	350		
			Receipt of interest (Note 2)	0	—	—
Subsidiary	Re:teigi, Inc.	Director interlock CMS transactions	Borrowing of funds via CMS (Note 1)	—	Deposits received from subsidiaries and associates	812
			Receipt of interest (Note 2)	1	—	—
Subsidiary	JOMYAKU, Inc.	CMS transactions	Borrowing of funds via CMS (Note 1)	—	Deposits received from subsidiaries and associates	439
			Receipt of interest (Note 2)	0	—	—
Subsidiary	RePharmacy, Inc.	Director interlock CMS transactions	Borrowing of funds via CMS (Note 1)	—	Deposits received from subsidiaries and associates	249
			Receipt of interest (Note 2)	0	—	—
Subsidiary	BIG No. 1 Limited Partnership for Investment	Director interlock	Receipt of distributions	440	—	—
Subsidiary	BIG SX No. 1 Limited Partnership for Investment	Director interlock	Capital investment	400	—	—

(Notes) 1. For borrowing transactions through the CMS (cash management system), only fiscal year-end balances are presented because balances frequently change.
2. For transaction amount, interest rates are rationally determined based on market interest rates and other relevant factors.
3. The Company guarantees obligations owed to customers. No guarantee fee is received for this guarantee of obligation.

(2) Corporate officers and individual shareholders

Not applicable

8. Notes on revenue recognition

Basic information in understanding revenue

Basic information in understanding revenue from contracts with customers is as presented in “1. Notes to significant accounting policies, (4) Standards for recognition of revenue and expenses” in the Notes to Non-Consolidated Financial Statements.

9. Notes to per-share information

Net assets per share	¥1,329.58
Earnings per share	¥95.20

10. Notes to significant subsequent events

Not applicable.

Certified Copy of Audit Report of Business Report, Audit and Supervisory Committee Members, and Renewed Audit and Supervisory Committee

AUDIT REPORT

We, the Audit and Supervisory Committee of DIGITAL HOLDINGS, Inc. (“the Company”), have audited the performance of duties by Directors and Executive Officers during the 30th fiscal year from January 1, 2023 to December 31, 2023. We report the method and results as follows.

1. Method and details of audit

We, the Audit and Supervisory Committee, have received reports from Directors, employees and others on a regularly basis on the details of the board resolutions with respect to items prescribed in Article 399-13, paragraph 1, item i (b) and (c) of the Companies Act, and the status of the establishment and operation of the system established based on such board resolutions (internal control system), sought explanations, whenever the necessity arose, and expressed our opinions.
Additionally, we conducted audits as follows.

(1) In coordination with the Company’s internal audit staff, we attended important meetings, received reports from Directors, employees and others regarding the execution of their job duties, requested explanations as needed, inspected documents, including documentation of significant decisions, and investigated the status of operations and property at the Company’s Head Office and other major places of business, all in compliance with auditing standards prescribed by the Audit and Supervisory Committee and in accordance with audit policies, audit plans and an agreed-upon division of duties. We also communicated and exchanged information with subsidiaries’ Directors, Auditors and other personnel and, as needed, received reports from subsidiaries on their operations.

(2) In addition to monitoring and examining whether the Accounting Auditor maintained an independent position and performed auditing appropriately, we received reports from the Accounting Auditor on the performance of its duties and requested explanations when necessary. In addition, we received notice from the Accounting Auditor that “The systems for ensuring the proper performance of duties” (set forth in each item of Article 131 of the Regulations of Corporate Financial Calculation) are organized in accordance with the “Standards for Quality Control of Audit” (Business Accounting Council) and other relevant standards, and sought explanations whenever necessity arose.

Based on the above methods, we examined the business report, financial statements (balance sheet, statement of income, statement of changes in net assets, notes to financial statements), supporting schedules, and consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in net assets and notes to consolidated financial statements) for the fiscal year under review.

2. Results of audit

(1) Results of audit of business report, etc.

i) In our opinion, the business report and accompanying schedules fairly represent the condition of the Company in accordance with the laws, regulations and Articles of Incorporation of the Company.

ii) We have determined that there were no serious occurrences of dishonest or false activity or violations of any laws, regulations or the Company’s Articles of Incorporation by any Directors or Executive Officers in carrying out their duties.

iii) We believe the details of resolutions of the Board of Directors regarding the internal control system are appropriate. We found no matters of note with respect to the description on the business report as well as the execution of duties of Executive Officers regarding the internal control system.

(2) Results of audit of financial statements and accompanying schedules

In our opinion, the audit method and audit results received from the Accounting Auditor KPMG AZSA LLC are appropriate.

(3) Results of audit of consolidated financial statements

In our opinion, the audit method and audit results received from the Accounting Auditor KPMG AZSA LLC are appropriate.

February 22, 2024

Audit and Supervisory Committee of DIGITAL HOLDINGS, Inc.

Chairperson of the Audit and Supervisory Committee (Full-time)	Yuki Okabe (Seal)
Audit and Supervisory Committee member	Fumiyuki Shinomiya (Seal)
Audit and Supervisory Committee member	Masahiro Yamamoto (Seal)
Audit and Supervisory Committee member	Ryoichi Kagizaki (Seal)

Notes to the Reader of Audit Report:

1. The Audit Report herein is the English translation of the Audit Report as required by the Companies Act.
2. Audit and Supervisory Committee members Ms. Yuki Okabe, Mr. Fumiyuki Shinomiya, Mr. Masahiro Yamamoto, and Mr. Ryoichi Kagizaki are External Directors as provided for in Article 2, item 15 and Article 331, paragraph 6 of the Companies Act.