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[Filing date]	June 27, 2025
[Fiscal year]	25th Term (April 1, 2024, to March 31, 2025)
[Company name]	Datasection Inc.
[Company name in English]	Datasection Inc.
[Name and title of representative]	Norihiko Ishihara, President and CEO
[Address of registered head office]	1-3-8 Nishigotanda, Shinagawa-ku, Tokyo
[Phone number]	03-6427-2565
[Contact person]	Executive Vice President Daisuke Katano
[Nearest place of contact]	1-3-8 Nishigotanda, Shinagawa-ku, Tokyo
[Phone number]	03-6427-2565
[Contact person]	Executive Vice President Daisuke Katano
[Place for public inspection]	Tokyo Stock Exchange, Inc. (2-1 Nihombashi Kabuto-cho, Chuo-ku, Tokyo)

Part I [Corporate information]

1 [Company Overview]

1 [Transition of Major Management Indicators]

(1) Key financial data of group

Term		21st term	22nd term	23rd term	24th term	25th term
Fiscal Year End		March 2021	March 2022	March 2023	March 2024	March 2025
Net sales	(thousand yen)	1,389,465	1,692,513	1,924,259	2,229,281	2,942,635
Ordinary profit (loss)	(thousand yen)	31,661	165,558	46,955	(235,040)	(613,224)
Profit (loss) attributable to owners of parent	(thousand yen)	(41,771)	2,438	(530,291)	(1,261,695)	(654,991)
Comprehensive income	(thousand yen)	(29,984)	(58,275)	(448,941)	(1,260,754)	(631,936)
Net assets	(thousand yen)	2,868,783	2,818,110	2,508,880	1,982,624	2,400,153
Total assets	(thousand yen)	4,268,316	4,400,902	4,386,012	3,786,248	4,593,971
Net Assets per Share	(yen)	201.85	195.22	167.39	111.78	130.74
Profit (loss) per share	(yen)	(3.02)	0.17	(36.45)	(84.07)	(37.40)
Diluted Profit per Share	(yen)	-	0.16	-	-	-
Equity-to-asset ratio	(%)	66.2	63.5	56.2	50.6	50.4
Return on equity	(%)	(1.49)	0.10	(20.15)	(57.60)	(30.98)
Price earnings ratio	(times)	-	1,841.18	-	-	-
Cash Flows from Operating Activities	(thousand yen)	169,726	113,086	2,421	333,604	(83,408)
Cash Flows from Investing Activities	(thousand yen)	(508,841)	(304,067)	(255,774)	(569,264)	(1,192,735)
Cash Flows from Financing Activities	(thousand yen)	232,928	28,314	242,023	382,956	163,550
Cash and cash equivalents at end of period	(thousand yen)	1,580,633	1,420,430	1,415,253	1,659,429	505,038
Number of employees		137	173	177	210	221
(Outside, average number of temporary employees)	(Persons)	(25)	(33)	(29)	(27)	(14)

(Notes) 1. Diluted profit (loss) per share for the 21st, 23rd, 24th, and 25th fiscal years is not shown in the above table because a loss per share was recorded, even though there are dilutive shares.

2. The price/earnings ratio for the 21st, 23rd, 24th, and 25th fiscal years is not shown due to a loss per share.

3. The number of employees refers to the number of regular employees, while the number of temporary workers (including part-time staff) is listed separately in parentheses as an excluded figure based on the annual average.

(2) Key financial data, etc. of reporting company

Term		21st term	22nd term	23rd term	24th term	25th term
Fiscal Year End		March 2021	March 2022	March 2023	March 2024	March 2025
Net sales	(thousand yen)	420,515	450,371	450,702	463,437	628,325
Ordinary profit (loss)	(thousand yen)	(29,212)	120,034	7,865	(1,388,054)	(730,512)
Profit (loss)	(thousand yen)	(47,581)	25,388	(864,385)	(1,953,120)	(682,867)
Share Capital	(thousand yen)	1,400,335	1,457,102	1,516,478	1,868,479	1,912,113
Total number of issued shares	(shares)	13,996,553	14,326,753	14,757,851	17,188,051	17,795,951
Net assets	(thousand yen)	2,758,718	2,897,640	2,167,920	944,034	1,344,935
Total assets	(thousand yen)	3,745,655	3,979,206	3,644,149	2,268,329	3,048,263
Net Assets per Share	(yen)	196.81	201.99	145.98	52.83	72.03
Dividend per share (of which interim dividend per share)	(yen)	- (—)	- (—)	- (—)	- (—)	- (—)
Profit (loss) per share	(yen)	(3.44)	1.79	(59.41)	(130.14)	(38.99)
Diluted Profit per Share	(yen)	-	1.76	-	-	-
Equity-to-asset ratio	(%)	73.6	72.7	59.0	39.9	41.8
Return on equity	(%)	(1.74)	0.90	(34.27)	(127.83)	(62.64)
Price earnings ratio	(times)	-	174.86	-	-	-
Payout Ratio	(%)	-	-	-	-	-
Number of employees (Outside, average number of temporary employees)	(Persons)	34 (17)	33 (19)	38 (19)	59 (14)	36 (5)
Total Shareholder Return (Comparison index: TSE Growth Market 250 Index)	(%) (%)	131.5 (194.0)	89.7 (127.4)	75.1 (120.9)	208.9 (120.4)	276.5 (105.1)
Highest stock price	(yen)	855	492	326	1,419	3,140
Lowest stock price	(yen)	342	277	237	251	585

(Notes) 1. Diluted profit (loss) per share for the 21st, 23rd, 24th, and 25th fiscal years is not shown in the above table because a loss per share was recorded, even though there are dilutive shares.

2. The price/earnings ratio for the 21st, 23rd, 24th, and 25th fiscal years is not shown due to a loss per share.

3. The number of employees refers to the number of regular employees (excluding employees seconded to external organizations), while the number of temporary workers (including part-time staff) is listed separately in parentheses as an excluded figure based on the annual average.

4. The highest and lowest share prices are those on the Growth Market of the Tokyo Stock Exchange from April 4, 2022, and those on the Mothers Market of the Tokyo Stock Exchange before that date.

5. The index for comparison of total shareholder return has been changed from the TSE Mothers Index to the TSE Growth Market 250 Index in accordance with the revision of the market classification of the Tokyo Stock Exchange.

2 [History]

We were established in July 2000 to promote real-world change (improving corporate operations and consumer lifestyles) through the technological power of data analysis. As a global data department (section), our vision is to continue to upgrade people's lives around the world. The Company's key milestones are as follows.

July 2000	Data Section, Inc. was established in Jingumae, Shibuya-ku, Tokyo
November 2002	Announced "DATASECTION Technology" (*1), which realizes keyword-triggered search
September 2003	Released Concept Drive (*2), an overseas IT case study research and consulting service
June 2008	Released Web Crawling Service (*3)
February 2009	Released Internet Risk Monitoring and Crisis Response Service (*4)
June 2009	Internet Reputation Risk Monitoring and Crisis Response Service received the 2009 Good Design Award from the Japan Institute of Design Promotion
October 2009	Released Blog Data Collection ASP (*5)
January 2010	Released Insight Intelligence for Marketing (currently Insight Intelligence) (*6), an SaaS-type CGM dashboard service
October 2010	Released Corporate Social Graph (*7), which allows users to search for information and positioning of business partners in real time by simply entering the company name
February 2012	Released Tweet Analyzer (*8), which visualizes the degree of influence based on the number of RTs x number of followers x Tweet influencer ranking
May 2012	Head office relocated to Shibuya, Shibuya-ku, Tokyo
July 2012	Formed a capital and business alliance with Hakuhodo Inc. to establish a joint development system for marketing solutions utilizing social media information
April 2013	Established solid intelligence Inc., a consolidated subsidiary (Note 1)
July 2013	Acquired Commercial Use License for Twitter (now X) Data from NTT DATA GROUP CORPORATION
March 2014	Data Exchange Consortium Limited Liability Partnership established (Note 2)
March 2014	Increased capital through third-party allotment to TBS Innovation Partners, LLC, a subsidiary of Tokyo Broadcasting System Holdings, Inc. (now TBS Holdings, Inc.), for the purpose of forming a capital and business alliance with the TBS Group
April 2014	Formed a capital and business alliance with D.A. Consortium Inc., to establish a joint research and development system for advertising and marketing platforms utilizing big data analysis
December 2014	Listed on the Mothers market of the Tokyo Stock Exchange
February 2016	Established Japan Data Exchange Inc. (Note 3)
September 2016	Formed a capital and business alliance with Kyodo News Images, Inc. to establish a joint research and development system using AI-based image analysis technology
November 2017	Released the alpha version of MLFlow (*9) as a platform for R&D and solution building in the field of AI
January 2018	Consolidated KAG Network Solutions Inc. (now d-ss. inc.) as a subsidiary (Note 4)
February 2018	Jointly developed SOLAR CHECK, an inspection package for mega solar power generation facilities developed by MLFlow, with V-cube Robotics, Inc. (now SENSYN ROBOTICS, Inc.).
May 2018	Formed a capital and business alliance with Allm Inc., establishing a joint research and development system utilizing AI data analysis technology
July 2018	Acquired the development and sales operations in Japan for FollowUP (*10), a retail support tool based on in-store camera devices, from Allm Inc.
July 2018	Formed a capital and business alliance with KDDI Corporation (capital and business alliance dissolved in June 2021) and established a joint business development system utilizing image analysis and social media analysis
August 2018	Head office relocated to Nishi-Gotanda, Shinagawa-ku, Tokyo
August 2018	Released Drone Traffic Monitor (*11)
August 2018	Released MLFlow Annotation (*12)
July 2019	Released Insight Intelligence Q (*13)
December 2019	Acquired common shares in Jach Technology SpA, an overseas developer and marketer of FollowUP (*10), and made the company and its subsidiaries subsidiaries (Note 5)

June 2020	Released Store Capacity Control (*14), HealthyUP (*15), and COVID-19 Tasking (*16)
September 2021	Jach Technology SpA's competitor in Latin America, Inteligenxia S.A., became a subsidiary (Note 6)
April 2022	Transitioned from the Mothers market to the Growth market due to the Tokyo Stock Exchange's market segment revision
September 2023	Acquired data analysis consulting and related system development business from The ROOM4D Co.; d-ss. inc., a subsidiary, acquired the SES business (system development, data analysis, data utilization support, etc.) from The ROOM Door Co.
March 2024	Started AI data center business as a new business
July 2024	MSS Inc., a company engaged in marketing research and sales promotion business, became a subsidiary (Note 7)
December 2024	Transitioned from a company with a Board of Corporate Auditors to a company with an Audit and Supervisory Committee
March 2025	Officially launched TAIZA, an AI cloud stack developed in-house (*17)

<Explanation of services, etc.>

*1	DATASECTION Technology	Search technology that automatically searches for and recognizes relationships in human thought, such as "A is related to B," and can present meaningful information connections from original words and sentences by automatically searching for and recognizing similarities in meaning, the same genre, and relationships that are easily described at the same time
*2	Concept Drive	A research package that compiles a comprehensive database of dot-com businesses, mainly in Europe and the U.S., and collects profile analysis and evaluation information, which is then used to create reports
*3	Web Crawling Service	A service that enables large-scale search and use of text data published on the internet, such as social media and bulletin boards Currently, the service is provided as a data collection agency
*4	Internet Risk Monitoring and Crisis Response Service	A service that monitors internet risks arising from social media, detects information that may develop into a crisis in advance, and assists in responding when a crisis develops
*5	Blog Data Collection ASP	A service that allows users to enter search queries (conditions for extracted keywords) and stop keywords on an SaaS screen provided over the internet to extract blog data that match the keywords
*6	Insight Intelligence for Marketing	A service that allows users to enter search queries (conditions for extracted keywords) and stop keywords on an SaaS screen provided over the internet to extract data from social media, bulletin boards, etc., that match the keywords Currently, the service is offered as Insight Intelligence.
*7	Corporate Social Graph	A service that allows users to comprehensively grasp a company's positioning on social media simply by entering the company name into an SaaS interface provided over the internet
*8	Tweet Analyzer	Service to provide social listening tools to check the spread of tweets
*9	MLFlow (Machine Learning Data Flow)	Our proprietary AI platform. The interface is easy to use for general users as well as AI engineers in universities, research institutes, and companies. By connecting this AI platform with the technology for collecting big data, which has been one of our strengths, we can consistently perform data collection and analysis in accordance with our customers' needs.
*10	FollowUP	SaaS-type service that counts the number of customers entering a store and the amount of traffic in front of the store based on image and video data acquired by AI cameras installed in retail stores, and supports the improvement of the purchase rate by combining this data with POS data for each store
*11	Drawn Traffic Monitor	A service that automatically measures traffic volume by using AI technology to analyze video images of cars and people taken by drones
*12	MLFlow Annotation	Service to create training data required for machine learning (deep learning) on behalf of the client
*13	Insight Intelligence Q	Quickly performs social media analysis from the marketer's perspective using the tool to help marketers efficiently gain insights (findings)
*14	Store Capacity Control	Supports automated entrance restrictions at supermarkets, drugstores, apparel stores, banks, and shopping malls by visualizing the number of people inside and indicating whether customers can enter
*15	HealthyUP	Detects whether store visitors have a fever or wear a mask. Also traces when and at which store staff members were present in the event of an infection by managing staff entry and exit through facial recognition

*16 COVID-19 Tasking	Provides e-learning to educate staff on infection control operations such as disinfection in stores, and tasking functions to support the reliable execution of daily infection control operations
*17 AI cloud stack TAIZA	Main functions include optimization algorithms for operating large-scale GPU clusters for AI, inference through API integration of various AI models, and operation on a private cloud

< Purpose of establishment, turning into a subsidiary >

(Note 1) solid intelligence Inc.	We have established our in-house consulting division as a subsidiary to develop a variety of research services using social media, as well as to develop businesses and expand markets. Currently, the company focuses on inbound and outbound business support services by providing multilingual social media analysis consulting services.
Note 2 Data Exchange Consortium Limited Liability Partnership	We have established a limited liability partnership with a fixed term of three years to create new business through data exchange between companies.
Note 3 Japan Data Exchange, Inc.	We have established it jointly with Digital Intelligence Inc. to take over the operations of Data Exchange Consortium and provide an optimal data trading market that is fair, secure, and reliable.
Note 4 d-ss. inc.	The Company made the company a subsidiary in order to secure human resources for the human support services required before the full transition to AI in system maintenance and operation, and to strengthen its financial base through stable sales and profits from system operation.
Note 5 Jach Technology SpA	The Company made the company a subsidiary in order to obtain synergies by combining its sales and marketing rights in Latin America and South Asia with the Company's management and sales know-how.
Note 6 Intelligenxia S.A.	Intelligenxia is a competitor of Jach Technology SpA in Latin America with operations in Chile, Peru, Ecuador, Mexico, and other countries. By making the company a subsidiary, the Group will be able to accelerate business expansion in Latin America.
Note 7 MSS Inc.	There is significant synergy between the company, which centers its business on marketing research and sales promotion, and the Group's marketing solutions business, which possesses strengths in data analysis and AI and engages in digital marketing support and social media operations. We made the company a subsidiary because we believe that this complementary relationship will contribute to further enhancement of the corporate value of the Group.

3 [Description of Business]

1. Mission of the Group

The Group's mission is "Change the Frame: Bring change to the real world through technology and create new lifestyles" This is because, as its name suggests, Datasection's strength is its technical capabilities in data analysis. The Company places the highest priority on thoroughly implementing its technology in the real world. From its inception to the present day, the Company has expanded its data analysis domain to include text, image/video, and audio data.

From the very beginning, we have been providing analysis services for big data (*1), especially information obtained from social media (*2), based on the text analysis technology called "natural language processing." Specifically, we provide SaaS (*3) analysis tools to capture consumer reviews and utilize them for public relations, promotional activities, and reputation risk management, as well as consulting services that involve human-led analysis. In addition, we offer provide solution services that are customized and developed for individual companies. In recent years, we have developed not only text analysis technology but also image and video analysis using AI technology based on deep learning (*4). Various new businesses have been developed using this image and video analysis technology. FollowUP, a retail store support tool using in-store camera devices described in "(1) SaaS" below, is currently positioned as one of the Group's core services.

In February 2024, based on our knowledge, engineering capabilities, and global network in the AI field, we launched our AI data center business as a new business. In March 2025, we officially launched TAIZA, a self-developed AI cloud stack that enables AI data centers to operate like hyperscalers.

2. Specific services and business activities

The Group consists of the Company, nine consolidated subsidiaries and one affiliated company. In addition to the AI data center business, the Company is responsible the provision of SaaS and research consulting services for analyzing information obtained from social media, along with solution services involving system development related to AI technologies and social media data analysis. Consolidated subsidiary solid intelligence Inc. provides specialized overseas research consulting, consolidated subsidiary d-ss. inc. provides solutions related to contracted maintenance and operation of core systems and contracted system development, consolidated subsidiary MSS Inc. provides research consulting related to marketing research and solutions related to sales promotions. The consolidated subsidiaries Jach Technology SpA, Alianza FollowUP S.A.S., Inteligenxia S.A., FollowUP Peru S.A.C., FollowUP Customer Experience S.L., and Alianza FollowUP Panamá S.A. are responsible for the overseas expansion of FollowUP, the mainstay SaaS.

The main characteristics of the Group are as follows:

- Our strength lies in our global network, knowledge in the field of AI, data analysis technologies such as natural language processing, image and video analysis, and voice analysis, as well as engineering and solution capabilities.
- We provide SaaS, research consulting, and IT and marketing solutions.
- We operate a data center business as a new initiative.

A specific description of each service/project is as follows:

(1) SaaS

SaaS offerings include FollowUP and Insight Intelligence.

(i) FollowUP

FollowUP is a store analysis tool that derives strategies for improving and enhancing sales performance based on customer behavior inside the store. It contributes to increased sales through analytical features that allow constant monitoring of store conditions, as well as a robust support system that leads to improvements in store operations.

In addition, to support the promotion of digital transformation (DX) in the retail industry in the post-COVID era, the Store Capacity Control (SCC) system supports the automation of entry restrictions by visualizing the number of people inside facilities such as supermarkets, drugstores, apparel shops, banks, and shopping malls, and displaying entry permissions at the entrance. HealthyUP detects visitors' fever and mask usage and manages staff entrance and exit using facial recognition to enable traceability of which staff were present at which facility and when, in the event of an infection. COVID-19 Tasking provides e-learning to educate staff on infection control operations, such as disinfection, and a tasking function to ensure that infection control operations are carried out on a daily basis.

(ii) Insight Intelligence

Insight Intelligence is a tool for listening to and analyzing social big data, capable of performing real-time social media data analysis on topics of interest.

Target customers include major manufacturers and service providers that offer products and services to general consumers, as well as public relations, advertising, consulting, sales strategy, corporate strategy, and risk management

departments within advertising agencies, PR firms, and consulting companies. This is a service designed to meet customer needs such as measuring the effectiveness of advertising campaigns, leveraging insights for marketing strategy, and identifying risk-related information.

(iii) Insight Intelligence Q

Insight Intelligence Q was developed as a "social listening tool from a marketer's perspective," incorporating the know-how we have cultivated over many years through the provision of social media analysis consulting services.

Insight Intelligence Q enables marketers to quickly obtain the results of data analysis that previously required significant time and effort, allowing them to gain insights (findings) that can be applied to various strategies.

(iv) Other services provided

We offer Social Monitor, a social risk monitoring tool, as a service that enables quick and efficient identification of risk information that exists on social media.

(2) Research consulting

We provide services that not only utilize SaaS tools, but also involve analysts analyzing social media data and offering consulting. Based on joint services with a major advertising agency, we have a system in place to enable high-quality analysis not dependent on individual expertise, by standardizing approaches to social media data analysis. Consolidated subsidiary solid intelligence Inc. provides analysis and consulting services related to multilingual social media posts made by foreigners to government agencies, municipalities, and businesses involved in inbound tourism to Japan. We recognize that interest in surveying the attitudes of foreign visitors to Japan remains high as our clients seek an early recovery from the effects of the COVID-19 pandemic.

Social media data analysis and evaluation is regularly requested by our clients, and we are well positioned to generate ongoing sales in research consulting.

Consolidated subsidiary MMS provides user needs surveys for new product development, brand image surveys, customer satisfaction (CS) surveys, employee satisfaction (ES) surveys, commercial message (CM) penetration surveys, website surveys, and various other awareness surveys, as well as related analysis services.

It specializes in providing customized research and analysis services tailored to client needs, utilizing various survey methods such as online surveys, group interviews, street surveys, and home-visit interviews.

(3) Solutions

Solutions are semi-customized system development based on the client's in-house data, combined with the Group's accumulated social media data and AI technology.

In general, system development at major system integrators involves many processes such as user interface design, system design, program coding, program testing, system testing, and operation testing. This increases the time and cost of development, making it difficult to respond to customer requests for modifications.

The Group has established a system that aims to develop deliverables that meet customer requirements at a reasonable cost and in a short period of time by first creating the outline of the deliverables using prototyping methods and then making modifications from that outline.

Consolidated subsidiary d-ss. inc. is engaged in application development, infrastructure construction, and operation and maintenance of financial systems, and is responsible for the fintech area of the Group's business. In April 2021, the company entered into a business partnership with TOMOWEL Payment Service Co., Ltd., a wholly owned subsidiary of Kyodo Printing Co., Ltd., to jointly operate the corporate prepaid card service Biz Preca (<https://bizpreca.jp/>), thereby accelerating its expansion into the fintech sector.

Consolidated subsidiary MSS primarily supports sales promotion activities in a wide range of areas, including various sales planning, campaign planning and its administrative office operations, event planning, planning and production of promotional free papers, and novelty item creation, for companies in the food-related retail industry, manufacturing, and logistics.

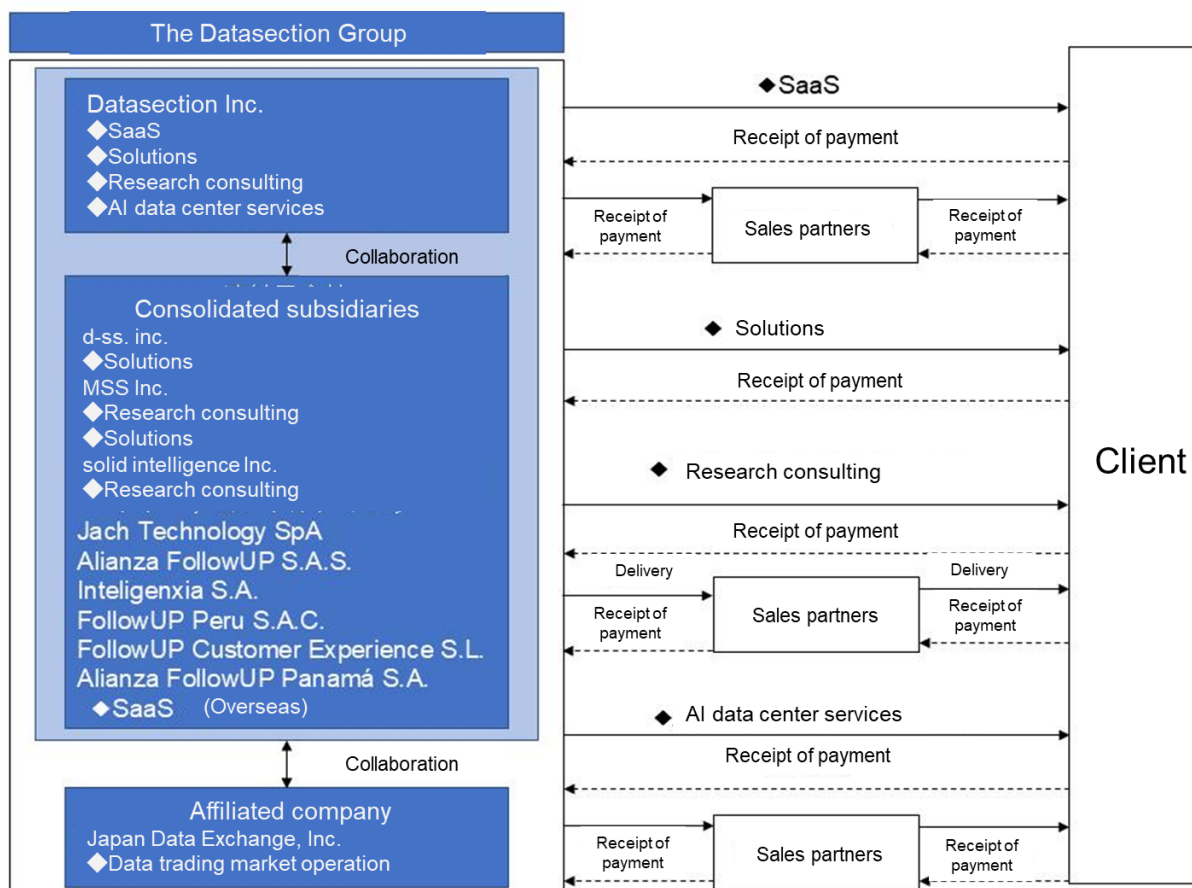
(4) AI data center business

In the new AI data center business, we will develop and provide AI cloud stack TAIZA, provide an AI data center platform, operate AI data centers, invest in AI data centers, and sell GPUs for AI.

<Terminology>

*1 Big data	It is a large collection of data that is difficult to record, store, and analyze with conventional database management systems, etc.
*2 Social media	It is a form of information media developed on the internet that includes social elements such as information transmission by individuals, communication among individuals, and information distribution using human connections.
*3 SaaS	It is a usage model in which software is provided via communication networks and users can access and use what they need, when they need it.
*4 Deep learning	It is a technology that learns regularities and decision criteria from data and predicts and judges unknowns based on them. It is called machine learning.

[Business chart]



4 [Subsidiaries and Affiliates]

Name	Address	Share Capital or capital contribution	Principal businesses	Percentage of voting rights owned by the reporting company or percentage of voting rights owned by other parties (%)	Relationship
(Consolidated subsidiary)					
solid intelligence Inc.	Shinagawa-ku, Tokyo	18,260 thousand yen	Data analysis solutions business	98.6	Office lease Concurrent directors: 1 Outsourcing
d-ss. inc.	Shinagawa-ku, Tokyo	20,000 thousand yen	Data analysis solutions business	100.0	Office lease Concurrent directors: 1 Outsourcing
MSS Inc.	Minato-ku, Tokyo	10,000 thousand yen	Marketing solutions	100.0	Concurrent directors: 1 Outsourcing
Jach Technology SpA	Santiago, Chile	3,670 million Chilean pesos	Retail marketing business	100.0	Concurrent directors: 1 Merchandise sales
Alianza FollowUP S.A.S.	Bogotá, Colombia	279 million Colombian pesos	Retail marketing business	100.0	Merchandise sales Loan of funds
Intelligenxia S.A.	Santiago, Chile	434 million Chilean pesos	Retail marketing business	100.0	Loan of funds Merchandise sales
FollowUP Peru S.A.C.	Lima, Peru	1,000 Peruvian Sol	Retail marketing business	55.0	Merchandise sales
FollowUP Customer Experience S.L.	Madrid, Spain	351,994 Euro	Retail marketing business	100.0	Merchandise sales
Alianza FollowUp Panamá S.A.	Ciudad de Panama, Panama	2,000 Panamanian Balboa	Retail marketing business	100.0	Merchandise sales Loan of funds
(Entity accounted for using the equity method)					
Japan Data Exchange Inc.	Shibuya-ku, Tokyo	46,211 thousand yen	Social big data Business	24.6	

(Note) For d-ss. inc., MSS Inc., Jach Technology SpA, and Alianza FollowUP S.A.S., the proportion of their sales (excluding internal sales among consolidated subsidiaries) exceeds 10% of the consolidated net sales.

Major profit and loss information, etc.

d-ss. inc.

- (1) Net sales 747,344 thousand yen
- (2) Ordinary profit 85,605 thousand yen
- (3) Profit 56,919 thousand yen
- (4) Net assets 300,016 thousand yen

	(5) Total assets 457,874 thousand yen
MSS Inc.	(1) Net sales 506,897 thousand yen (2) Ordinary profit 77,653 thousand yen (3) Profit 37,146 thousand yen (4) Net assets 50,127 thousand yen (5) Total assets 205,635 thousand yen
Jach Technology SpA	(1) Net sales 648,490 thousand yen (2) Ordinary profit 48,177 thousand yen (3) Profit 39,982 thousand yen (4) Net assets 354,943 thousand yen (5) Total assets 1,225,572 thousand yen
Alianza FollowUP S.A.S.	(1) Net sales 302,897 thousand yen (2) Ordinary profit 20,520 thousand yen (3) Profit 14,451 thousand yen (4) Net assets 96,532 thousand yen (5) Total assets 267,816 thousand yen

5 [Employees]

(1) Consolidated subsidiaries

As of March 31, 2025

Name of segment	Number of employees (persons)	
Japan Segment	118	(8)
Overseas Segment	99	(4)
Total of reportable segments	217	(12)
Corporate (common)	4	(2)
Total	221	(14)

Note 1: The number of employees refers to the number of regular employees, while the number of temporary workers (including part-time staff) is listed separately in parentheses as an excluded figure based on the annual average.

2. The number of employees listed under "Corporate (common)" is the number of employees belonging to the administrative division.

3. The number of employees increased by 11 from the end of the previous fiscal year, mainly due to the consolidation of MSS Inc. on July 1, 2024.

(2) Information about Reporting Company

As of March 31, 2025

Number of employees (persons)	Average age (years)	Average years of service (years)	Average annual salary (thousand yen)
36 (5)	39.9	3.6	7,186

Name of segment	Number of employees (persons)	
Japan Segment	32	(4)
Overseas Segment	0	(0)
Total of reportable segments	32	(4)
Corporate (common)	4	(1)

Total	36	(5)
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Note: 1. The number of employees refers to the number of regular employees (excluding employees seconded to external organizations), while the number of temporary workers (including part-time staff) is listed separately in parentheses as an excluded figure based on the annual average.

2. The average annual salary includes bonuses and non-standard wages.

3. The number of employees listed under "Corporate (common)" is the number of employees belonging to the administrative division.

(3) Labor union status

The Group has not formed a labor union, but labor-management relations are stable.

(4) Percentage of female workers in management positions, percentage of male workers taking childcare leave, and differences in wages between male and female workers

Reporting company

As of March 31, 2025

Current fiscal year				
Percentage of female workers in management positions (%) (Note) 1.	Percentage of male workers taking childcare leave (%) (Note) 2.	Difference in wages between male and female workers (%) (Note) 1.		
		All workers	Permanent worker	Part-time and fixed-term workers
14.3	100.0	67.0	70.8	41.8

(Note) 1. This has been calculated based on the provisions of the Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015).

2. This has been calculated based on the provisions of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76 of 1991), and Article 71, Item (i) of Paragraph 6 of the Ordinance for Enforcement of the same Act (Ministry of Labour Ordinance No. 25 of 1991), regarding the rate of acquisition of childcare leave and related leave.

3. Information concerning consolidated subsidiaries has been omitted, as they are not subject to the disclosure requirements under the Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015) and the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76 of 1991).

2 [Overview of Business]

1 [Management Policy, Business Environment, and Issues to be Addressed]

(1) Management policy

The Group's mission is "Change the Frame: Bring change to the real world through technology and create new lifestyles" and our vision is to continue to upgrade people's lives around the world by carrying out that mission.

Based on this vision, the Group, as a global data department (section), is promoting its business with the aim of becoming a company that globally supports the use of AI and data analysis by companies and society to enrich people's lives.

Forward-looking statements in the text are based on the Company's judgment as of the end of the current consolidated fiscal year.

(2) Business environment

During the current consolidated fiscal year, the Japanese economy showed a moderate recovery trend amid an improving employment and income environment. However, uncertainties persist, such as the prolonged situation in Ukraine and the Middle East, soaring resource prices, and the impact of continued high interest rate levels in the U.S. and Europe.

In the domestic AI business market, investments are expected to increase from FY2023 onward in enhancing application functionalities and developing systems specialized for specific tasks. As applications and systems become more complex to meet user demands, in-house development is anticipated to become more prevalent over outsourcing due to factors such as cost and development speed. Consequently, the market for items related to in-house development, particularly middleware, servers, storage, and IaaS, is expected to see significant growth, with forecasts predicting a market size of 1.9787 trillion yen by FY2027, a 1.7 times increase compared to FY2021 (Fuji Chimera Research Institute, Inc., "2022 Comprehensive Survey of Artificial Intelligence Business").

The global AI market is also expected to grow at an accelerated pace as applications of generative AI, a specialty of the Group, expand and social implementation progresses. Furthermore, the market environment for AI data centers, another area expected to gain traction going forward, is such that there is a need to build AI data centers that can handle the rapidly growing AI processing on a global basis. Given the current global economic and security environment where geopolitical issues and security risks persist, AI is becoming an even more important factor in solving various issues. Therefore, there is a strong need to expand the capacity of AI data centers and cross-border collaboration. In addition, with the industry-wide doubling of computing power required to train AI models approximately every 6 months (from the May 2024 EPOCH AI research report, "Training Compute of Frontier AI Models Grows by 4-5x per Year"), in the future, we expect demand for AI data centers and AI cloud stacks to increase further as new and larger models emerge.

The South American smart retail device market is projected to grow from USD 1.8322 billion in 2019 to USD 2.6692 billion by 2027, with an estimated CAGR of 5.3% from 2020 to 2027. This market is segmented into Brazil, Argentina, and other regions of South America. Some of these regions face complex macroeconomic and political environments, leading to various growth scenarios. Developing countries such as Brazil, Argentina, Chile, and Peru are making significant investments in infrastructure and the retail sector. Moreover, many retailers in these regions are beginning digital transformations to enhance competitiveness and adapt to changing conditions. Colombia and Brazil are rapidly advancing in digital innovation, while Chile is ranked as the most outstanding country in terms of digitalization and innovation. This digital transformation is expected to create new opportunities in the smart retail device market across the region. The demand for smart retail devices is also anticipated to increase due to urbanization and the growth of various shopping complexes and recreation centers in the region (Business Market Insights, "South America Smart Retail Devices Market Research Report").

In Japan's retail technology market (including payment terminals, self-service terminals, next-generation facilities, and next-generation operations), investments in contactless solutions and operations with fewer staff have been progressing, such as full self-checkout registers and remote customer service systems, as companies strive to maintain their businesses during the pandemic. The visibility and utilization of data that were previously difficult to quantify, such as consumer demographics and in-store behavior, have increased, leading to growth in related product categories. Moving forward, next-generation solutions, including cashierless payment systems and smart entrances, are expected to expand. Additionally, products related to the optimization of the entire supply chain, such as RFID solutions and demand forecasting systems, are also projected to grow. By 2030, the domestic market is expected to reach 555.3 billion yen, which is 2.2 times the size of the market in 2021 (according to FUJI KEIZAI CO., LTD.'s report, "2022 Next-

Generation Store & Retail Tech Market: Current Status and Future Outlook").

In the distribution/retail industry related to digital transformation, fully self-service checkouts are being introduced to address labor shortages in physical stores and enhance customer shopping experiences. Additionally, supermarkets and hypermarkets are increasingly adopting shopping carts equipped with tablet devices, and growth in unmanned store solutions is also anticipated. To enhance shopping experiences, retailers, systems integrators, and advertising companies are advancing the use of AR/VR technologies. In digital operations, the adoption of automatic ordering systems is expanding, particularly in food and general supermarkets, with expected adoption in supply chain management (SCM) by wholesale businesses. Demand forecasting systems are also being increasingly implemented by major national retailers, driven by needs such as reducing food waste and complying with SDGs. The market for these systems is projected to reach 185.2 billion yen by FY2030, a 3.6 times increase compared to FY2021 (Fuji Chimera Research Institute, Inc., *2023 dejitaru toransufomeshon shijo no shorai tenbo shijo hen, benda senryaku hen* [2023 Future Outlook of the Digital Transformation Market: Market Edition and Vendor Strategy Edition]).

(3) Issues to be addressed

In the current consolidated fiscal year, in view of the business environment and trends in target markets such as the AI market, the Group, under its new management structure, restructured its business portfolio and achieved profitability in all existing core businesses. We promoted the commercialization of the AI data center business, which is positioned as a new strategic core business, on a global basis. The issues to be addressed in order for the Group to achieve not only continuous growth but also discontinuous and dramatic growth in the future are as follows.

(i) Early monetization of the AI data center business

In order to develop and expand the AI data center business on a global basis as a new strategic core business, we are promoting the renewal of our management structure, the securing of high-level human resources, the search for and acquisition of optimal business partners, and the development and construction of AI cloud stack TAIZA. We are also deepening cooperation and discussions with business partners and potential business partners. In parallel with these initiatives, we are also promoting sales activities utilizing our global network, resulting in an expanding pipeline of prospective projects for providing AI data center services in Asia centered on Japan, as well as in Europe.

In order to respond to the rapidly growing and tightening demand for AI, we will aggressively promote the AI data center business and further deepen cooperation with major server equipment suppliers and AI infrastructure providers in Taiwan, and maximize the Group's knowledge, resources, and global network in the AI field. In this way, we aim to quickly establish a pipeline of potential projects and generate profits from this business.

(ii) Continuous, medium- to long-term growth of existing businesses

The Group's existing core businesses are data science, marketing solutions, and system integration, which we operate both domestically and internationally. In the current fiscal year, restructuring of some of the existing domestic businesses, whose profitability had deteriorated, was largely completed and their profitability has improved. Thus, all these businesses performed well.

At the same time, in order to further accelerate growth, it is essential to continue to strengthen our technological, development, and proposal capabilities, develop and enhance our own products, generate synergies among businesses, and utilize M&A and business alliances. For this reason, we will promote these initiatives.

(iii) Securing and fostering excellent human resources

In order to promote the above measures and support the expansion of the Group's businesses, we believe it is important to hire a large number of talented personnel globally and develop our sales, development, and management structures.

To recruit talented individuals who resonate with the Group's sense of speed, vision, and business direction, and who demonstrate strong motivation, we will continue to explore optimal hiring methods and work toward building an environment and structure that empowers people to work with high enthusiasm.

(4) Strengthening corporate governance

The Group has achieved global business investment and scale expansion, including through cross-border M&A, and is oriented toward further global expansion and growth. In December 2024, we transitioned to a company with an Audit and Supervisory Committee to strengthen corporate governance. Both in Japan and overseas, it is essential to maintain and enhance solid governance and ensure high-quality internal controls. We will continue to work toward the

development of our governance structure while ensuring appropriateness in key decision-making and promoting proper and timely execution of operations within each business entity.

2 [Approach to Sustainability and Related Initiatives]

The Group's approach to sustainability and related initiatives are as follows.

Forward-looking statements in the text are based on the judgment of the Group as of the end of the current consolidated fiscal year.

(1) Sustainability

The Group holds a strong determination to continuously improve the lives of people around the world. We are committed to achieving sustainable growth and driving significant corporate advancement. We are keenly aware of our responsibility as a corporation to address global issues—declining birthrate, aging population, shrinking workforce, food supply issues, security—and the social structure itself. We will strive to enhance our corporate value through the concerted efforts of all employees of our Group companies to realize this vision.

Furthermore, in September 2023, we formulated the Group Sustainability Policy of DataSection Inc. as a policy to promote these initiatives in a concrete and sustainable manner.

Under our sustainability policy, we are undertaking various initiatives based on the following basic principles outlined in our Sustainability Declaration: to contribute to the world and people's lives 100 years from now.

- Creation of innovations based on global partnerships

We will work to solve social issues in developing countries and other regions through our business by providing and creating advanced and customer-optimized products and services.

- Promotion of diversity and inclusion on a global basis

As we further globalize our business, respect for diversity, diverse human resources, and job satisfaction is part of our corporate culture and a driving force. We will respect these elements and create a workplace environment that promotes the growth and success of each individual and facilitates work.

- Nurturing and producing diverse human resources to lead the future world

Through the training of data scientists, engineers, and others, we will strive to cultivate and produce diverse talent with strong technical and professional skills.

- Rigorous compliance enforcement and enhancement of corporate governance

We will strive to achieve fair and highly transparent management aimed at solving global social issues and enhancing corporate value.

(2) Governance structure and risk management

The Group has established a governance structure to address sustainability-related risks and business opportunities on a global basis. For specific governance structure, please refer to 4: Information about Reporting Company, 4 Corporate governance status, (1) Overview of corporate governance, (ii) Governance structure and reasons for its adoption.

Concerning related risks and business opportunities, in addition to individual decisions such as business investments, the Executive Vice President, Internal Audit Office, Corporate Management Department, and full-time Audit and Supervisory Committee members collaborate to appropriately report to the Board of Directors and the Representative Director.

(3) Human capital strategy

In light of the characteristics of the Group's global business operations, the following efforts are being made with regard to the Group's policy on human resource development and the creation of the internal environment.

- Human resource development policy

In addition to conducting company-wide training, the Group promotes the guiding principle of “devoting 20% of one's efforts to personal growth through new challenges.” We foster a culture and framework that support autonomous self-development and career building, and we are committed to continuous talent development by providing support for acquiring essential job-related knowledge through on-the-job training.

- Enhancement of internal work environment

The Group actively and broadly recruits individuals with diverse attributes, talents, and career backgrounds on a global basis. In consideration of the characteristics of the Group's operations, we are committed to building an organization that enables diverse talent to thrive, regardless of gender or age, in every country where we operate. To this end, we promote various work styles and arrangements such as flexible hours, shortened

working hours, remote work, and parental leave, enabling all employees to find fulfillment in their work.

(4) Indicators and targets

The Group, as outlined in section (3) “Human capital strategy,” has established indicators related to initiatives for talent development and workplace environment improvement, with a focus on ensuring diversity in human resources. By leveraging financing frameworks provided by major financial institutions, the Group set a medium-term KPI to increase the rate of male employees taking parental leave to 30% over the three-year period leading up to 2025. The Group actively encouraged the use of parental leave and successfully achieved this target. We will maintain and improve the rate of parental leave taken by male employees. In light of our Group’s commitment to diversity on a global basis, we will appropriately consider the establishment of various indicators and targets.

3 [Business Risks]

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Matters concerning the status of business, status of accounting, and other matters described in the Annual Securities Report that may have a material effect on investors' decisions are described below. In addition, even for matters that do not necessarily constitute such risks, we have included them from the standpoint of proactive disclosure if we consider them important for investment decisions. The statements in the text do not cover all the risks associated with an investment in the Company's shares. The degree and timing of the possibility that such risks may materialize and the nature of the impact on the Group's operating results and other conditions if such risks materialize are not stated because it is difficult to reasonably foresee such risks.

The Group recognizes the potential for these risks to occur and is committed to preventing their occurrence and responding swiftly should they arise. However, we believe that investment decisions concerning our stock should be made after careful consideration of the information contained in the text as well as the content of the text and other statements.

Forward-looking statements in the text are based on the judgment of the Group as of the end of the current consolidated fiscal year.

(1) Business environment

(i) Geopolitical risks

The Group has six overseas consolidated subsidiaries and is expanding its own products to more than 20 countries around the world. As it seeks further expansion, geopolitical risks on a global basis could slow growth and affect the Group's performance.

(Response measures)

As the Group continues to seek growth and expansion into new countries on a global basis, the potential geopolitical risks of each region, including existing locations, will be thoroughly examined as the Group builds its business portfolio.

(2) Risks due to lack of semiconductors

Due to the global shortage of semiconductors, we may not be able to procure the materials we need, especially for our retail marketing business. In such a case, our growth may slow down and the Group's business performance may be affected.

(Response measures)

The Group will take the maximum appropriate measures under the current market conditions, including planned material purchases and securing multiple procurement channels, based on semiconductor market conditions, as well as the supply-demand situation and price trends of the materials used.

(iii) Foreign exchange risk

Since the financial statements of the Group's overseas subsidiaries are prepared in local currencies, they are converted into yen at the time of preparation of the consolidated financial statements. Thus, fluctuations in exchange rates may affect the financial position and business performance of the Group. In addition, if foreign currency transactions increase in the future and a significant deviation occurs between the initially assumed exchange rate and the prevailing rate, the Group's business and earnings may be affected.

(Response measures)

To promote the growth of overseas subsidiaries as a group, transactions between the parent company and overseas subsidiaries will, in principle, be conducted in local currencies. In addition, when transaction volumes increase in the future, the parent company will take the lead in implementing appropriate risk control measures, such as considering the introduction of foreign exchange risk hedging methods.

(iv) About innovation

The Group is developing its business based on AI technology and data analysis-related technology, but the industry is undergoing extremely rapid changes as new technologies are developed one after another in this field. Therefore, difficulties in acquiring the knowledge and know-how necessary for business operations, delays in the Group's response to technological innovations, and increased expenditures for additional systems, personnel, and other expenses to respond to new technologies could affect the Group's business performance.

(Response measures)

In light of the industry characteristics and industry environment described above, the Group will continue to further

strengthen its efforts to recruit and train engineers, improve the workplace environment, and acquire technology, knowledge, and know-how related to AI and data analysis as one of its top priorities.

(v) Changes in customer needs

The AI field in which the Group is engaged is advancing rapidly in terms of technology. In addition, the use of IoT is driving the generation of various types of large-volume data, leading not only to the diversification of customer needs but also to the steady commercialization of AI year by year. In this business environment, if we are unable to respond to changes in customer needs in a timely and appropriate manner, the Group's business performance may be affected.

(Response measures)

The Group provides its clients with analytical tools, software, reports, and other products that widely utilize social media and other platforms, taking advantage of its strength in analyzing large volumes of data. In light of the business environment described above, the Group will strengthen its research and development and alliance strategies with partners, create synergies in the retail marketing business and other areas, and steadily capture changes in customer needs to promote commercialization.

(6) Regulations under law

As a result of the spread of social media and the associated business of analyzing large amounts of data, there have been some cases of data abuse and violation of user privacy in the market. In light of this situation, personal information and other information contained in large volumes of data may become subject to some form of regulation in the future, or may become subject to regulation due to the enactment of new laws or changes in existing laws. In addition, in the retail marketing domain, the handling of personal information may change due to the progress of customer marketing strategies such as Online Merges with Offline (OMO). Thus, if the Group were to face any restrictions on the way it gathers information or provides its services, etc., this could have an impact on the Group's business performance and other related matters.

(Response measures)

The Group will manage the information it handles strictly and in compliance with laws and regulations. In the event of future legal compliance requirements, etc., the Group will take appropriate actions from the viewpoint of legal compliance.

(vii) Changes in customer information management policies

If the Group is required to improve its services or incurs additional costs for providing services due to a change in policy on the part of social media operators or a change in information management policy on the part of customers in the retail marketing business, this could have an impact on the Group's business performance. In this case, the Group's business performance may be affected.

(Response measures)

The Group will take actions such as gathering information on industry trends, trends related to individual customers, and relevant regulations, etc., during ordinary times, in order to appropriately respond to changes in the situation and work to reduce risks.

(2) Business activities

(i) Overseas expansion

One of our growth strategies is to accelerate the speed of our own growth by aggressively entering and expanding business in fast-growing emerging market countries. However, if the Group is unable to expand overseas as planned, or if conditions worsen in the relevant region or laws and regulations become stricter for the Group when expanding overseas, the Group's business performance may be affected.

(Response measures)

The Group will continue to collaborate with local offices to strengthen monitoring and governance systems for overseas operations, while also controlling risks, particularly through appropriate investment decisions and mitigation of foreign exchange risks.

(ii) Securing human resources

The Group's personnel size is small and its internal structure is only commensurate with the size of the Company. Therefore, in order to further expand our business in the future, we recognize that while we are leading the market

with our unique technology, it is important to maintain and expand the number of engineers who can inherit and develop that technology. However, if we are unable to maintain and secure such human resources or train them, or if directors and employees unexpectedly resign or retire, it may become difficult to maintain the level of service on which the Group prides itself. This could slow down organizational activities, become a limiting factor for business expansion, and negatively affect the Group's business performance.

(Response measures)

The Group recognizes that strengthening human resources is one of its most important management issues and is actively recruiting new graduates and experienced workers. In addition, the Company will further brush up its human resource system by introducing incentives to strengthen retention, upgrading the evaluation system, and introducing mechanisms to increase employee engagement.

(iii) Business investment

The Group is actively investing in businesses with synergies, making them subsidiaries, etc. Therefore, if future investment targets, subsidiaries, or newly planned businesses do not progress as scheduled and their business conditions deteriorate, there is a possibility that the Group's performance and other outcomes may be affected.

(Response measures)

In selecting investment targets and businesses, the Group strives to avoid risk by conducting detailed due diligence on the business synergies with the companies concerned as well as their financial conditions, and by conducting PMI from a long-term perspective by dispatching management after the investment is made.

(iv) Impairment risk

In addition to ongoing capital investment, the Group actively conducts mergers and acquisitions as needed to accelerate business growth. As a result, the Group holds a corresponding amount of property, plant and equipment and intangible assets (including goodwill).

Property, plant and equipment and intangible assets are tested for impairment whenever there is an indication that the carrying amount may not be recoverable. If, as a result of such testing, it is determined that an asset group with indications of impairment will not generate sufficient future cash flows, it may be necessary to recognize an impairment loss, which could have an impact on the Group's financial results.

(Response measures)

The Group has introduced business portfolio management that takes into account the profitability and growth potential of its businesses and makes investment decisions based on selection and concentration to avoid future impairment risks. In the event that a business with a high risk of impairment becomes apparent, the Company will consider the possibility of recovering business profitability through monitoring and performance improvement plans.

(v) Quarterly fluctuations in business performance

Since the Group's sales tend to increase from January to March as is the trend every year, the fourth quarter accounts for a larger portion of the Group's full-year results. Therefore, it is difficult to forecast the Group's full-year performance solely on specific quarterly results, and the Group's full-year performance may be affected depending on how it performs in the fourth quarter. In addition, depending on the timing of deliveries, the delay in the delivery period may cause fluctuations in business performance.

(Response measures)

The Group is working to expand its business portfolio in ways that contribute to stable growth over the medium to long term. Quarterly performance fluctuations have shown a declining trend. We assume that there is a possibility of fluctuations in the future due to the expansion of our business portfolio and customer base, and we will respond to and disclose these fluctuations appropriately.

(xi) Intellectual property rights

Although the Group plans to actively protect its intellectual property rights in the future, if the Group's intellectual property rights are infringed by a third party, it may take a lot of time and cost to resolve the issue, which may affect the Group's performance. In addition, infringements of third-party intellectual property rights by the Group are investigated and handled to the extent possible. However, it is difficult to fully grasp the intellectual property rights of third parties in the Group's business areas, and the possibility of infringing on other companies' patents without the Group's knowledge cannot be ruled out. In such cases, the Group may be subject to claims for damages, royalty payment demands, and other related actions, which may affect the Group's business performance and other aspects

of its operations.

(Response measures)

The Group will continue to raise awareness and strengthen its internal oversight, and when the above is discovered, the Group will cooperate with attorneys and patent attorneys, etc., as appropriate to the case, to resolve the issue.

(vii) Corporate governance and internal control system

The Group is expanding its business globally, including through mergers and acquisitions. The number of consolidated subsidiaries and other entities to be managed is also increasing. Therefore, strengthening corporate governance and internal control systems on a global basis is essential. In connection with these responses, if situations arise that violate laws and regulations or involve misconduct, there is a possibility that the Group's business performance and other aspects may be affected.

(Response measures)

The Group is strengthening its internal control system. This includes an effort to promote prompt decision-making on a consolidated basis, its appropriate operation, and the maintenance of rules and manuals, etc. In addition, the Group will further enhance its system for compliance with laws and rules by establishing a board of corporate auditors and conducting internal audits.

(viii) Disaster risk

In the event of an earthquake, typhoon, flood, tsunami, tornado, torrential rain, heavy snowfall, volcanic activity, or other natural disaster, fire, power outage, power shortage, or terrorist act, the Group may be affected in terms of business activities and may incur material and human losses.

(Response measures)

To prepare for the above disaster risks, the Group will strengthen methods and measures to respond to various system incidents and to ensure business continuity in the event of an emergency.

(3) Information security

(1) System failures and information security

The Group's business depends on the internet communications network for the foundation of its services, and may be affected by system failures that disrupt the provision of services to customers, or by system downtime due to cyber attacks.

(Response measures)

To avoid system failures that could disrupt the provision of services to customers or system downtime due to cyber-attacks, the Group implements preventive measures, such as the monitoring of operational status. However, in the event of a large-scale system failure despite such measures, the Group's business performance may be affected.

(4) Other

(i) Dilution of share value due to exercise of share acquisition rights

The Company grants share acquisition rights as an incentive to directors and employees of the Group. The Company also issues share acquisition rights other than stock options for the purpose of raising funds and enhancing capital. If these share acquisition rights are exercised, the value per share may be diluted. The number of latent shares resulting from share acquisition rights as of the end of the current consolidated fiscal year was 6,354,400 shares, which corresponds to 35.7% of the total of 17,795,951 issued shares as of the end of the current consolidated fiscal year.

(ii) Significant events concerning the premise of a going concern

In the current consolidated fiscal year, while all existing businesses performed well, the Group posted an operating loss of 496 million yen (operating loss of 216 million yen for the pervious fiscal year), an ordinary loss of 613 million yen (ordinary loss of 235 million yen for the pervious fiscal year), and a loss attributable to owners of the parent of 654 million yen (loss attributable to owners of the parent of 1,261 million yen for the pervious fiscal year). We posted large losses for two consecutive years across all profit lines except for adjusted EBITDA because we made significant upfront investments in a new AI data center business to achieve strong growth over the medium to long term. In addition, we recorded negative cash flow of 1,192 million yen from investing activities mainly due to investment in the

development of "TAIZA," a system for the new AI data center business, and the acquisition of MSS as a consolidated subsidiary, etc. As a result, the balance of cash at the end of the current consolidated fiscal year amounted to 505 million yen, a decrease of 1,154 million yen compared to the end of the previous fiscal year.

Due to these circumstances, the Company recognizes that events or circumstances exist that may cast significant doubt on the Company's ability to continue as a going concern at the end of the current consolidated fiscal year.

In light of these circumstances, each company in our Group has been making continuous corporate efforts. In addition, the Board of Directors, at its meetings on January 26, 2024 and February 13, 2024, resolved to issue new shares through third-party allotment.

The Board of Directors also resolved to issue the Series 19 Share Acquisition Rights (exercise price: 544 yen, number of potential shares: 1,488,000 shares, term: 5 years) with a fixed exercise price, and raised 688 million yen in February 2024 through the issuance of shares and the 19th series of share acquisition rights.

In addition, as additional fundraising, the Company's Board of Directors resolved on February 18, 2025 to issue the 20th series of share acquisition rights with a clause to revise exercise price (initial exercise price: 688 yen, number of dilutive shares: 4,400,000 shares, term: 1 year) by third-party allotment, and the 20th series of share acquisition rights were issued and 2,224,800 shares were exercised between March and May 2025, raising 1,649 million yen.

Both of First Plus Financial Holdings PTE. Ltd., the allottee of the 19th series of share acquisition rights, and Hayate Management, the allottee of the 20th series of share acquisition rights, have given final written statements of intent concerning the exercisability of all the share acquisition rights.

Moreover, the Company has established a system with financial institutions with which it can discuss responses on a case-by-case basis as necessary, and by maintaining a good relationship with them, the Company seeks to maintain and sustain its borrowings.

Taking the above situation into account, after evaluating the cash management plan and the underlying business plan, we believe that we will have sufficient funds until March 31, 2026, one year from the day after the balance sheet date, and that there is no material uncertainty concerning the premise of a going concern.

4 [Analysis of Financial Position, Operating Results, and Cash Flows]

(1) Overview of current management strategies and operating results

During the current consolidated fiscal year, the Japanese economy showed a moderate recovery trend amid an improving employment and income environment. However, uncertainties persist, such as the prolonged situation in Ukraine and the Middle East, soaring resource prices, and the impact of continued high interest rate levels in the U.S. and Europe.

In the domestic AI business market, investments are expected to increase from FY2023 onward in enhancing application functionalities and developing systems specialized for specific tasks. As applications and systems become more complex to meet user demands, in-house development is anticipated to become more prevalent over outsourcing due to factors such as cost and development speed. Consequently, the market for items related to in-house development, particularly middleware, servers, storage, and IaaS, is expected to see significant growth, with forecasts predicting a market size of 1.9787 trillion yen by FY2027, a 1.7 times increase compared to FY2021 (Fuji Chimera Research Institute, Inc., "2022 Comprehensive Survey of Artificial Intelligence Business").

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In the distribution/retail industry related to digital transformation, fully self-service checkouts are being introduced to address labor shortages in physical stores and enhance customer shopping experiences. Additionally, supermarkets and hypermarkets are increasingly adopting shopping carts equipped with tablet devices, and growth in unmanned store solutions is also anticipated. To enhance shopping experiences, retailers, systems integrators, and advertising companies are advancing the use of AR/VR technologies. In digital operations, the adoption of automatic ordering systems is expanding, particularly in food and general supermarkets, with expected adoption in supply chain management (SCM) by wholesale businesses. Demand forecasting systems are also being increasingly implemented by major national retailers, driven by needs such as reducing food waste and complying with SDGs. The market for these systems is projected to reach 185.2 billion yen by FY2030, a 3.6 times increase compared to FY2021 (Fuji Chimera Research Institute, Inc., *2023 dejitaru toransufomeshon shijo no shorai tenbo shijo hen, benda senryaku hen*

[2023 Future Outlook of the Digital Transformation Market: Market Edition and Vendor Strategy Edition]).

Under these circumstances, in addition to restructuring of the business portfolio in its existing businesses, the Group has launched a new AI data center business on a global basis as a strategic core business. In order to develop and expand this new business, the Group is promoting the revamping of its management structure, securing high-level human resources, seeking and acquiring optimal business partners, and developing and building the AI cloud stack TAIZA.* The Group is also collaborating and discussing with its business partners and potential business partners to establish AI data centers in Europe and Japan.

* Our proprietary operational optimization algorithm essential for the operation of large GPU clusters for AI

Specifically, in order to secure GPU servers, which are indispensable for the construction of AI data centers, the Company engaged in dialogue with major Taiwanese server equipment suppliers between November and December 2024 (INVENTEC CORPORATION (Head office: Taipei, Taiwan; Representative: President, Tsai Chih-An), Wistron Corporation (Head office: New Taipei City, Taiwan; Representative: Chairman, Simon Lin), GIGA Computing Technology CO. LTD. (Head Office: New Taipei City, Taiwan; Representative: CEO, Daniel Hou), and Quanta Computer INC. (Head office: Taoyuan, Taiwan; Representative: Chairman, Barry Lam). In November and December 2024, we reached a basic agreement to discuss business alliance with each of these companies. We are currently in discussions with them in order to establish a business alliance with an optimal framework that will contribute to the Group's AI data center business.

In order to secure excellent engineering resources, which is an essential and critical factor to accelerate the AI data center business, and to achieve early development and building of TAIZA, the Company entered into a joint development agreement in August 2024 with NowNaw Japan (Location: Chuo-ku, Tokyo; Representative: Reika Omi) in August 2024. Based on this joint development agreement, the development and construction of TAIZA progressed, and operational testing by the client was completed in March 2025, leading to its official launch.

In addition to this, in February 2025, the Company entered into a business alliance agreement with CUDO Ventures Ltd. (Head Office: London, UK; Representative: Matt Hawkins, CEO; Service brand name: CUDO Compute; "CUDO"), which has operational experience and technical capabilities in AI cloud stacks and data center infrastructure as an AI partner certified by NVIDIA Corporation (Head Office: California, USA; Representative: CEO, Jensen Huang, CEO; "NVIDIA") or NVIDIA Cloud Partner ("NCP"). This business alliance is intended to integrate the AI data center business of both companies, and to secure the most advanced GPUs manufactured by NVIDIA through Taiwanese manufacturers and provide DS cloud stacks to potential AI data center projects, as well as to collaborate with CUDO, which has experience in AI infrastructure operation as NCP, in operation and customer development. We are already working in collaboration for the joint project. Discussions were also held concerning a capital alliance between the two companies.

The Group is also in discussions with business partners and potential partners to jointly establish and operate AI data centers. In parallel with these efforts, the Company has decided to establish the "DS AI Infrastructure Global Investment Fund", the purpose of which is to invest in global AI data centers (the Fund will hold shares of companies operating AI data centers), and has made preparations for this.

The operating results for the current consolidated fiscal year are as follows: In the current consolidated fiscal year, we acquired MSS Inc. ("MSS") and made it a newly consolidated subsidiary.

The operating results for the current consolidated fiscal year are as follows:
(Net Sales)

Net sales for the current consolidated fiscal year were 2,942 million yen (up 32.0% year on year). This was mainly due to strong orders received by both the Company and its existing major subsidiaries, as well as the consolidation of MSS, acquired on July 1, 2024, starting in the current consolidated fiscal year.

(Cost of Sales)

The cost of sales for the current consolidated fiscal year was 1,690 million yen (an increase of 10.6% year on year). The main components of this cost are personnel expenses of 921 million yen, outsourcing expenses of 468 million yen, depreciation expenses of 162 million yen, and server usage fees of 48 million yen.

(Selling, General and Administrative Expenses)

Selling, general and administrative expenses for the current consolidated fiscal year were 1,748 million yen (up 90.5% year on year). The main components of this cost are personal expenses of 872 million yen, outsourcing expenses of 243 million yen, payment of commissions of 164 million yen, amortization of goodwill and customer-related assets of

100 million yen, travel and transportation expenses of 65 million yen, rent expenses of 57 million yen, payment of fees of 47 million yen, and taxes and public dues of 44 million yen.

(Non-operating Expenses)

A foreign exchange losses of 88 million yen, interest expenses of 41 million yen, loss on cancellation of insurance policies of 6 million yen, and equity in losses of affiliated companies of 4 million yen were recorded.

(Extraordinary Income)

We recorded 6 million yen in gain on adjustment of accounts payable, 5 million yen in gain on sale of investment securities, and 5 million yen in gain on reversal of share acquisition rights.

(Extraordinary Losses)

We recorded 24 million yen as impairment losses and 8 million yen in loss on retirement of non-current assets

(Income taxes)

As for total income taxes, 39 million yen of income taxes - current were recorded. In addition, income taxes - deferred of 14 million yen was recorded as a result of estimating future taxable income at this point and examining the recoverability of deferred tax assets.

As a result, while net sales for the current fiscal year were 2,942 million yen (up 32.0% year on year), operating loss amounted to 496 million yen (operating loss of 216 million yen a year earlier) due to upfront investment costs for the new AI data center business. Consequently, adjusted EBITDA resulted in a loss of 169 million yen, primarily due to the increased operating loss, even though non-cash expenses, such as goodwill amortization, were largely in line with expectations. In the prior year, adjusted EBITDA was a profit of 47 million yen. Additionally, we recorded non-operating expenses, including 88 million yen in foreign exchange losses, 41 million yen in interest expense, 6 million yen in loss on cancellation of insurance policies, and 4 million yen in equity in losses of affiliated companies, resulting in an ordinary loss of 613 million yen (compared with an ordinary loss of 235 million yen in the previous fiscal year). We also recorded extraordinary income of 6 million yen from gain on adjustment of accounts payable, 5 million yen from the gain on sale of investment securities, and 5 million yen from the reverse of share acquisition rights, while recording extraordinary losses including 24 million yen in impairment loss, 8 million yen in loss on retirement of non-current assets, resulting in a loss attributable to owners of the parent of 654 million yen (compared with a loss attributable to owners of the parent of 1,261 million yen in the previous fiscal year).

*Adjusted EBITDA = Operating income + Depreciation and amortization + Amortization of intangible fixed assets + Stock-based compensation expenses + M&A - related expenses

(2) Overview by business segment

The segment operating results for the current consolidated fiscal year are as follows:

i. Japan Segment

Japan Segment consists of the data science business, the system integration business, and the marketing solution business.

Net sales to external customers increased to 1,919 million yen (up 40.7% year on year) and segment profit increased to 92 million yen (compared with a segment loss of 18 million yen in the previous fiscal year), mainly due to the growth in each of the existing businesses and the consolidation of MSS, acquired on July 1, 2024, as a subsidiary starting in the current consolidated fiscal year.

ii. Overseas Segment

In the Overseas Segment, net sales increased year on year due to steady increase in orders in our main bases (Chile and Colombia), as well as the effect of the increase in consolidated subsidiaries (Panama and Spain) in the previous fiscal year.

As a result, net sales to external customers in the current consolidated fiscal year increased to 1,023 million yen (up 18.2% year on year), and the segment recorded a profit of 163 million yen (down 3.5% year on year).

(3) Overview of financial condition

The following is a summary of the Company's financial condition for the current consolidated fiscal year.

(Assets)

Total assets at the end of the current consolidated fiscal year amounted to 4,593 million yen, an increase of 807 million yen (21.3%) year on year.

This was primarily due to an increase in intangible fixed assets by 1,980 million yen and a decrease in cash and deposits by 1,164 million yen.

(Liabilities)

Total liabilities at the end of the current consolidated fiscal year increased by 390 million yen (up 21.6% from the end of the previous fiscal year) to 2,193 million yen.

This was mainly due to an increase in short-term debt by 350 million yen and accrued liabilities by 286 million yen, and a decrease in long-term debt (including long-term debt due within one year) by 218 million yen.

(Net Assets)

Net assets at the end of the current consolidated fiscal year amounted to 2,400 million yen, an increase of 417 million yen (21.1% increase compared to the end of the previous fiscal year).

This increase was primarily due to MSS becoming a consolidated subsidiary, which increased the capital surplus by 935 million yen, and the issuance and exercise of the 20th series of share acquisition rights, as disclosed in the announcements dated February 18, 2025, "Notice on Issuance of New Shares and 20th Share Acquisition Rights (with an amended exercise price) by Third-Party Allotment." These transactions resulted in an increase in share capital and capital surplus by 43 million yen each and an increase in share acquisition rights by 30 million yen. However, these were offset by a decrease in retained earnings by 654 million yen due to the loss attributable to owners of the parent for the current fiscal year.

(4) Cash flows

At the end of the current consolidated fiscal year, cash and cash equivalents ("funds") amounted to 505 million yen, a decrease of 1,154 million yen compared to the end of the previous consolidated fiscal year. The status and factors of each cash flow during the current consolidated fiscal year are as follows:

(Cash Flows from Operating Activities)

Funds used in operating activities during the current consolidated fiscal year amounted to 83 million yen (compared to 333 million yen generated in the previous consolidated fiscal year). The main contributing factors were a profit before income taxes of (630) million yen, increase or decrease in payables and accrued expenses of 236 million yen, depreciation of 176 million yen, and goodwill amortization of 96 million yen.

(Cash Flows from Investing Activities)

Funds used in investing activities during the current consolidated fiscal year amounted to 1,192 million yen (compared to 569 million yen used in the previous consolidated fiscal year). This was primarily due to expenditures of 927 million yen for the acquisition of intangible assets.

(Cash flows from financing activities)

Funds generated from financing activities during the current consolidated fiscal year amounted to 163 million yen (compared to 382 million generated in the previous consolidated fiscal year). This was mainly due to 351 million yen from an increase in short-term borrowings, and expenditures of 251 million yen for the repayment of long-term loans, and proceeds of 87 million yen from issuance of shares through exercise of share acquisition rights.

The changes in cash flow-related indicators are as follows.

	FY03/24 (Consolidated)	FY03/25 (Consolidated)
Equity Ratio (%)	50.6	50.4
Equity ratio Equity Ratio (%)	329.7	371.9
Cash flow to ratio of interest to liabilities (years)	3.7	-
Interest coverage ratio (times)	28.6	-

Equity Ratio: Equity / Total Assets

Market Value-Based Equity Ratio: Market Capitalization / Total Assets

Cash Flow to Interest-Bearing Debt Ratio: Interest-Bearing Debt / Cash Flow

Interest Coverage Ratio: Cash Flow / Interest Payments

(Note 1) Market capitalization is calculated based on the number of issued shares excluding treasury shares.

(Note 2) Cash flow refers to operating cash flow.

(Note 3) Interest-bearing debt includes all debt listed on the consolidated balance sheet for which interest is paid.

(Note 4) For the fiscal year ended March 31, 2025, the cash flow to interest-bearing debt ratio and the interest coverage ratio are not shown because cash flow from operating activities was negative.

(5) Capital resources and liquidity of funds

In addition to cash flow from operating activities, the Company raises funds through various means, including borrowing from financial institutions and equity finance, to ensure sufficient liquidity of funds on hand. The situation in the current consolidated fiscal year is described in [2 Overview of Business] 3 [Business Risks] (4) Other, and (ii) Significant events concerning the premise of a going concern.

(6) Production, orders and sales

a. Production results

Given the nature of our business, the Group does not disclose sales performance. Accordingly, this information has been omitted.

b. Orders received

Given the nature of our business, the Group does not disclose order performance. Accordingly, this information has been omitted.

c. Sales results

The table below shows sales results by segment for the current consolidated fiscal year.

Name of segment	Current consolidated fiscal year (From April 1, 2024 to March 31, 2025)	Year on year (%)
Japan Segment (Thousands of yen)	1,919,561	140.7
Overseas Segment (Thousands of yen)	1,023,073	118.2
Total (Thousands of yen)	2,942,635	132.0

(Note) 1. Inter-segment transactions are offset and eliminated.

2. Sales performance by major customers and the total sales performance thereof have been omitted, as their share of total sales is less than 10%.

(7) Future outlook

All existing businesses are expected to continue to perform well, and the new AI data center business is expected to become profitable. In the AI data center business, the contract amount per project is large, and at present, whether or not a single project is concluded has a significant impact on the Group's operating results. Therefore, consolidated earnings forecasts for the fiscal year ending March 31, 2026 are not disclosed at this time, and once one of the project orders is confirmed, we plan to promptly announce the consolidated earnings forecasts that reflect the earnings from such a project.

(8) Factors that have a significant impact on operating results

Factors that may have a significant impact on the Group's operating results are described in [2 Overview of Business] and 3 [Business Risks].

(9) Significant accounting estimates and the assumptions used in those estimates

The consolidated financial statements of the Group are prepared in accordance with accounting principles generally accepted in Japan. In preparing the consolidated financial statements, accounting estimates that affect the status of assets and liabilities or profit and loss are reasonably estimated based on information available at the time of preparation of the financial statements, including past results. However, actual results may differ from these estimates due to uncertainties inherent in estimates.

Significant accounting estimates and assumptions used in the preparation of the consolidated financial statements are listed in "5 Status of Accounting, 1 Consolidated Financial Statements, etc.. (1) Consolidated Financial Statements, Notes (Significant accounting estimates)."

5 [Material Contracts]

(Acquisition of shares and conversion of MSS Inc. into a wholly owned subsidiary through a share exchange)

At a meeting of the Company's Board of Directors held on June 3, 2024, the Company resolved to acquire a portion of the issued shares of MSS Inc. ("MSS") ("Share Acquisition") and to subsequently conduct a share exchange ("Share Exchange") to make the Company the wholly owning parent and MSS a wholly owned subsidiary.

Accordingly, we concluded a share transfer agreement and share exchange agreement on June 3, 2024.

The Share Acquisition and the Share Exchange were executed on July 1, 2024, and MSS became a wholly owned subsidiary of the Company.

For details, please refer to "5 Status of Accounting, 1 Consolidated Financial Statements, etc., (1) Consolidated Financial Statements, Notes (Business Combinations, etc.)"

(Granting the largest shareholder the right to nominate board members)

We have entered into a share subscription agreement with our largest shareholder, First Plus Financial Holdings PTE. Ltd. ("FPF") in connection with a third-party allotment of shares to the company. Under this agreement ("Agreement"), FPF has the right to nominate two individuals to serve as directors of the Company. The details of the Agreement are as follows:

(1) Outline of the Agreement

Date of contract	Name of counterparty	Address of counterparty	Details of the Agreement
February 29, 2024	First Plus Financial Holdings PTE. Ltd.	8 MARINA VIEW #36-02 ASIA SQUARE TOWER 1 SINGAPORE	As long as FPF continues to hold a certain number of shares of common stock of the Company's issuer, FPF shall have the right to nominate two (2) directors of the Company. If FPF exercises such rights, the Company shall take the necessary steps to ensure that the nominated persons are promptly elected as directors. However, FPF shall not be obligated to nominate any director of the Company.

(2) Purpose of this Agreement

Strengthening corporate governance and providing other management support

(3) The status of deliberations by the Board of Directors and other processes leading to decision-making within our company concerning the Agreement

Based on the urgency and necessity of fundraising at that time, and the expectation that the Group's corporate value would be enhanced by utilizing FPF's network, the Board of Directors, after multiple and thorough deliberations, resolved to issue new shares by way of third-party allotment to FPF and to execute stock subscription agreements, including the Agreement.

(4) Effect of this agreement on our corporate governance

As of the end of the current consolidated fiscal year, no directors nominated by FPF have been appointed or serving on the Board. Although there is a possibility that the appointment of FPF's nominees to our Board of Directors may affect our management decision-making in the future, FPF has expressed its intention to support the Group's management through its medium- to long-term holding of our shares, and FPF has actually provided us with useful information and company introductions that will help us develop and promote our new strategic core business, the AI data center business. Accordingly, we believe that the Agreement will not have any adverse effect on our corporate governance.

6 [Research and Development Activities]

The total amount of research and development activities for the entire Group in the current consolidated fiscal year was 16 million yen, with AI technology-related research and development activities conducted in the Japan Segment.

3 [Information about Facilities]

1 [Overview of Capital Expenditures]

Capital investments made during the current consolidated fiscal year totaled 1,021 million yen, of which 927 million yen was for software development and 94 million yen was for property, plant and equipment. This was mainly due to the construction of the AI cloud stack TAIZA system and aggressive investment in cameras and other equipment for store analysis in line with global sales expansion.

There were no disposals or sales of significant facilities in the current consolidated fiscal year.

2 [Major Facilities]

Major facilities in the Group are as follows:

(1) Reporting company

As of March 31, 2025

Office name (Address)	Name of segment	Book value				Number of employees (Persons)
		Building (thousand yen)	Tools, furniture and fixtures (thousand yen)	Software (thousand yen)	Total (thousand yen)	
Head office (Shinagawa-ku, Tokyo)	Japan Segment	-	8,341	841,572	849,913	32 (4)
Head office (Shinagawa-ku, Tokyo)	Company- wide	-	1,540	-	1,540	4 (1)

(Notes) 1. There are no major facilities currently idle.

2. The head office building is leased. Annual rent is 19,636 thousand yen.

3. The number of employees refers to the number of regular employees (excluding employees seconded to external organizations), while the number of temporary workers (including part-time staff) is listed separately in parentheses as an excluded figure based on the annual average.

(2) Domestic subsidiaries

Not stated due to lack of materiality.

(3) Overseas subsidiaries

As of December 31, 2024

Office name (Address)	Name of segment	Book value				Number of employees (Persons)
		Building (thousand yen)	Tools, furniture and fixtures (thousand yen)	Software (thousand yen)	Total (thousand yen)	
Jach Technology SpA (Santiago, Chile)	Overseas Segment	-	219,301	446,888	666,190	47 (2)

(Notes) 1. There are no major facilities currently idle.

2. The number of employees refers to the number of regular employees, while the number of temporary workers (including part-time staff) is listed separately in parentheses as an excluded figure based on the annual average.

3 [Planned Addition, Retirement, and Other Changes of Significant Facilities]

The Group's capital expenditures are formulated based on comprehensive consideration of economic forecasts, industry trends, investment efficiency, and other factors. In principle, each consolidated company formulates its own facility plans, but the Reporting Company plays a central role in coordinating the formulation of these plans.

The following are the plans for new installation of significant facilities as of the end of the current consolidated fiscal year.

New installation of significant facilities

Company name Office name	Address	Name of segment	Facility	Estimated investment amount		Financing methods	Scheduled start and completion date (year and month)		Increased capacity after completion
				Total amount (million yen)	Amount already paid (million yen)		Launch	Completion	
Undecided	Japan and overseas	Japan Segment and Overseas Segment	GPU-equipped servers for AI	Undecided	-	Own funds and borrowed funds	Undecided	Undecided	Undecided
The Company Head office	Tokyo Shinagawa-ku	Japan Segment	Operational optimization algorithms for large GPU clusters for AI	1,500	841	Own funds and borrowed funds	2024.8	2025.12	-

4 [Information about Reporting Company]

1 [Company's Shares and Other Information]

(1) [Total Number of Shares and Issued Shares]

1) Total Number of Shares

Type	Total number of shares authorized to be issued (shares)
Common shares	30,400,000
Total	30,400,000

2) [Issued Shares]

Type	Number of issued shares as of the end of the current fiscal year (shares) (March 31, 2025)	Number of issued shares as of the date of filing (June 27, 2025)	Name of financial instruments exchange on which securities are listed or authorized financial instruments business association to which securities are registered	Description
Common shares	17,795,951	21,040,351	Tokyo Stock Exchange Growth Market	Number of shares per unit 100 shares
Total	17,795,951	21,040,351	-	-

(2) [Share Acquisition Rights]

1) [Employee Stock Option Plans]

	The 15th series of share acquisition rights
Date of resolution	January 15, 2021
Category and number of grantees (persons)	Directors of the Company (2)
Number of share acquisition rights* (units)	2,160
Class, description and number of shares to be issued upon exercise of share acquisition rights (shares)*	216,000 shares of common stock (Note) 1.
Amount to be paid-in upon exercise of share acquisition rights (yen)*	430 (Note) 2.
Exercise period of share acquisition rights*	From February 3, 2021 to February 2, 2029
Issue price and amount of capital to be incorporated upon exercise of share acquisition rights (yen)*	Issue price 430 Amount incorporated into capital 215
Conditions for exercise of share acquisition rights*	(Note) 3.
Matters concerning the transfer of share acquisition rights*	Any transfer share acquisition rights shall require approval by a resolution of the Board of Directors.
Matters concerning allotment of share acquisition rights in connection with reorganization*	(Note) 4.

* Details as of the end of the current fiscal year (March 31, 2025). As of the end of the month prior to the date of submission (May 31, 2025), there were no changes in the details to be stated from those as of the end of the current fiscal year. Thus, the information as of the end of the month prior to the date of submission is omitted.

(Note) 1. In the event that the Company conducts a stock split (including a gratis allotment of its common shares; the same shall apply hereinafter) or a reverse stock split after the allotment date of the share acquisition rights, adjustments shall be made in accordance with the following formula. However, such adjustment shall be made only with respect to the number of shares underlying the share acquisition rights that have not been exercised as of such time, and any fraction of less than one share resulting from the adjustment shall be rounded down.

Number of shares granted after adjustment = Number of shares granted before adjustment × ratio of split (or consolidation)

If, after the allotment date of the share acquisition rights, the Company conducts a merger, corporate split, or a reduction in the amount of share capital, or if it otherwise becomes necessary to adjust the number of shares to be granted in a similar case, the number of shares to be granted shall be adjusted appropriately within a reasonable scope.

2. If the Company conducts a stock split or a reverse stock split after the allotment date of the share acquisition rights, the exercise price shall be adjusted in accordance with the following formula, and any fraction less than one yen resulting from the adjustment shall be rounded up to the nearest one yen.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Ratio of split (or consolidation)}}$$

If, after the allotment date of share acquisition rights, the Company issues new shares or disposes of treasury stock at a price below the market value of the Company's common stock (excluding cases where the Company issues new shares based on the exercise of share acquisition rights or disposes of treasury stock or transfers treasury stock through a share exchange), the exercise price shall be adjusted in accordance with the following formula, and any fraction of less than one yen resulting from the adjustment shall be rounded up to the nearest one yen.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{\text{Number of outstanding shares} + \frac{\text{Number of newly issued shares} \times \text{Paid-in amount per share}}{\text{Market value per share before new issue}}}{\text{Number of outstanding shares} + \text{Number of shares newly issued}}$$

In the above formula, the "number of outstanding shares" shall be the number obtained by deducting the number of treasury shares of the Company's common stock from the total number of issued shares of the Company's common stock, and in the case of the disposal of treasury shares of the Company's common stock, "number of newly issued shares" shall be deemed to be replaced with "number of treasury shares to be disposed of".

Furthermore, in addition to the above, if, after the allotment date of share acquisition rights, the Company merges with another company, conducts a corporate split, or otherwise needs to adjust the exercise price in accordance with these cases, the Company may appropriately adjust the exercise price within reasonable limits.

3. Conditions for exercise of share acquisition rights

- (i) Holders of share acquisition rights may exercise their share acquisition rights only when both conditions (i) and (ii) below are satisfied.
- (i) If net sales exceed 2,000 million yen in any fiscal year from the fiscal year ended March 31, 2022, to the fiscal year ended March 31, 2024 (for the determination of such net sales, the figures in the statement of income [consolidated statement of income, if the Company prepares a consolidated statement of income] shown in the annual securities report shall be used. In the event of a material change in the concept of net sales to be referenced due to the application of International Financial Reporting Standards, etc., the Board of Directors shall separately determine the indicator to be referenced.)
- (ii) If the closing price of the Company's common stock in regular trading on the Tokyo Stock Exchange for any 20 consecutive trading days during the period from the allotment date to July 31, 2025, all exceeds 150% of the exercise price of the share acquisition rights (which shall be appropriately adjusted by the Board of Directors in accordance with 2. above)
- (ii) If the exercise of share acquisition rights would cause the total number of issued shares of the Company to exceed the number of authorized shares at the relevant time, such share acquisition rights may not be exercised.
- (iii) The exercise of less than one share acquisition right is not permitted.

4. Matters concerning allotment of share acquisition rights in connection with reorganization

In the event that the Company undergoes a merger (limited to the case where the Company ceases to exist

as a result of the merger), an absorption-type company split, an incorporation-type company split, a share exchange or a share transfer (collectively referred to as "Reorganization"), the Company shall grant share acquisition rights of a stock corporation listed in Article 236, Paragraph 1, Item 8, Subitems (a) to (e) of the Companies Act ("Reorganized Company") to share acquisition rights holders on the effective date of the Reorganization, in each case, based on the following conditions. However, this shall be limited to cases where it is stipulated in the absorption-type merger agreement, incorporation-type merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement or share transfer plan that share acquisition rights of the Reorganized Company shall be granted in accordance with the following conditions.

(i) Number of share acquisition rights of the Reorganized Company to be granted

The same number of share acquisition rights as the number of share acquisition rights held by a share acquisition rights holder shall be delivered respectively.

(ii) Class of shares of the Reorganized Company to be issued upon exercise of share acquisition rights

The shares shall be common stock of the Reorganized Company.

(iii) Number of shares of the Reorganized Company to be issued upon exercise of share acquisition rights

To be determined in accordance with 1. above, taking into consideration the conditions of the Reorganization.

(iv) Amount of assets to be contributed upon exercise of share acquisition rights

The value of the assets to be contributed upon the exercise of each share acquisition right to be allotted shall be an amount obtained by multiplying (i) the post-Reorganization Exercise Price, which is the Exercise Price determined in 2 above as adjusted in consideration of the conditions of the Reorganization, by (ii) the number of shares of the Reorganized Company to be delivered upon exercise of such share acquisition rights as determined in accordance with 4(iii) above.

(v) Period during which share acquisition rights may be exercised

The exercise period shall begin on the later date of either the first day of the exercise period or the effective date of the Reorganization and shall end on the last day of the exercise period.

(vi) Matters concerning share capital and legal capital surplus to be increased in the event of the issuance of shares upon the exercise of share acquisition rights

To be determined in accordance with the table above Issue price and amount paid into capital when shares are issued due to the exercise of share acquisition rights (yen).

(xii) Restriction on acquisition of share acquisition rights by transfer

Restrictions on acquisition by transfer shall require approval by a resolution of the Board of Directors of the Reorganized Company.

(xiii) Other conditions for the exercise of share acquisition rights

To be determined in accordance with 3. above.

(ix) Reasons and conditions for acquisition of share acquisition rights

(a) In the event that a merger agreement under which the Company becomes the company to be dissolved, a company split agreement or plan under which the Company becomes the company to be split, or a share exchange agreement or share transfer plan under which the Company becomes a wholly owned subsidiary, is approved at a general meeting of shareholders (or, if approval at a general meeting of shareholders is not required, is resolved by the Board of Directors), the Company may acquire all of the share acquisition rights without consideration on a date separately determined by the Board of Directors.

(b) If a share acquisition rights holder is unable to exercise the share acquisition rights pursuant to the provisions set forth in 3. above before exercising the rights, the Company may acquire the share acquisition rights without contribution.

(x) Other conditions shall be determined in accordance with the conditions of the Reorganized Company.

	The 16th series of share acquisition rights	The 18th series of share acquisition rights
Date of resolution	July 21, 2022	November 21, 2022
Category and number of grantees (persons)	Directors (3)	Employees of the Company (12)
Number of share acquisition rights* (units)	2,289	1,144
Class, details, and number of shares subject to share acquisition rights (shares)*	228,900 common shares (Note) 1.	114,400 common shares (Note) 1.
Amount paid upon exercise of share acquisition rights (yen)*	1 (Note) 2.	
Exercise period of share acquisition rights*	(From August 13, 2027 to August 12, 2032)	(From December 22, 2027 to December 21, 2032)
Issue price and amount of capital to be incorporated upon exercise of share acquisition rights (yen)*	Issue price 280 Capitalization 140 (Note 3)	Issue price 251 Capitalization 125.5 (Note 3)
Conditions for exercise of share acquisition rights*	(i) Holders of share acquisition rights must be a director, Audit & Supervisory Committee member or employee of the Company or its affiliates at the time of exercising the share acquisition rights. However, this shall not apply in the event of retirement due to expiration of term of office, mandatory retirement age, or any other justifiable reason recognized by the Board of Directors. (ii) Notwithstanding the provisions of (i) above, if a merger agreement under which the Company becomes the company to be dissolved, or a share exchange agreement, share delivery agreement, or share transfer plan under which the Company becomes a wholly owned subsidiary, is approved at a general meeting of shareholders (or resolved by the Board of Directors if approval at a general meeting of shareholders is not required), the holders of share acquisition rights may exercise such rights for a period of 30 days commencing on the day immediately following the date of such approval. (iii) In the event of the death of the holder of share acquisition rights, his/her heirs may not exercise the rights. (iv) If the exercise of the share acquisition rights would cause the total number of issued shares of the Company to exceed the total number of shares authorized to be issued at the time of such exercise, such share acquisition rights may not be exercised. (v) Any fraction less than one share acquisition right may not be exercised.	
Matters concerning the transfer of share acquisition rights*	Any transfer share acquisition rights shall require approval by a resolution of the Board of Directors.	

Matters concerning acquisition of share acquisition rights*	(i) In the event that a merger agreement under which the Company becomes the company to be dissolved, a company split agreement or plan under which the Company becomes the company to be split, or a share exchange agreement, share delivery plan or share transfer plan under which the Company becomes a wholly owned subsidiary, is approved at a general meeting of shareholders (or, if approval at a general meeting of shareholders is not required, is resolved by the Board of Directors), the Company may acquire all of the share acquisition rights without consideration on a date separately determined by the Board of Directors. (ii) If a share acquisition right holder becomes unable to exercise these rights pursuant to the provisions set forth in the above terms and conditions before the exercise, the Company may acquire such share acquisition rights that are no longer exercisable without consideration on a date separately determined by the Board of Directors.
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Matters concerning allotment of share acquisition rights in connection with reorganization*	In the event that the Company undergoes a merger (limited to the case where the Company ceases to exist as a result of the merger), an absorption-type company split, an incorporation-type company split, a share exchange or a share transfer (collectively referred to as "Reorganization"), the Company shall grant share acquisition rights of a stock corporation listed in Article 236, Paragraph 1, Item 8, Subitems (a) to (e) of the Companies Act ("Reorganized Company") to share acquisition rights holders on the effective date of the Reorganization, in each case, based on the following conditions. However, this shall be limited to cases where it is stipulated in the absorption-type merger agreement, incorporation-type merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement or share transfer plan that share acquisition rights of the Reorganized Company shall be granted in accordance with the following conditions. (i) Number of share acquisition rights of the Reorganized Company to be granted The same number of share acquisition rights as the number of share acquisition rights held by a share acquisition rights holder shall be delivered respectively. (ii) Class of shares of the Reorganized Company to be issued upon exercise of share acquisition rights: The shares shall be common stock of the Reorganized Company. (iii) Number of shares of the Reorganized Company to be issued upon exercise of share acquisition rights: To be determined in accordance with Note 1, taking into consideration the conditions of the Reorganization. (iv) Amount of assets to be contributed in exercising share acquisition rights: The value of assets to be contributed upon the exercise of each share acquisition right to be allotted shall be the amount obtained by multiplying (1) the post-Reorganization Exercise Price, which is the Exercise Price determined in Note 2 as adjusted in consideration of the conditions of the Reorganization, by (ii) the number of shares of the Reorganized Company to be delivered upon exercise of such share acquisition rights as determined in accordance with (iii) above. (v) Period during which share acquisition rights may be exercised From the later of either the first day of the exercise period of the above share acquisition rights or the effective date of the Reorganization, to the last day of the exercise period of the above share acquisition rights. (vi) Matters concerning share capital and legal capital surplus to be increased in the event of the issuance of shares upon exercise of share acquisition rights (Note) To be determined in accordance with 3 above. (vii) Restriction on acquisition of share acquisition rights by transfer Restrictions on acquisition by transfer shall require approval by a resolution of the Board of Directors of the Reorganized Company. (viii) Other conditions for the exercise of share acquisition rights: To be determined in accordance with the conditions for the exercise of share acquisition rights above. (ix) Reasons and conditions for acquisition of share acquisition rights To be determined in accordance with the above matters concerning the acquisition of share acquisition rights. (x) Other conditions shall be determined in accordance with the conditions of the Reorganized Company.
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* Details as of the end of the current fiscal year (March 31, 2025). As of the end of the month prior to the date of submission (May 31, 2025), there were no changes in the details to be stated from those as of the end of the current fiscal year. Thus, the information as of the end of the month prior to the date of submission is omitted.

(Note) 1. If the Company conducts a stock split or a reverse stock split after the allotment date of share acquisition rights, the number of shares granted shall be adjusted in accordance with the following formula, and any fraction less than one share resulting from the adjustment shall be rounded down.

Number of shares granted after adjustment = Number of shares granted before adjustment × Ratio of split or

reverse split

In addition to the above, if unavoidable circumstances necessitating adjustment of the number of shares arise after the allotment date, such as when the Company conducts a capital reduction, merger or corporate split, the number of shares to be issued shall be adjusted to a reasonable extent, taking into account the conditions of the capital reduction, merger or corporate split, etc.

2. The value of the assets to be contributed upon exercise of the share acquisition rights shall be the amount to be paid per share to be delivered upon exercise of the share acquisition rights, which shall be one (1) yen (the "Exercise Price"), multiplied by the number of granted shares.
3. The resulting increase in share capital and legal capital surplus shall be as follows
 - (1) The amount of share capital to be increased in the event of the issuance of shares upon the exercise of the share acquisition rights shall be half of the maximum amount of increase in stated capital as calculated in accordance with Article 17, Paragraph 1 of the Corporate Calculation Regulations. Any fraction less than one yen resulting from the calculation shall be rounded up to the nearest whole yen.
 - (2) The amount of legal capital surplus to be increased in the event of the issuance of shares upon the exercise of these share acquisition rights shall be the amount obtained by subtracting the amount of share capital to be increased set forth in (1) above from the maximum amount of increase in share capital, etc. set forth in (1) above.

	The 21st series of share acquisition rights
Date of resolution	March 25, 2025
Category and number of grantees (persons)	Director of the Company (1)
Number of share acquisition rights* (units)	3,558
Class, description and number of shares to be issued upon exercise of share acquisition rights (shares)*	Common stock 355,800 (Note 1)
Amount to be paid-in upon exercise of share acquisition rights (yen)*	1,026 (Note 2)
Exercise period of share acquisition rights*	From April 1, 2027 to March 31, 2035
Issue price and amount of capital to be incorporated upon exercise of share acquisition rights (yen)*	Issue price 1,026 Capitalization 513
Conditions for exercise of share acquisition rights*	(Note) 3.
Matters concerning acquisition of share acquisition rights	(Note) 4.
Matters concerning the transfer of share acquisition rights*	Any transfer share acquisition rights shall require approval by a resolution of the Board of Directors.
Matters concerning allotment of share acquisition rights in connection with reorganization*	(Note 5)

* The above information is as of the date of the resolution by the Board of Directors (March 25, 2025). As of the end of the month prior to the date of submission (as of May 31, 2025), there were no changes in the details to be stated from those as of the date of the resolution. Thus, the information as of the end of the month prior to the date of submission is omitted.

(Note) 1. In the event that the Company conducts a stock split (including a gratis allotment of its common shares; the same shall apply hereinafter) or a reverse stock split after the allotment date of the share acquisition rights, adjustments shall be made in accordance with the following formula. However, such adjustment shall be made only with respect to the number of shares underlying the share acquisition rights that have not been exercised as of such time, and any fraction of less than one share resulting from the adjustment shall be rounded down.

Number of shares granted after adjustment = Number of shares granted before adjustment × ratio of split (or consolidation)

If, after the allotment date of the share acquisition rights, the Company conducts a merger, corporate split, or a reduction in the amount of share capital, or if it otherwise becomes necessary to adjust the number of shares to be granted in a similar case, the number of shares to be granted shall be adjusted appropriately within a reasonable scope.

2. If the Company conducts a stock split or a reverse stock split after the allotment date of the share acquisition rights, the exercise price shall be adjusted in accordance with the following formula, and any fraction less than one yen resulting from the adjustment shall be rounded up to the nearest one yen.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Ratio of split (or consolidation)}}$$

If the Company issues new shares or disposes of treasury shares at a price below the market value of the Company's common stock after the allotment date of the share acquisition rights (excluding cases where the Company issues new shares or disposes of treasury shares based on the exercise of share acquisition rights, or issues new shares or delivers treasury shares due to a merger, corporate split, share exchange or share delivery), the Exercise Price shall be adjusted in accordance with the following formula, and any fraction of less than one yen resulting from the adjustment shall be rounded up to the nearest whole yen.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{\text{Number of outstanding shares} + \frac{\text{Number of newly issued shares} \times \text{Paid-in amount per share}}{\text{Market value per share before new issue}}}{\text{Number of outstanding shares} + \text{Number of shares newly issued}}$$

In the above formula, the "number of outstanding shares" shall be the number obtained by deducting the

number of treasury shares of the Company's common stock from the total number of issued shares of the Company's common stock, and in the case of the disposal of treasury shares of the Company's common stock, "number of newly issued shares" shall be deemed to be replaced with "number of treasury shares to be disposed of".

Furthermore, in addition to the above, in case where the Company conducts a merger, a corporate split, share exchange or share delivery after the allotment date of the share acquisition rights, or other similar cases requiring adjustment of the Exercise Price, the Company may appropriately adjust the Exercise Price to the extent reasonable.

3. Conditions for exercise of share acquisition rights

- (i) Holders of share acquisition rights may exercise their rights only when the Company's net sales as shown in the Company's consolidated income statement (or non-consolidated income statement if the Company does not prepare a consolidated income statement; the same shall apply hereinafter) in the annual securities report for either the fiscal year ending March 31, 2026 or 2027 exceed 5,000 million yen, and thereafter within the exercise period specified in the above table.
- (ii) Holders of share acquisition rights must be directors, Audit & Supervisory Committee members or employees of the Company or its affiliates at the time of exercising the share acquisition rights. However, this shall not apply in the event of retirement due to expiration of term of office, mandatory retirement age, or any other justifiable reason recognized by the Board of Directors of the Company.
- (iii) Exercise of the share acquisition rights by the heir(s) of the share acquisition rights holder(s) shall not be permitted.
- (iv) If the exercise of the share acquisition rights would cause the total number of issued shares of the Company to exceed the total number of shares authorized to be issued at the time of such exercise, such share acquisition rights may not be exercised.
- (v) Any fraction less than one share acquisition right may not be exercised.

4. Matters concerning acquisition of share acquisition rights

- (1) In the event that a merger agreement under which the Company becomes the company to be dissolved, a company split agreement or plan under which the Company becomes the company to be split, or a share exchange agreement, share delivery plan or share transfer plan under which the Company becomes a wholly owned subsidiary, is approved at a general meeting of shareholders (or, if approval at a general meeting of shareholders is not required, is resolved by the Board of Directors), the Company may acquire all of the share acquisition rights without consideration on a date separately determined by the Board of Directors.
- (ii) If a share acquisition rights holder is unable to exercise the share acquisition rights pursuant to the provisions set forth in 3. above before exercising the rights, the Company may acquire the share acquisition rights without contribution.

5. Handling of share acquisition rights in the event of Reorganization

In the event that the Company undergoes a merger (limited to the case where the Company ceases to exist as a result of the merger), an absorption-type company split, an incorporation-type company split, a share exchange or a share transfer (collectively referred to as "Reorganization"), the Company shall grant share acquisition rights of a stock corporation listed in Article 236, Paragraph 1, Item 8, Subitems (a) to (e) of the Companies Act ("Reorganized Company") to share acquisition rights holders on the effective date of the Reorganization, in each case, based on the following conditions. However, this shall be limited to cases where it is stipulated in the absorption-type merger agreement, incorporation-type merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement or share transfer plan that share acquisition rights of the Reorganized Company shall be granted in accordance with the following conditions.

- (i) Number of share acquisition rights of the Reorganized Company to be granted

The same number of share acquisition rights as the number of share acquisition rights held by a share acquisition rights holder shall be delivered respectively.

- (ii) Class of shares of the Reorganized Company to be issued upon exercise of share acquisition rights

The shares shall be common stock of the Reorganized Company.

- (iii) Number of shares of the Reorganized Company to be issued upon exercise of share acquisition rights

To be determined in accordance with 1. above, taking into consideration the conditions of the Reorganization.

(iv) Amount of assets to be contributed upon exercise of share acquisition rights

The value of the assets to be contributed upon the exercise of each share acquisition right to be allotted shall be an amount obtained by multiplying (i) the post-Reorganization Exercise Price, which is the Exercise Price determined in 2 above as adjusted in consideration of the conditions of the Reorganization, by (ii) the number of shares of the Reorganized Company to be delivered upon exercise of such share acquisition rights as determined in accordance with 5(iii) above.

(v) Period during which share acquisition rights may be exercised

From the later date of either the first day of the exercise period specified in the above table or the effective date of the Reorganization, to the last day of the exercise period.

(vi) Matters concerning share capital and legal capital surplus to be increased in the event of the issuance of shares upon the exercise of share acquisition rights

To be determined in accordance with the issue price and the amount of capitalization (yen) when shares are issued upon the exercise of share acquisition rights set forth in the table above.

(xii) Restriction on acquisition of share acquisition rights by transfer

Restrictions on acquisition by transfer shall require approval by a resolution of the Board of Directors of the Reorganized Company.

(xiii) Other conditions for the exercise of share acquisition rights

To be determined in accordance with 3. above.

(ix) Reasons and conditions for acquisition of share acquisition rights

To be determined in accordance with 4. above.

(x) Other conditions shall be determined in accordance with the conditions of the Reorganized Company.

(2) [Shareholder Rights Plans]

Not applicable.

(3) [Other Share Acquisition Rights]

Share acquisition rights issued in accordance with the Companies Act are as follows:

	The 19th series of share acquisition rights
Date of resolution	January 26, 2024
Number of share acquisition rights* (units)	14,880
Number of treasury share acquisition rights (units)*	None
Class, description and number of shares to be issued upon exercise of share acquisition rights (shares)*	Common stock 1,488,000 (Note 1)
Amount to be paid-in upon exercise of share acquisition rights (yen)*	544 (Note 2)
Exercise period of share acquisition rights*	From March 1, 2024 to February 28, 2029
Issue price and amount of capital to be incorporated upon exercise of share acquisition rights (yen)*	Issue price 964 Capitalization 482
Conditions for exercise of share acquisition rights*	The share acquisition rights may not be exercised in part.
Matters concerning the transfer of share acquisition rights*	Any transfer share acquisition rights shall require approval by a resolution of the Board of Directors.
Matters concerning allotment of share acquisition rights in connection with reorganization*	(Note) 3.

* Details as of the end of the current fiscal year (March 31, 2025). As of the end of the month prior to the date of submission (May 31, 2025), there were no changes in the details to be stated from those as of the end of the current fiscal year. Thus, the information as of the end of the month prior to the date of submission is omitted.

(Note) 1. In the event that the Company conducts a stock split (including a gratis allotment of its common shares; the same shall apply hereinafter) or a reverse stock split after the allotment date of the share acquisition rights, adjustments shall be made in accordance with the following formula. However, such adjustment shall be made only with respect to the number of shares underlying the share acquisition rights that have not been exercised as of such time, and any fraction of less than one share resulting from the adjustment shall be rounded down.

Number of shares granted after adjustment = Number of shares granted before adjustment × ratio of split (or consolidation)

If, after the allotment date of the share acquisition rights, the Company conducts a merger, corporate split, or a reduction in the amount of share capital, or if it otherwise becomes necessary to adjust the number of shares to be granted in a similar case, the number of shares to be granted shall be adjusted appropriately within a reasonable scope.

2. If the Company conducts a stock split or a reverse stock split after the allotment date of the share acquisition rights, the exercise price shall be adjusted in accordance with the following formula, and any fraction less than one yen resulting from the adjustment shall be rounded up to the nearest one yen.

$$\text{Exercise price after adjustment} = \frac{\text{Exercise price before adjustment} \times 1}{\text{Ratio of split (or consolidation)}}$$

If, after the allotment date of share acquisition rights, the Company issues new shares or disposes of treasury stock at a price below the market value of the Company's common stock (excluding cases where the Company issues new shares based on the exercise of share acquisition rights or disposes of treasury stock or transfers treasury stock through a share exchange), the exercise price shall be adjusted in accordance with the following formula, and any fraction of less than one yen resulting from the adjustment shall be rounded up to the nearest one yen.

$$\text{Exercise price after adjustment} = \frac{\text{Exercise price before adjustment} \times \left(\frac{\text{Number of newly issued shares} \times \text{Paid-in amount per share}}{\text{Market value per share before new issue}} + \text{Number of outstanding shares} \right)}{\text{Number of outstanding shares}}$$

adjustment

Number of outstanding shares + Number of shares newly
issued

In the above formula, the "number of outstanding shares" shall be the number obtained by deducting the number of treasury shares of the Company's common stock from the total number of issued shares of the Company's common stock, and in the case of the disposal of treasury shares of the Company's common stock, "number of newly issued shares" shall be deemed to be replaced with "number of treasury shares to be disposed of".

Furthermore, in addition to the above, if, after the allotment date of share acquisition rights, the Company merges with another company, conducts a corporate split, or otherwise needs to adjust the exercise price in accordance with these cases, the Company may appropriately adjust the exercise price within reasonable limits.

3. Matters concerning allotment of share acquisition rights in connection with Reorganization

In the event that the Company undergoes a merger (limited to the case where the Company ceases to exist as a result of the merger), an absorption-type company split, an incorporation-type company split, a share exchange or a share transfer (collectively referred to as "Reorganization"), the Company shall grant share acquisition rights of a stock corporation listed in Article 236, Paragraph 1, Item 8, Subitems (a) to (e) of the Companies Act ("Reorganized Company") to share acquisition rights holders on the effective date of the Reorganization, in each case, based on the following conditions. However, this shall be limited to cases where it is stipulated in the absorption-type merger agreement, incorporation-type merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement or share transfer plan that share acquisition rights of the Reorganized Company shall be granted in accordance with the following conditions.

(i) Number of share acquisition rights of the Reorganized Company to be granted

The same number of share acquisition rights as the number of share acquisition rights held by a share acquisition rights holder shall be delivered respectively.

(ii) Class of shares of the Reorganized Company to be issued upon exercise of share acquisition rights

The shares shall be common stock of the Reorganized Company.

(iii) Number of shares of the Reorganized Company to be issued upon exercise of share acquisition rights

To be determined in accordance with 1. above, taking into consideration the conditions of the Reorganization.

(iv) Amount of assets to be contributed upon exercise of share acquisition rights

The value of the assets to be contributed upon the exercise of each share acquisition right to be allotted shall be an amount obtained by multiplying (i) the post-Reorganization Exercise Price, which is the Exercise Price determined in 2 above as adjusted in consideration of the conditions of the Reorganization, by (ii) the number of shares of the Reorganized Company to be delivered upon exercise of such share acquisition rights as determined in accordance with 4(iii) above.

(v) Period during which share acquisition rights may be exercised

The exercise period shall begin on the later date of either the first day of the exercise period or the effective date of the Reorganization and shall end on the last day of the exercise period.

(vi) Matters concerning share capital and legal capital surplus to be increased in the event of the issuance of shares upon the exercise of share acquisition rights

To be determined in accordance with the table above Issue price and amount paid into capital when shares are issued due to the exercise of share acquisition rights (yen).

(xii) Restriction on acquisition of share acquisition rights by transfer

Restrictions on acquisition by transfer shall require approval by a resolution of the Board of Directors of the Reorganized Company.

(xiii) Other conditions for the exercise of share acquisition rights

To be determined in accordance with 3. above.

(ix) Reasons and conditions for acquisition of share acquisition rights

(a) In the event that a merger agreement under which the Company becomes the company to be dissolved, a company split agreement or plan under which the Company becomes the company to be split, or a share exchange agreement or share transfer plan under which the Company becomes a wholly owned subsidiary, is approved at a general meeting of shareholders (or, if approval at a general meeting of shareholders is not required, is resolved by the Board of Directors), the Company may acquire all of the

- share acquisition rights without consideration on a date separately determined by the Board of Directors.
- (b) If a share acquisition rights holder is unable to exercise the share acquisition rights pursuant to the provisions set forth in 3. above before exercising the rights, the Company may acquire the share acquisition rights without contribution.
 - (x) Other conditions shall be determined in accordance with the conditions of the Reorganized Company.

(3) [Exercise of Moving Strike Convertible Bonds]

(i) The 20th series of share acquisition rights

	Interim accounting period (from October 1, 2024 to March 31, 2025)	25th term (from April 1, 2024 to March 31, 2025)
Number of such bonds with share acquisition rights with exercise price revision clause that were exercised during the relevant period (units)	-	929
Number of shares to be delivered upon exercise of the rights during the relevant period (shares)	-	92,900
Average exercise price, etc. for the exercise of the rights during the relevant period (yen)	-	935
Amount of funds raised related to the exercise of rights during the relevant period (thousands of yen)	-	86,940
Cumulative total number of such bonds with share acquisition rights with exercise price revision clause, which were exercised, as of the end of the relevant period (units)	-	929
Cumulative total number of shares delivered pertaining to such bonds with share acquisition rights with exercise price revision clause as of the end of the relevant period (shares)	-	92,900
Cumulative average exercise price, etc. for such bonds with share acquisition rights with exercise price revision clause as of the end of the relevant period (yen)	-	935
Cumulative total amount of funds raised related to such bonds with share acquisition rights with exercise price revision clause as of the end of the relevant period (thousands of yen)	-	86,940

(Note) Some share acquisition rights were exercised after the end of the current consolidated fiscal year through the date of submission of this Annual Securities Report. A summary is provided in the note titled "Significant subsequent events".

(4) [Changes in Total Number of Issued Shares, Share Capital, and Legal Capital Surplus]

Date	Changes in total number of issued shares (shares)	Outstanding balance of issued shares (shares)	Changes in share capital (thousands of yen)	Balance of share capital (thousand yen)	Changes in legal capital surplus (thousands of yen)	Balance of legal capital surplus (thousands of yen)
From April 1, 2020 to July 21, 2020 (Note 1)	41,100	13,648,891	2,238	1,355,259	2,238	1,127,042
July 22, 2020 (Note 2)	9,062	13,657,953	3,411	1,358,671	3,411	1,130,454
From July 23, 2020 to March 31, 2021 (Note 1)	338,600	13,996,553	41,664	1,400,335	41,664	1,172,118
June 15, 2021 (Note) 3.	182,910	14,179,463	48,928	1,449,264	48,928	1,221,047
June 16, 2021 (Note 1)	1,000	14,180,463	55	1,449,319	55	1,221,102
August 10, 2021 (Note) 4.	16,290	14,196,753	3,233	1,452,552	3,233	1,224,335
From August 11, 2021 to March 31, 2022 (Note 1)	130,000	14,326,753	4,550	1,457,102	4,550	1,228,885
August 17, 2022 (Note 1)	66,600	14,393,353	9,357	1,466,460	9,357	1,238,243
August 19, 2022 (Note 5)	96,184	14,489,537	13,658	1,480,118	13,658	1,251,901
September 26, 2022 (Note 6)	248,314	14,737,851	35,260	1,515,378	35,260	1,287,161
From September 27, 2022 to March 31, 2023 (Note 1)	20,000	14,757,851	1,100	1,516,478	1,100	1,288,261
From October 16, 2023 to January 4, 2024 (Note 1)	200,200	14,958,051	11,011	1,527,489	11,011	1,299,272
February 29, 2024 (Note 7)	2,230,000	17,188,051	340,989	1,868,479	340,989	1,640,262
July 1, 2024 (Note 8)	515,000	17,703,051	-	1,868,479	-	1,640,262
From March 10, 2025 to March 31, 2025 (Note 9)	92,900	17,795,951	43,633	1,912,113	43,633	1,683,896

(Notes) 1. Increase due to exercise of share acquisition rights.

2. Increase due to issuance of new shares as restricted stock-based compensation.

Issue price 753 yen

Capitalization 377 yen

3. Increase due to third-party allotment with compensation.

- Issue price 535 yen
Capitalization 267.5 yen
Main allottee Go Strategy S.A.S.
4. Increase due to issuance of new shares as restricted stock-based compensation.
Issue price 397 yen
Capitalization 198.5 yen
5. Increase due to issuance of new shares as restricted stock-based compensation.
Issue price 284 yen
Capitalization 142 yen
6. Increase due to issuance of new shares as restricted stock-based compensation.
Issue price 284 yen
Capitalization 142 yen
7. Increase due to third-party allotment with compensation.
Issue price 305.82 yen
Capitalization 152.91 yen
Allottee First Plus Financial Holdings PTE.
8. Increase due to the issuance of new shares in connection with the share exchange,
where the Company became the wholly-owning parent company and MSS became a wholly-owned subsidiary, effective on July 1, 2024.
9. Due to the exercise of the 20th series of share acquisition rights with exercise price revision clause through third-party allotment.
10. During the period from April 1, 2025 to May 31, 2025, the total number of issued shares increased by 2,224,800 shares and share capital and legal capital surplus increased by 777,687 thousand yen each due to the exercise of share acquisition rights.

(5) [Shareholding by Shareholder Category]

As of March 31, 2025

Category	Shareholdings (Number of shares per unit: 100 shares)								Fractional shareholdings (shares)
	Government and local governments	Financial institutions	Financial instruments business operators	Other corporations	Foreign corporations, etc.		Individuals and others	Total	
					Entities	Individuals			
Number of shareholders (Persons)	-	3	23	38	51	108	7,099	7,322	
Number of shares held (units)	-	6,836	16,393	37,284	71,426	2,462	43,448	177,849	11,051
Percentage of shares held (%)	-	3.8	9.2	21.0	40.2	1.4	24.4	100.0	

(Note) 90,912 shares of treasury stock are included in 909 units in "Individuals and others" and 12 shares in "Fractional shareholdings."

(6) [Major Shareholders]

As of March 31, 2025

Name	Address	Number of shares held (shares)	Percentage of held shares to the total number of issued shares (excluding treasury stock) (%)
FIRST PLUS FINANCIAL HOLDINGS PTE. LTD.	8 Marina View, #36-02/03 Asia Square Tower 1, Singapore	2,230,000	12.60
KDDI Corporation	3-10-10 Iidabashi, Chiyoda-ku, Tokyo	2,100,000	11.86
Tokai Tokyo Securities Co.	4-7-1 Meieki, Nakamura-ku, Nagoya City, Aichi Prefecture, Japan	1,381,300	7.80
INTERACTIVE BROKERS LLC	ONE PICKWICK PLAZA GREENWICH CONNECTICUT USA	979,300	5.53
Nippon Life Insurance Company	1-6-6 Marunouchi, Chiyoda-ku, Tokyo	675,000	3.81
CITIC SECURITIES BROKERAGE (HK) LIMITED AC CLIENT	26/F CITIC TWR1 TIM MEI AVENUE, CENTRAL, HONGKONG	669,300	3.78
BNP PARIBAS			
PARIS/2S/JASDEC/STONEX FINANCIAL INC	16, BOULEVARD DES ITALIENS PARIS FRANCE	550,000	3.11
CLIENTS/BACKTOBACK			
Allm Inc.	1-12-1 Dogenzaka, Shibuya-ku, Tokyo	540,925	3.06
VLC HOLDINGS CO., LTD.	4-1-40 Toranomon, Minato-ku, Tokyo	515,000	2.91
PHILLIP SECURITIES (HONG KONG) LIMITED	UNITED CTR 11/F QUEENSWAY 95, ADMIRALTY HONKONG	501,500	2.83
Total	-	10,142,325	57.28

(7) [Voting Rights]
(i) [Issued Shares]

As of March 31, 2025

Category	Number of shares (shares)	Number of voting rights	Description
Non-voting shares	-	-	-
Shares with restricted voting rights (treasury stock, etc.)	-	-	-
Shares with restricted voting rights (other)	-	-	-
Shares with full voting rights (treasury stock, etc.)	Common shares 90,900	-	-
Shares with full voting rights (other)	Common shares 17,694,000	176,940	-
Shares less than one unit	Common shares 11,051	-	-
Total number of issued shares	17,795,951	-	-
Voting rights of all shareholders	-	176,940	-

(ii) [Treasury Shares]

As of March 31, 2025

Owner's name	Owner's address	Number of shares held in its own name (shares)	Number of shares held in the name of others (shares)	Total number of shares held (shares)	Percentage of held shares to the total number of issued shares (%)
Datasection Inc.	1-3-8 Nishi-Gotanda, Shinagawa-ku, Tokyo	90,900	-	90,900	0.51
Total	-	90,900	-	90,900	0.51

2 [Acquisition of Own Shares and Disposal of Treasury Shares]

[Classes of Shares] Acquisition of common stock that falls under Article 155, Item 13 of the Companies Act

(1) [Acquisition by Resolution of Shareholders]

Not applicable.

(2) [Acquisition by Resolution of the Board of Directors]

Not applicable.

(3) [Acquisition Not Based on Resolution of Shareholders or the Board of Directors]

Acquisition of common stock that falls under Article 155, Item 13 of the Companies Act

Category	Number of shares (shares)	Total value (yen)
Treasury stock acquired during the current fiscal year (Note)	41,707	46,913
Treasury stock acquired during the current period	-	-

(Note) Treasury stock acquired during the current fiscal year consisted of 43 shares acquired through the purchase of fractional shares, and 41,664 shares being a part of common stock allocated as a restricted stock-based compensation plan, which were acquired without compensation.

(4) [Disposal of Treasury Shares and Number of Treasury Shares Held]

Category	Current fiscal year		Current period	
	Number of shares (shares)	Total amount of disposal value (yen)	Number of shares (shares)	Total amount of disposal value (yen)
Acquired treasury stock for which the Company solicited persons to subscribe	-	-	-	-
Acquired treasury stock disposed of for cancellation	-	-	-	-
Acquired treasury stock transferred in connection with a merger, share exchange, share delivery, or corporate split	-	-	-	-
Other (Disposal of treasury stock as restricted stock-based compensation) (Note)	13,717	9,999,693	-	-
Number of treasury stock held	90,912	-	90,912	-

(Note) "Other (Disposal of treasury stock as restricted stock-based compensation)" in the current fiscal year represents the disposal of treasury stock as restricted stock-based compensation, which was implemented on April 16, 2024.

3 [Dividend Policy]

(1) Basic Dividend Policy

The Company recognizes that returning profits to shareholders is an important management issue, and our basic policy is to pay stable dividends while securing internal reserves for future business expansion and strengthening of the management base.

(2) Basic policy of frequency of dividend payments in each fiscal year

The Company's Articles of Incorporation stipulate that "the Company may pay year-end dividends and dividends from surplus on a specified record date," and the Company's basic policy is to pay dividends from surplus once a year, at the end of the fiscal year.

(3) Organ to determine dividends

The Board of Directors determines interim dividends and the General Meeting of Shareholders determines year-end dividends.

(4) Approach in determining dividends for the current fiscal year and use of retained earnings

In the current fiscal year, the Company did not pay dividends from surplus as it was actively hiring personnel for business expansion and made efforts to retain earnings. The Company intends to effectively use retained earnings to strengthen its financial position and expand its business in the future.

(5) Interim Dividends

The Company's Articles of Incorporation stipulate that "the Company may pay interim dividends as stipulated in Article 454, Paragraph 5 of the Companies Act.

4 [Corporate Governance]

(1) [Overview of Corporate Governance]

(i) Basic policy on corporate governance

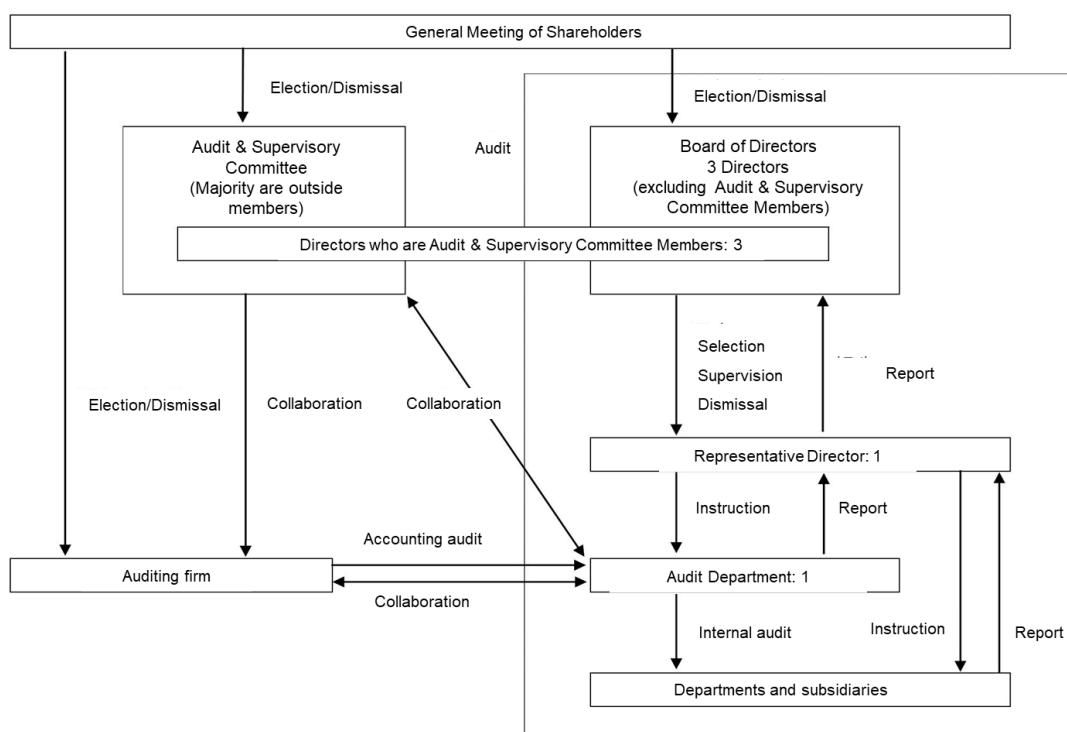
We regard corporate governance as a 'mechanism to discipline corporate management' and recognize that corporate governance is important to 'respect shareholders' rights' and practice sound corporate management. We identified the following as key issues of corporate governance: ensuring that the management clarifies and communicates to society at large our corporate objectives and management philosophy, and our appropriate attitude and actions in light of these objectives and philosophy; establishing smooth relationships with stakeholders; making timely and appropriate information disclosure; enhancing management supervision by the board of directors, Audit & Supervisory Committee and the like, and fulfilling accountability to shareholders; and enhancing internal control in order for the management to discipline the Company. We have been developing the system focusing on these key issues.

(ii) Overview of the corporate governance system and reasons for adopting such a system

A. Overview of the corporate governance system

At the Extraordinary General Meeting of Shareholders held on December 19, 2024, a resolution was passed to amend the Company's Articles of Incorporation to reflect the transition to a Company with Audit & Supervisory Committee, and as a result, the Company transitioned from a Company with Board of Corporate Auditors to a Company with Audit & Supervisory Committee as of the same date.

The following is a summary of the Company's corporate governance structure:



a. Board of Directors

The Company's Board of Directors consists of the following six members: Norihiko Ishihara, Representative Director, President and CEO, Executive Officer; Pablo Casado Blanco, Chairman of the Board; John Ellis Bush Jr., Director; Shigeyuki Tsuchida, Director (full-time Audit & Supervisory Committee Member); Tsuyoshi Hirayama, Outside Director (Audit & Supervisory Committee Member); and German Alcayde Fort, Outside Director (Audit & Supervisory Committee Member). The Company appoints Outside Directors to accelerate business operations and ensure effective supervision of operations. Regular meetings of the Board of Directors are held once a month, and extraordinary meetings are held as needed, to make decisions on management policies, annual budgets, and other important matters, and to supervise business execution and the performance of each director's duties by reporting monthly budget control and other important matters.

b. Audit & Supervisory Committee

The Company's Audit & Supervisory Committee consists of three Members, namely, Shigeyuki Tsuchida, Director (full-time member) who chairs the Committee, Tsuyoshi Hirayama, Outside Director (member), and German Alcayde Fort, Outside Director (member), and determines audit policies, methods, and implementation plans, among others.

The Audit & Supervisory Committee Members attend meetings of the Board of Directors and other important meetings to express their opinions on the status of the performance of duties by directors as appropriate, and the Audit & Supervisory Committee conducts operational audits in accordance with the audit policy decided upon.

The Audit & Supervisory Committee, in principle, meets once every two months, and also holds ad hoc meetings as needed. In addition, the Committee holds regular meetings with an internal auditor and an accounting auditor to share information and ensure mutual cooperation.

c. Internal Audit Office

The Company has established Internal Audit Office, which directly reports to President and Representative Director, consisting of one internal auditor. The internal auditor conducts internal audits based on the internal audit plan approved by Representative Director for the purpose of ensuring the effectiveness and efficiency of operations, etc., and reports audit results to Representative Director, as well as makes suggestions to audited departments for improvement of operations, among others, and checks the status of improvement at a later date. The internal auditor holds regular meetings with the Audit & Supervisory Committee and the accounting auditor to share information necessary for audits and to ensure mutual cooperation.

B. Reasons for adopting the above-mentioned system

The Company has adopted the organizational form of a Company with Audit & Supervisory Committee. The Company has adopted this system, because the Company believes that the appropriateness of business operations can be ensured by the following: Outside Directors, who have a wealth of experience and insight in corporate management, regularly exchange opinions and information with Directors and supervise the business execution of the Company from the perspective of a manager; and full-time Audit & Supervisory Committee Member receives reports from Internal Audit Office and the accounting auditor, exchanges opinions, and conducts audits in cooperation with them.

(iii) Other matters relating to corporate governance

A. Status of internal control system

Following the resolution at the Extraordinary General Meeting of Shareholders held on December 19, 2024 to amend the Articles of Incorporation to include the transition to a Company with Audit & Supervisory Committee, the Company has revised the "Basic Policy for Internal Control System" since the Company shifted from a Company with Board of Corporate Auditors to a Company with Audit & Supervisory Committee as of the same date. The system and matters stipulated in the said basic policy are as follows:

a. System to ensure that the performance of duties by directors and employees complies with laws and regulations and the Articles of Incorporation

- The Board of Directors shall consist of directors, including outside directors, and make decisions on important matters and supervise the performance of duties by directors in accordance with laws and ordinances, the Articles of Incorporation, the "Board of Directors Regulations" and other internal regulations.
- The Audit & Supervisory Committee shall audit the performance of duties by directors, including the status of developing and implementing the internal control system, from an independent standpoint.
- The Company shall establish and disseminate the "Compliance Management Regulations," which are norms to be observed by directors and employees, as the basis of its compliance system; and foster and maintain a corporate culture in which directors and employees act based on high ethical standards.
- President and Representative Director shall appoint a person in charge of promoting compliance in order to establish and maintain the compliance system.
- The Company shall establish and revise, as necessary, internal rules and regulations, including the "Rules of the Board of Directors," to standardize operations and maintain management order.

- Internal Audit Office, which reports directly to President and Representative Director, shall conduct internal audits in accordance with the "Internal Audit Regulations" in order to ensure the appropriateness of the performance of duties by directors and employees. In addition, the internal auditor shall exchange information with the Audit & Supervisory Committee and the accounting auditor as necessary to conduct efficient internal audits.
- b. System for the storage and management of information related to the performance of duties by directors
 - The information related to General Meeting of Shareholders, Board of Directors meetings, and other important decision-making shall be kept and managed by the department in charge of administration for a prescribed number of years in accordance with laws and regulations and the Document Management Regulations.
 - The department in charge of administration under the document management division shall promptly respond to requests for inspection by directors and the Audit & Supervisory Committee.
- c. Regulations and other systems for managing risk of loss
 - The Company shall analyze and identify foreseeable risks in each department with respect to risks associated with business execution of the Company, and shall exhaustively and comprehensively manage the risks of the entire Company.
 - In the event of a business crisis that may seriously affect business management of the Company, President and Representative Director or a director shall be appointed as the responsible party and shall strive to minimize the Company's losses and restore the Company to its original state at the earliest possible time.
- d. System to ensure the efficient performance of duties by directors
 - The Board of Directors shall hold a regular meeting once a month, and extraordinary meetings shall be held for the purpose of agile decision-making, thereby ensuring a system that enables appropriate performance of duties.
 - The authority and responsibility for the performance of duties shall be clearly stipulated in the Rules on Division of Duties and the Rules on Organization and Administrative Authority, among others, and shall be appropriately reviewed from time to time.
 - In terms of business management, the Company shall establish a business plan, clarify the goals to be achieved by the Company, clarify the responsibility of each department for business performance, and improve operational efficiency.
- e. System to ensure the appropriateness of operations of the corporate group consisting of the Company and its subsidiaries
 - The Company shall respect the autonomy of the management of its subsidiaries, and shall dispatch director(s) or Audit & Supervisory Committee Member(s) to audit and supervise the performance of duties by the directors of the subsidiaries.
- f. System to ensure the reliability of financial reporting
 - In order to ensure the reliability of financial reporting, the Company shall, under the direction of President and Representative Director, establish a system for effective internal control under the Financial Instruments and Exchange Act, develop and operate an internal control system, continuously evaluate that the system is functioning properly, and make necessary corrections.
- g. Matters concerning employees to assist the duties of the Audit & Supervisory Committee, matters concerning the independence of such employees from directors, and matters concerning the securing of the effectiveness of instructions to such employees
 - The Audit & Supervisory Committee shall assign necessary employees to assist the Committee in the performance of its duties.
 - Employees who have received instructions from the Audit & Supervisory Committee, which are necessary for its audit work, shall not be subject to direction and orders of directors as far as such instructions are concerned.
- h. System for reporting to the Audit & Supervisory Committee by directors and employees, and other systems related to reporting to the Audit & Supervisory Committee
 - Directors and employees shall promptly report on businesses to the Audit & Supervisory Committee when requested to do so.
 - Directors and employees shall immediately report to the Audit & Supervisory Committee any occurrence or threat of occurrence of matters that may cause material losses to the Company, or any discovery of illegal or improper acts by directors.

- President and Representative Director shall endeavor to deepen mutual recognition and trust with the Audit & Supervisory Committee through discussions at important meetings such as Board of Directors meetings and periodic interviews, and shall take necessary measures to create an environment conducive to audits by the Audit & Supervisory Committee.
- The Company shall prohibit any disadvantageous treatment of directors and employees who make reports to the Audit & Supervisory Committee by reason of such reports, and shall ensure that all directors and employees of the Company are informed of such prohibition.
- i. Matters concerning the policy for processing of expenses or obligations incurred in the performance of duties by the Audit & Supervisory Committee
 - When a director who is a member of the Audit & Supervisory Committee requests advance payment or reimbursement of expenses incurred in the performance of his/her duties, the Company shall promptly process such expenses or obligations, except in cases where such expenses or obligations are deemed not necessary for the performance of duties of the said director.
- j. Other systems to ensure that audits by the Audit & Supervisory Committee are conducted effectively
 - Directors shall create an environment where the Audit & Supervisory Committee can attend important meetings in order to understand the Board of Directors' and other important decision-making processes and the status of business execution, as well as an environment where the Audit & Supervisory Committee can communicate with the internal audit department, accounting auditor, and outside experts, etc., as necessary.
- k. Basic policy for eliminating transactions with anti-social forces and development of the relevant system
 - The Company's "Regulations on Response to Anti-Social Forces" stipulate that the Company shall block all relationships, including transactions, with anti-social forces, and shall establish an organizational response system for officers and employees to deal with such forces on a regular basis and in the event of an incident. In addition, the Company shall build a close cooperative relationship with external specialized organizations such as the Metropolitan Police Department's Special Anti-Violence Prevention Association (TOKUBOREN) and attorneys, and include clauses in contracts and other documents to exclude anti-social forces when conducting new transactions.

B. Development of Risk Management System

The Company is continuously working to strengthen its risk management system in order to accurately identify and analyze various risks that may arise in the course of business operations and deal with them appropriately. If an emergency situation arises or is anticipated to arise, Representative Director or a director is responsible for taking prompt action to minimize the spread of the emergency and to resolve the situation as soon as possible.

C. Number of directors

The Company's Articles of Incorporation stipulate that the maximum number of directors (excluding directors who serve as Audit & Supervisory Committee Member) of the Company shall be no more than seven, and the number of directors who serve as Audit & Supervisory Committee Members shall be no more than five.

D. Requirements for resolution on election of directors

The Company's Articles of Incorporation stipulate that resolutions for the election of directors shall be adopted by a majority of votes of shareholders present at a General Meeting of Shareholders where shareholders holding one-third or more of the voting rights of shareholders entitled to exercise their voting rights are present, and that cumulative voting shall not be used.

E. Change in requirements for special resolutions of the General Meeting of Shareholders

For the purpose of smooth running of the General Meeting of Shareholders, the Company's Articles of Incorporation stipulate that special resolutions stipulated in Article 309, Paragraph 2 of the Companies Act shall be adopted by two-thirds or more of votes of shareholders present at the meeting where shareholders holding one-third or more of the voting rights of shareholders entitled to exercise voting rights are present.

F. Overview of liability limitation agreement

The Company and the directors (excluding executive directors, etc.) have entered into an agreement to limit their liability for damages under Article 423, Paragraph 1 of the Companies Act, pursuant to Article 427, Paragraph

1 of the said Act, for the purpose of enabling them to fully exercise the roles expected of them in the performance of their duties. The maximum amount of liability for damages under such agreements is the higher of a pre-determined amount of no less than one million yen or the amount stipulated by law.

Similar liability limitation agreements had been concluded with Outside Directors Kohki Sakata and Yuki Uchiyama, and Corporate Auditors Akira Tashiro, Daisuke Yokoyama and Izumi Nishio, who retired as of December 19, 2024.

G. Exemption from liability of directors and corporate auditors (those who used to be corporate auditors)

In order to create an environment in which Directors can fully demonstrate their abilities and fulfill their expected roles, the Company's Articles of Incorporation, pursuant to Article 426, Paragraph 1 of the Companies Act, stipulate that directors (including former directors) may, by a resolution of the Board of Directors, exempt their liabilities for damages in relation to acts stipulated in Article 423, Paragraph 1 of the same act to the extent permitted by law.

In connection with the transition to a Company with Audit & Supervisory Committee, the Company stipulates in the Supplementary Provision of the Articles of Incorporation that corporate auditors (including those who used to be corporate auditors) may, by a resolution of the Board of Directors, be exempted from liability for damages due to negligence of duties to the extent permitted by law with respect to acts committed before the closing of the Extraordinary General Meeting of Shareholders held on December 19, 2024.

In addition, pursuant to Article 427, Paragraph 1 of the Companies Act, the Company stipulates in the Supplementary Provision of the Articles of Incorporation that the contract to limit liability for damages of corporate auditors (including those who used to be corporate auditors) for acts committed before the closing of the Extraordinary General Meeting of Shareholders held on December 19, 2024, shall be governed by the provisions then in force.

This is a transitional measure to provide for the deletion of the provision on exemption from liability for corporate auditors from the Articles of Incorporation upon the Company's transition to a Company with Audit & Supervisory Committee.

H. Overview of Directors' and Officers' Liability Insurance Policy

The Company has concluded a directors' and officers' liability insurance policy with an insurance company as stipulated in Article 430-3, Paragraph 1 of the Companies Act. It provides indemnification for legal damages and costs of disputes (including shareholder derivative suits) in the event of claims for damages arising from acts committed by directors and other officers in accordance with their positions. However, in order to ensure that the insured's proper performance of duties is not compromised, coverage is not provided for cases in which the insured has illegally obtained benefits or favors, or for criminal, dishonest, or fraudulent acts or acts committed with knowledge that they violate laws, rules, or regulatory rules.

The policy is scheduled to be renewed in August 2025.

I. Matters to be resolved at General Meeting of Shareholders that may be resolved by the Board of Directors

a. Interim dividends

In order to return profits to shareholders in an agile manner, the Company's Articles of Incorporation stipulate that the Company may pay interim dividends with a record date of September 30 of each year by a resolution of the Board of Directors pursuant to Article 454, Paragraph 5 of the Companies Act.

b. Acquisition of treasury stock

The Company's Articles of Incorporation stipulate that the Company may acquire treasury stock through market transactions, etc. by a resolution of the Board of Directors pursuant to Article 165, Paragraph 2 of the Companies Act in order to enable the Company to implement capital policies, etc. in response to changes in the business environment in an agile manner.

J. Other special circumstances that may have a material effect on corporate governance

Norihiko Ishihara, Representative Director, President and CEO of the Company, currently serves as Representative Director and CEO of VLC HOLDINGS CO., LTD. (Code: 2467 NSE Next, "VLC"), with which the Company has a comprehensive business alliance. With regard to VLC-related matters, we pay attention to conflicts of interest, and take account of the interest of the shareholders of both companies by, for example,

conducting deliberations on such matters without his participation, as we have done in the past, and we will continue to ensure sound governance and board management as we strive to further enhance the corporate value of our Group.

(iv) Activities of the Board of Directors

The Company held 24 meetings of the Board of Directors during the fiscal year under review, and the attendance of individual directors is as follows:

Title	Name	Number of meetings held	Number of meetings attended
Chairman of the Board	Pablo Casado Blanco (Note 1)	5 times	5 times
Representative Director, President and CEO, Executive Officer	Norihiko Ishihara	24 times	24 times
Director	John Ellis Bush Jr. (Note 1)	5 times	5 times
Director, Full-time Audit & Supervisory Committee Member	Shigeyuki Tsuchida (Note 1)	5 times	5 times
Outside Director, Audit & Supervisory Committee Member	Tsuyoshi Hirayama (Note 1)	5 times	5 times
Outside Director, Audit & Supervisory Committee Member	German Alcayde Fort (Note 1)	5 times	5 times
Director	Daisuke Katano (Note 2)	19 times	19 times
Director	Shinichi Iwata (Note 2)	19 times	19 times
Director	Christian Pablo Cafatti Cuevas (Note 2)	19 times	19 times
Outside Director	Kohki Sakata (Note 2)	19 times	19 times
Outside Director	Yuki Uchiyama (Note 2)	19 times	19 times

(Note) 1 Pablo Casado Blanco, John Ellis Bush Jr., Shigeyuki Tsuchida, Tsuyoshi Hirayama, and German Alcayde Fort were appointed as directors at the Extraordinary General Meeting of Shareholders held on December 19, 2024, and their attendance at the board meetings held on and after that date is shown.

2 Since Daisuke Katano, Shinichi Iwata, and Christian Pablo Cafatti Cuevas retired from the Board of Directors due to expiration of their terms of office at the closing of the Extraordinary General Meeting of Shareholders held on December 19, 2024, the attendance at the Board of Directors meetings held during the period until their retirement is shown.

Specific details of the Board of Directors' deliberations during the current fiscal year are as follows:

- Key Management Issues
- Matters required by law
- Establishment and revision of internal regulations
- Report on operations of each business and discussion of issues
- Sustainability Issues to be addressed

(2) [Directors (and Other Officers)]

(i) List of officers

Male: 6, Female: N/A (Ratio of female directors: -%)

Title	Name	Date of birth	Career history	Term of office	Number of shares held (shares)
Chairman of the Board	Pablo Casado Blanco	Born on February 1, 1981	July 2002 International Private Banking at Banco Santander in Geneva, Switzerland March 2004 Advisor to the Vice President and Minister of Justice and Interior of the Community of Madrid May 2007 Deputy in the Madrid Assembly and Spokesperson for Justice and Interior, and Deputy for Budgets and Treasury June 2009 Chief of Staff to the Former President of the Government of Spain Visiting Professor, Global Leadership Competitiveness Program, McDonough Business School, Georgetown Univ. January 2012 Member of Congress. Spokesperson in the European Union and the Foreign Affairs Committee Fellow of the Center for Transatlantic Relations, Johns Hopkins University May 2015 President of the Education Commission, and the Sustainable Mobility Commission Representative of Spain at the Security Commission of COSAC and the Union for the Mediterranean December 2016 Vice President of the European Union Commission at Congress Member of the "New Leaders for Europe" group of the World Economic Forum July 2018 President of PP, Leader of the Opposition, Candidate for the Presidency of the Government of Spain Vice President of the International Democrat Union and the Centrist Democrat International June 2022 Chairman, Atlantic Basin Initiative, School of Advanced International Studies, Johns Hopkins University Distinguished Fellow, Transatlantic Leadership Network January 2023 Founder and Managing Partner, Hyperion Fund FCR Chairman of the Board, Archery Capital SL (current post) July 2024 Chairman of the Company December 2024 Chairman of the Board of the Company (current post)	(Note 3)	-

Title	Name	Date of birth	Career history	Term of office	Number of shares held (shares)
President and Representative Director Executive Officer and CEO	Norihiko Ishihara	Born on May 4, 1977	April 2001 Joined Goldman Sachs Asset Management Co., Ltd. August 2004 Joined Goldman Sachs Japan Co., Ltd. February 2009 Executive Vice President, Japan Core Partner Inc. January 2011 Director, Atomixmedia Inc. March 2011 Established Sun Investment LLC, Representative Partner (current post) September 2013 Director, Miyako Capital Co. April 2014 Established Sun Investment Co. June 2014 Representative Director, Atomixmedia Inc. March 2017 Director of the Company June 2017 Director, VLC HOLDINGS CO., LTD. January 2018 President and Representative Director, VLC HOLDINGS CO., LTD. June 2020 Representative Director, VLC HOLDINGS CO., LTD. President and CEO (current post) June 2020 President and CEO, VLC Co., Ltd. August 2020 President and CEO, CYBERGYM JAPAN Co., Ltd. June 2021 Director, Marketing System Services, Inc. (now MSS Inc.) June 2023 Representative Director and CEO, CYBERGYM JAPAN Co., Ltd. (current post) April 2024 Chairman of the Board of the Company June 2024 Representative Director, President and CEO of the Company December 2024 Representative Director, President and CEO of the Company (current post) December 2024 Director, d-ss Inc. (current post) December 2024 Director, MSS Inc. (current post) December 2024 Director, Jach Technology SpA (current post) February 2025 Director, solid Intelligence Inc. (current post)	(Note 3)	-

Director	John Ellis Bush Jr.	Born on December 13, 1983	September 2006	Fairchild Partners	(Note 3)	-
			December 2008	Partner, Jeb Bush & Associates, LLC (current post)		
			June 2009	Partner, Bush Realty, LLC (current post)		
			January 2014	Managing Partner, Bush Ventures		
			January 2017	Founding Partner, Finback Investment Partners (current post)		
			January 2018	Partner, Rio Grande E&P		
			December 2024	Director of the Company (current post)		

Title	Name	Date of birth	Career history	Term of office	Number of shares held (shares)
Director (Full-time Audit & Supervisory Committee Member)	Shigeyuki Tsuchida	Born on September 3, 1962	April 1986 Joined the Long-Term Credit Bank of Japan, Ltd. (now SBI Shinsei Bank, Limited) November 2001 Joined the Norinchukin Bank April 2007 Joined Aozora Bank, Ltd. December 2008 Executive Officer of Aozora Bank, Ltd. October 2009 Joined Innovation Network Corporation of Japan (now INCJ, Ltd.) May 2013 Executive Officer of the above-mentioned company December 2015 Senior Managing Director, Nippon Venture Capital Co., Ltd. August 2018 Senior Executive Managing Director, Innovation Network Corporation of Japan (now INCJ, Ltd.) June 2020 Member of the Board of INCJ, Ltd. December 2020 Joined Japan Platform of Industrial Transformation, Inc. Managing Executive Officer (current post) March 2022 Director, Renewable Japan Co., Ltd. (current post) December 2024 Director, Full-time Audit & Supervisory Committee Member of the Company (current post)	(Note 4)	-

Director (Audit & Supervisory Committee Member)	Tsuyoshi Hirayama	Born on August 1, 1980	April 2004	Joined Pyramid Film Inc.	(Note 4)	-
			June 2007	Joined Deloitte Touche Tohmatsu (now Deloitte Touche Tohmatsu LLC)		
			December 2009	Registered as a certified public accountant		
			December 2009	Registered as an attorney		
			December 2009	Established Tsuyoshi Hirayama Certified Public Accountant Office, Representative (current post)		
			January 2010	Joined Ito & Mitomi (now Morrison & Foerster LLP)		
			October 2012	Director, OMOROKI, INC. (current post)		
			March 2015	Established Tairaka Law Offices, Representative (current post)		
			April 2015	Part-time Lecturer of Faculty of Policy Management, Keio University		
			June 2017	Outside Director, VLC HOLDINGS CO., LTD.		
			September 2018	Outside Auditor, freee K.K.		
			June 2019	Auditor, VLC HOLDINGS CO., LTD. (current post)		
			June 2020	Outside Auditor, SOCIALWIRE CO., LTD. (current post)		
			December 2024	Director, Audit & Supervisory Committee Member of the Company (current post)		

Title	Name	Date of birth	Career history	Term of office	Number of shares held (shares)
Director (Audit & Supervisory Committee Member)	German Alcayde Fort	Born on August 20, 1980	November 2001 AC HotelsAC by Marriott January 2003 Arval (BNP PARIBAS) January 2006 Michael Page International Spain November 2006 Signium International May 2011 Member at the Madrid Parliament July 2011 General Manager of Education of the Madrid Government October 2011 Chief of Staff to the Former President of the Spanish Government Jose María Aznar December 2015 Executive Chairman of Atlantic Business Consulting (current post) October 2019 Advisor of the law Firm Latham & Watkins (current post) November 2020 CEO of HVR Energy (current post) July 2023 Member of the advisory board of Zerintia Healthtech (current post) October 2023 General Manager of Atlantic Institute of Government (current post) January 2024 Executive Chairman of AbsorbeCo2 January 2024 Executive Chairman of Atlantic Business Consulting (current post) December 2024 Director, Audit & Supervisory Committee Member of the Company (current post)	(Note 4)	-
Total					-

- (Notes) 1. As a result of the resolution to revise the Articles of Incorporation at the Extraordinary General Meeting of Shareholders held on December 19, 2024, the Company transitioned to a Company with Audit & Supervisory Committee as of the same date.
2. Tsuyoshi Hirayama and German Alcayde Fort are outside directors and have been designated as independent directors as stipulated by the Tokyo Stock Exchange and registered with the Exchange.
3. The term of office of directors who are not Audit & Supervisory Committee Members shall begin at the close of the Ordinary General Meeting of Shareholders for the fiscal year ending March 31, 2025 and end at the close of the Ordinary General Meeting of Shareholders for the last fiscal year ending within one year after their election.
4. The term of office of Audit & Supervisory Committee Members shall begin at the close of the Extraordinary General Meeting of Shareholders held on December 19, 2024 and end at the close of the Ordinary General Meeting of Shareholders relating to the last fiscal year ending within two years after their election.
5. As of November 18, 2024, Shinichi Iwata, Representative Director, Vice President CFO and COO, resigned as Representative Director, and at the close of the Extraordinary General Meeting of Shareholders held on December 19, 2024, his term of office expired and he resigned as Director.
6. At the close of the Extraordinary General Meeting of Shareholders held on December 19, 2024, Directors Daisuke Katano, Christian Pablo Cafatti Cuevas, Kohki Sakata and Yuki Uchiyama, and Corporate Auditors Akira Tashiro, Daisuke Yokoyama and Izumi Nishio retired from their positions due to expiration of their terms.

(ii) Outside Directors and Other Officers

As of the date of submission of the Annual Securities Report, the Company has two outside directors who serve as Audit & Supervisory Committee Members. The Company believes that outside directors play a function and role in contributing to the strengthening and enhancement of the Company's corporate governance by providing objective and neutral advice and supervising the performance of duties by inside directors based on their deep professional insight.

The Company's two outside directors who serve as Audit Committee Members are Tsuyoshi Hirayama and German Alcayde Fort.

Tsuyoshi Hirayama has abundant experience and broad insight in the legal and financial accounting fields gained through his legal and accounting auditing experience, as well as extensive experience as an outside director of other listed companies. We expect that he will make the best use of these experiences in governance, risk management, etc. of the Company.

As of the date of submission of the securities report, Tsuyoshi Hirayama is a corporate auditor of VLC HOLDINGS CO., LTD. (VLC). While VLC holds 515,000 shares of common stock of the Company. Ltd., and the Company and VLC have mutual consignment arrangements, he has no direct interest in the Company. He also serves as the representative of Tsuyoshi Hirayama Certified Public Accountant Office, an outside auditor of SOCIALWIRE Co., Ltd., the representative of Tairaka Law Offices, and a director of OMOROKI, INC., yet the Company does not have any special relationships with him as an individual and these four companies.

German Alcayde Fort has held executive positions in multinational corporations and other companies, as well as important positions in public organizations. We have appointed him as an outside director in the expectation that he will apply his wealth of global experience and broad insight to the global expansion of our Group.

German Alcayde Fort is a Partner at the law firm Latham & Watkins, CEO of HVR Energy, Member of the advisory board of Zerintia Healthtech, General Manager of the Atlantic. He is also General Manager of the Institute of Government and Executive Chairman of Atlantic Business Consulting. There is no special relationship between the individual, the law firm Latham & Watkins, HVR Energy, Zerintia Healthtech, the Atlantic Institute of Government, or Atlantic Business Consulting and the Company.

Other than the above, there are no personal, capital, business, or other interests between the outside directors and the Company.

Although the Company has no specific criteria or policies regarding the independence of outside directors, we refer to the criteria set forth by Tokyo Stock Exchange, Inc. regarding independence, and we appoint outside directors who are not likely to cause conflicts of interest with general shareholders, and we recognize that the Company has secured management independence.

(iii) Relationship between supervision or auditing by outside directors who are members of the Audit & Supervisory Committee and internal audits, audits by directors who are members of the Audit & Supervisory Committee, and accounting audits, and relationship with the internal control division

The internal auditor conducts internal audits based on the internal audit plan approved by Representative Director, reports the audit results to Representative Director, makes suggestions to the audited department for improvement of operations, etc., and confirms the status of improvement at a later date.

Audit & Supervisory Committee Members, led by the full-time Audit & Supervisory Committee Member, conduct systematic and exhaustive audits. In addition to attending and expressing opinions at meetings of the Board of Directors and other important meetings, Audit & Supervisory Committee Members conducts audit by interviewing directors and inspecting important approval documents and other documents.

Audit & Supervisory Committee Members and internal auditor work together on a daily basis to share information and promote effective and efficient audits.

In addition, Audit & Supervisory Committee Members and internal auditor meet with the audit firm on a regular basis and, as necessary, exchange opinions and confirm the status of improvement of matters pointed out from time to time.

(3) [Audit]

(i) Status of audits by the Audit & Supervisory Committee

A. Organization, Personnel and Procedures of the Audit & Supervisory Committee Organization, Personnel and Procedures of the Audit & Supervisory Committee

At the Extraordinary General Meeting of Shareholders held on December 19, 2024, a resolution was passed to amend the Company's Articles of Incorporation for the purpose of transitioning to a Company with Audit & Supervisory Committee. As a result, the Company transitioned from a Company with Board of Corporate Auditors to a Company with Audit & Supervisory Committee as of the same date. The Audit & Supervisory Committee consists of one full-time Audit & Supervisory Committee Member and two outside directors who serve as Audit & Supervisory Committee Members. Tsuyoshi Hirayama, Outside Director who serves as Audit & Supervisory Committee Member, has abundant experience and broad insight in the legal and financial accounting fields gained through his legal and accounting auditing work, as well as extensive experience as an outside officer of other listed companies, and therefore has considerable knowledge of legal and law, finance and accounting matters.

B. Activities of the Audit & Supervisory Committee and its Members

A total of 12 meetings of the Board of Corporate Auditors were held during the fiscal year under review prior to the transition to a Company with Audit & Supervisory Committee, and the attendance of individual Corporate Auditors is as follows.

Category	Name	Attendance at Board of Corporate Auditors Meetings
Full-time Corporate Auditor	Akira Tashiro	12 out of 12 total
Part-time Corporate Auditor	Daisuke Yokoyama	12 out of 12 total
Part-time Corporate Auditor	Shun Ishizaki	4 out of 5 total
Part-time Corporate Auditor	Izumi Nishio	7 out of 7 total

(Note) 1. The Board of Corporate Auditors consisted of one full-time and two part-time Corporate Auditors, all of whom were Outside Corporate Auditors.

2. Daisuke Yokoyama is a certified public accountant and has considerable knowledge of finance and accounting.

3. Shun Ishizaki resigned at the close of the 24th Ordinary General Meeting of Shareholders held on June 27, 2024, and the attendance at the Board of Corporate Auditors meetings held prior to his resignation is shown.

4. Izumi Nishio was newly elected as Corporate Auditor at the 24th Ordinary General Meeting of Shareholders held on June 27, 2024, and the following table shows her attendance at the meetings of the Board of Corporate Auditors held after her appointment until December 19, 2024.

Since the transition to a Company with Audit & Supervisory Committee (at the close of the Extraordinary General Meeting of Shareholders held on December 19, 2024) through May 31, 2025 (the end of the month prior to the Ordinary General Meeting of Shareholders for the fiscal year ending March 31, 2025), the Audit & Supervisory Committee has met a total of two times, and the attendance of individual Audit & Supervisory Committee Members is as follows:

Category	Name	Attendance at Audit & Supervisory Committee meetings
Full-time Audit & Supervisory Committee Member	Shigeyuki Tsuchida	2 out of 2 total
Audit & Supervisory Committee Member (Outside)	Tsuyoshi Hirayama	2 out of 2 total
Audit & Supervisory Committee Member (Outside)	German Alcayde Fort	2 out of 2 total

The specific issues considered by the Audit & Supervisory Committee and its members mainly include the audit policy and audit implementation plan, the status of development and operation of the internal control system, and the appropriateness of the accounting auditor's audit methods and results. Full-time Audit & Supervisory Committee Member attends meetings of the Board of Directors and other important meetings to express his/her opinions, and audits the status of business execution by directors by inspecting important approval documents. Each Audit & Supervisory Committee Member conducts audits in accordance with the audit plan, and in principle, the Audit & Supervisory Committee meets once every two months, and Extraordinary Audit & Supervisory Committee meetings are held as necessary. In addition, the Committee holds regular meetings with an internal auditor and an accounting auditor to share information and ensure mutual cooperation.

(ii) Internal Audits

The Company has established Internal Audit Office (one staff member) which directly reports to President and Representative Director. The internal auditor conducts internal audits based on the internal audit plan approved by Representative Director for the purpose of ensuring the effectiveness and efficiency of operations, etc., and reports audit results to Representative Director, as well as makes suggestions to audited departments for improvement of operations, among others, and checks the status of improvement at a later date. The internal auditor holds regular meetings with the Audit & Supervisory Committee and the accounting auditor to share information necessary for audits and to ensure mutual cooperation.

(iii) Status of accounting audit

A. Name of the Audit Firm

Amaterasu Limited Liability Audit Company

B Continuous Audit Period

1 year

C. Certified Public Accountants who performed services

Designated and Engagement Partner Keishi Mishima
Designated and Engagement Partner Satoshi Fukudome

D. Composition of assistants for audit work

The Company's assistants for accounting audit services are three certified public accountants.

E. Policy and reasons for selecting an audit firm

The Audit & Supervisory Committee nominated Amaterasu Limited Liability Audit Company (Amaterasu LLC) as a candidate for the position of accounting auditor because the Audit & Supervisory Committee judged the firm to be suitable after comprehensively considering and examining the firm's independence and expertise as an accounting auditor, its understanding of the business fields in which the Company operates, and its compensation.

If the Audit & Supervisory Committee determines that there is a problem with the performance of duties by the accounting auditor or that it is otherwise necessary, it will decide on a proposal for the dismissal or non-reappointment of the accounting auditor, and the Board of Directors will submit such proposal to the General Meeting of Shareholders in accordance with such decision.

In addition, the Audit & Supervisory Committee will dismiss the accounting auditor with the unanimous consent of the Audit & Supervisory Committee Members if the accounting auditor is deemed to fall under any of the items of Article 340, Paragraph 1 of the Companies Act. In this case, an Audit & Supervisory Committee Member selected by the Audit & Supervisory Committee will report the dismissal of the accounting auditor and the reasons for the dismissal at the first General Meeting of Shareholders convened after the dismissal.

F. The evaluation of the audit firm by the Audit & Supervisory Committee and its Members

The members of the Audit & Supervisory Committee and the Audit & Supervisory Committee evaluate the accounting auditors. For this evaluation, they monitored and verified whether the accounting auditors maintained their independence and conducted appropriate audits, received reports from the accounting auditors on the status of the performance of their duties, and were informed that "systems to ensure that duties are performed appropriately" (matters listed in each item of Article 131 of the Corporate Calculation Regulations) had been established in accordance with the "Quality Control Standards for Audits" (Business Accounting Council, October 28, 2005) and other relevant standards, and requested explanations as necessary. As a result, they assessed that there were no problems with the performance of duties by the accounting auditor and decided to reappoint Amaterasu LLC.

Amaterasu LLC was newly appointed as the Company's accounting auditor at the 24th Ordinary General Meeting of Shareholders held on June 27, 2024. For the reason for selecting this audit firm, please refer to the information in the Extraordinary Report described in "G. Change in Audit Firm."

G. Change in audit firm

In accordance with the resolution to appoint an accounting auditor at the 24th Ordinary General Meeting of Shareholders held on June 27, 2024, the Company has changed its auditing firm as follows:

Year ending March 31, 2024 (consolidated and non-consolidated): PwC Japan LLC

Year ending March 31, 2025 (consolidated and non-consolidated): Amaterasu LLC

The matters described in the extraordinary report are as follows:

(1) Name of the auditing certified public accountant, etc. pertaining to the transfer

(i) Name of the auditing certified public accountant, etc. to be appointed

Amaterasu Limited Liability Audit Company

(ii) Name of the retiring auditing certified public accountant, etc.

PwC Japan LLC

(2) Date of transfer

June 27, 2024

(3) Date when the retiring auditing certified public accountant became an auditing certified public accountant, etc.

June 27, 2018

(4) Matters concerning opinions, etc. in audit reports, etc. prepared by the retiring auditing certified public accountant, etc. for the most recent three years

Not applicable.

(5) Reasons and circumstances leading to the decision or transfer

The term of office of PwC Japan LLC, the Company's accounting auditor, expires at the close of the 24th Ordinary General Meeting of Shareholders scheduled to be held on June 27, 2024. However, after comprehensive consideration of the current accounting auditor in terms of expertise, independence, audit quality, appropriateness of the audit plan and audit system, and audit costs as an accounting auditor appropriate for the scale of our business, we have decided to appoint Amaterasu LLC as the accounting auditor of the Company.

(6) Opinion on the reasons and background of (5) above

(1) Opinion of the retiring auditing certified public accountant, etc.

We have received a response stating that there are no special comments.

(2) Opinion of the Board of Corporate Auditors

The Board believes that this is appropriate.

(iv) Details of audit fees, etc.

A. Compensation to auditing certified public accountant, etc.

Category	Previous consolidated fiscal year		Current consolidated fiscal year	
	Compensation based on audit attestation services (thousands of yen)	Compensation for non-audit services (thousands of yen)	Compensation based on audit attestation services (thousands of yen)	Compensation for non-audit services (thousands of yen)
Reporting company	24,000	-	30,000	-
Consolidated subsidiaries	-	-	-	-
Total	24,000	-	30,000	-

B. Compensation to organizations belonging to the same network as the auditing certified public accountant, etc.

(excluding A above).

Category	Previous consolidated fiscal year		Current consolidated fiscal year	
	Compensation based on audit attestation services (thousands of yen)	Compensation for non-audit services (thousands of yen)	Compensation based on audit attestation services (thousands of yen)	Compensation for non-audit services (thousands of yen)
Reporting company	-	1,236	-	-
Consolidated subsidiaries	2,976	-	-	-
Total	2,976	1,236	-	-

(Note) PwC is an organization belonging to the same network as the auditing certified public accountants, etc. in the previous fiscal year. Non-audit services in the previous fiscal year included tax advisory services.

C. Details of fees based on other important audit attestation services

(Previous consolidated fiscal year)

Not applicable.

(Current consolidated fiscal year)

Not applicable.

D. Policy for determining audit fees

The Company's policy for determining audit fees for auditing certified public accountants, etc., is to confirm the details of the audit fee estimate (number of persons and number of days involved in the audit work, etc.) before making a decision.

E. Reasons for the Audit & Supervisory Committee's Consent to the remuneration of the accounting auditor

The reason why the Audit & Supervisory Committee of the Company gave its consent to the fees, etc. to the accounting auditor in accordance with Article 399, Paragraph 1 of the Companies Act is that the Committee has reviewed the actual audit time by audit item and by audit level and the amount of fees in the audit plan for the past fiscal years and the status of the execution of duties by the accounting auditor, based on the "Practical Guidelines for Cooperation with Accounting Auditors" issued by the Japan Corporate Auditors Association. Consequently, we determined that the audit plan and remuneration amount for the current fiscal year are appropriate.

(4) [Directors Remuneration]

(i) Policy for determining directors' remuneration and its calculation method

The Company transitioned to a Company with Audit & Supervisory Committee by resolution of the Extraordinary General Meeting of Shareholders held on December 19, 2024.

The amount of remuneration for directors prior to the transition to a Company with Audit & Supervisory Committee was resolved at the Extraordinary General Meeting of Shareholders held on September 26, 2014 to be no more than 150,000 thousand yen per year (not including salaries for employees). As of the close of the said General Meeting of Shareholders, the number of directors was six (including one outside director). In addition, at the Extraordinary General Meeting of Shareholders held on September 26, 2014, it was resolved that the maximum annual remuneration for corporate auditors, prior to the transition to a Company with Audit & Supervisory Committee, would be 50,000 thousand yen. The number of corporate auditors as of the close of the said General Meeting of Shareholders was three.

At the 19th Ordinary General Meeting of Shareholders held on June 27, 2019, a resolution was passed to introduce a restricted stock-based compensation plan, separate from the above compensation plan, for the purpose of providing directors (excluding outside directors) with incentives to continuously improve the Company's corporate value and to promote further value sharing with shareholders. The maximum total annual amount of such compensation was 80,000 thousand yen. In addition, at the 22nd Ordinary General Meeting of Shareholders held on June 28, 2022, a resolution was passed to issue stock-based compensation-type stock options, setting the amount to be paid upon exercise of each share acquisition right at 1 yen per share, which is separate from the above compensation, for the purpose of promoting sound management of the Company group by increasing the incentive to improve corporate value through sharing with shareholders not only the benefits of share price rises but also the risks associated with share price falls by the Company's directors (excluding outside directors). The maximum annual amount of remuneration was set at 130,000 thousand yen.

The maximum annual amount of monetary remuneration for directors after the transition to a Company with Audit & Supervisory Committee (excluding members of the Audit Committee; "Subject Directors") was resolved at the Extraordinary General Meeting of Shareholders held on December 19, 2024 to be 150,000 thousand yen (not including salaries for employees). The number of Subject Directors at the close of the said General Meeting of Shareholders was three. Separately from the above annual remuneration, the Extraordinary General Meeting of Shareholders held on December 19, 2024 resolved that the total amount of monetary remuneration claims for the grant of restricted stock to the Subject Directors shall not exceed 80,000 thousand yen per year and the total number of the Company's common shares issued or disposed of by the Company under this plan shall not exceed 120 thousand shares per year. The number of Subject Directors at the close of the said General Meeting of Shareholders was three.

The maximum annual amount of remuneration for directors who serve as Audit & Supervisory Committee Members was resolved at the Extraordinary General Meeting of Shareholders held on December 19, 2024 to be no more than 70,000 thousand yen. The number of directors who serve as Audit & Supervisory Committee Members as of the conclusion of the said General Meeting of Shareholders was three.

The Company's Board of Directors, at its meeting held on July 21, 2022, approved a policy for determining the details of remuneration for individual directors. The policy is as follows:

i. Basic Policy

The Company's basic policy is to link the remuneration of directors to shareholders' profits in order to fully function as an incentive to sustainably increase corporate value, and to set the remuneration of individual directors at an appropriate level based on their responsibilities.

ii. Policy for determining the amount of individual basic remuneration (monetary compensation) or its calculation method, including the policy for determining the timing and conditions of granting such compensation

The basic remuneration of the Company's directors shall be a monthly fixed remuneration, which shall be reviewed from time to time in consideration of the level of other companies, the Company's performance and contribution to performance, and the level of employee salaries, in accordance with their position and responsibilities, and in a comprehensive manner.

- iii. Policy for determining the amount of non-monetary compensation or its calculation method, including the policy for determining the timing and conditions of granting such compensation

For the purpose of providing incentives to sustainably increase corporate value and to further promote value sharing with shareholders, the Company will determine each year whether to issue restricted shares as non-monetary compensation, etc. to directors other than outside directors, taking into consideration business performance and social conditions. The amount of compensation equivalent to the amount paid for the restricted shares shall be determined in a comprehensive manner, taking into account their position and responsibilities, the levels at other companies, the Company's performance and individual contribution thereto, as well as employee salaries.

In addition, for the purpose of promoting sound management of the Group by raising the motivation and morale of directors, excluding outside directors, to improve the Company's performance and corporate value, and by increasing the incentive of directors to improve the corporate value of the Company by sharing with shareholders not only the benefits of a rise in the share price but also the risks associated with a decline in the share price, the Company shall determine whether to issue stock compensation-type stock options (share acquisition rights with an exercise price of ¥1) as non-monetary compensation to directors other than Outside Directors, taking into consideration business performance and social conditions. The amount of compensation equivalent to the amount to be paid in for stock compensation-type stock options shall be determined in a comprehensive manner, taking into account their position and responsibilities, the levels at other companies, the Company's performance and individual contribution thereto, as well as employee salaries.

- iv. Policy regarding determination of the amount of retirement benefits or the method of calculation thereof or the method of payment thereof (including policies regarding determination of the timing or conditions of granting retirement benefits)

Retirement benefits may be paid to retiring directors in accordance with a resolution of the General Meeting of Shareholders to reward their services during their term of office. The amount, method, and conditions of payment, if any, shall be determined in a comprehensive manner, taking into account their position and responsibilities, the levels at other companies, the Company's performance and individual contribution thereto, as well as employee salaries.

- v. Policy for determining the ratio of the amount of basic remuneration, performance-linked remuneration, or non-monetary remuneration to the total amount of remuneration for each individual director

The remuneration for each category of the Company's directors shall be determined in a comprehensive manner, taking into account their position and responsibilities, the levels at other companies, the Company's performance and individual contribution thereto, as well as employee salaries.

- vi. Matters concerning the determination of remuneration of individual directors

President and Representative Director shall propose specific details of the amount of compensation for each individual, which shall be approved by the Board of Directors.

The Company's Board of Directors has confirmed consistency between the method for determining the remuneration and the amount determined for each individual director for the fiscal year under review.

The amount of remuneration for directors who serve as Audit & Supervisory Committee Members is determined by consultation of the Audit & Supervisory Committee within the above-mentioned range of remuneration determined by resolution at the General Meeting of Shareholders.

- (ii) Total amount of remuneration by officer category, total amount of remuneration by type of remuneration and

number of officers subject to remuneration.

Executive category	Total amount of remuneration, etc. (thousand yen)	Total amount of remuneration, etc. by type (thousands of yen)				Number of officers covered (persons)
		Fixed remuneration	Restricted stock-based compensation	Stock option	Non-monetary compensation, etc., of the left	
Directors (excluding Audit & Supervisory Committee Members and Outside Directors)	110,210	97,683	9,999	2,527	12,526	6
Audit & Supervisory Committee Members (excluding Outside Directors)	3,000	3,000	-	-	-	1
(2) Corporate Auditors (excluding outside auditors).	-	-	-	-	-	-
Outside Directors and other outside officers	20,120	20,120	-	-	-	9

(Notes) 1. Based on the resolution of the Extraordinary General Meeting of Shareholders held on December 19, 2024, the Company transitioned to a Company with Audit & Supervisory Committee as of the close of the said Ordinary General Meeting of Shareholders.

- Remuneration for Directors (excluding Audit & Supervisory Committee Members and Outside Directors) includes amounts both before and after the above transition.
- The remuneration of Audit & Supervisory Committee Members (excluding Outside Directors) includes amounts after the above transition.
- Remuneration of Corporate Auditors (excluding Outside Corporate Auditors) includes amounts before the above transition.
- Remuneration of Outside Directors and Other Officers includes amounts both before and after the above transition.

2. As of the date of submission of this Annual Securities Report, there were three Directors (excluding Audit & Supervisory Committee Members and Outside Directors) and three Directors who were Audit & Supervisory Committee Members (including two Outside Directors). The above table includes one (outside) director (excluding members of the Audit & Supervisory Committee), one (outside) auditor, who retired on June 27, 2024, and five directors (excluding members of the Audit & Supervisory Committee) (including two outside directors) and corporate auditors (including three outside corporate auditors) who retired on December 19, 2024.

(iii) Total amount of remuneration of individuals whose total amount of remuneration is 100 million yen or more
Not applicable.

(iv) Significant employee salaries of officers concurrently serving as employees
Not applicable.

(5) [Shareholdings]

(i) Criteria and approach to classification of investment shares

The Company classifies its holdings into two categories: investment shares held for pure investment purposes and investment shares held for purposes other than pure investment, i.e., shares held for the purpose of earning profit from changes in the value of the shares or receipt of dividends, and other shares held for purposes other than pure investment.

(2) Investment shares held for purposes other than pure investment

A. Methods of verifying holding policies and rationale for holding shares and details of verification by the Board of

Directors regarding the appropriateness of holding individual shares

The Company holds shares of companies that it deems necessary for the purpose of maintaining business relationships and smoothly promoting business alliances. The Company evaluates the existence of business relationships and the progress of business alliances with these companies to make decisions regarding the continuation of investment in these stocks. It is the Company's policy to dispose of such investment shares without delay when business relationships or business alliances are terminated or when the Company determines that such shareholding has become ineffective.

B. Number of investment shares held for purposes other than pure investment and total amount on the balance sheet

	Number of Issues (issues)	Total amount reported on the balance sheet (thousand yen)
Unlisted shares	3	3,544
Shares other than unlisted shares	-	-

(Issues whose number of shares increased in the current fiscal year)

	Number of Issues (issues)	Total acquisition value related to increase in number of shares (thousand yen)	Reason for increase in number of shares
Unlisted shares	-	-	-
Shares other than unlisted shares	-	-	-

(Stocks whose number of shares decreased in the current fiscal year)

	Number of Issues (issues)	Total sale value related to decrease in number of shares (thousand yen)
Unlisted shares	-	-
Shares other than unlisted shares	-	-

5 [Status of Accounting]

1. Method of Preparation of Consolidated Financial Statements and Non-Consolidated Financial Statements

- (1) The consolidated financial statements of the Company are prepared in accordance with the "Regulations Concerning Terms, Forms and Preparation Methods of Consolidated Financial Statements" (Ministry of Finance Ordinance No. 28 of 1976).
- (2) The Company's financial statements are prepared in accordance with the "Regulations Concerning Terms, Forms and Preparation Method of Financial Statements" (Ministry of Finance Ordinance No. 59 of 1963, "Regulations for Financial Statements").

In addition, the Company falls under the category of a company submitting special financial statements and prepares its financial statements in accordance with Article 127 of the "Regulations for Financial Statements."

2. Audit certification

Pursuant to Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, the consolidated financial statements for the consolidated fiscal year (April 1, 2024 to March 31, 2025) and non-consolidated financial statements for the business year (April 1, 2024 to March 31, 2025) were audited by Amaterasu LLC.

The Company's auditing firm has been replaced as follows.

24th consolidated fiscal year: PwC Japan LLC

25th consolidated fiscal year Amaterasu LLC

3. Special measures to ensure the appropriateness of consolidated financial statements, etc.

The Company takes special measures to ensure the appropriateness of its consolidated financial statements. Specifically, for correct understand and appropriate responding to the accounting standards and the revisions, we are actively accumulating expertise and gathering information through the establishment of internal systems for appropriate financial reporting, participation in seminars, and other activities.

1 [Consolidated Financial Statements, etc.]

(1) [Consolidated Financial Statements]

(i) Consolidated Balance Sheet

(in thousands of yen)

	Previous consolidated fiscal year (March 31, 2024)	Current consolidated fiscal year (March 31, 2025)
ASSETS		
Current assets		
Cash and deposits	1,690,432	526,039
Notes, accounts receivable -trade, and contract assets	*1 646,601	*1 651,195
Merchandise and finished goods	62,462	60,131
Work in process	-	2,912
Income taxes refund receivable	70,958	67,285
Other	65,912	85,119
Allowance for loan losses	-	(880)
Total current assets	2,536,366	1,391,803
Non-current assets		
Property, plant and equipment		
Buildings and structures	26,639	20,699
Accumulated depreciation	(20,289)	(19,536)
Buildings and structures, net	6,350	1,162
Tools, furniture and fixtures	464,422	504,355
Accumulated depreciation	(87,073)	(99,174)
Tools, furniture and fixtures, net	377,348	405,181
Vehicles	-	2,060
Accumulated depreciation	-	(1,449)
Vehicles, net	-	611
Total property, plant and equipment	383,698	406,954
Intangible assets		
Goodwill	174,048	1,318,157
Software	450,731	1,290,739
Other	20,095	16,809
Total intangible assets	644,875	2,625,706
Investments and other assets		
Investment securities	*2 67,704	*2 49,326
Long-term loans receivable	16,359	8,671
Deferred tax assets	14,120	32,020
Insurance funds	65,067	13,409
Other	58,055	66,078
Total investments and other assets	221,307	169,506
Total non-current assets	1,249,882	3,202,167
Total assets	3,786,248	4,593,971

(in thousands of yen)

	Previous consolidated fiscal year (March 31, 2024)	Current consolidated fiscal year (March 31, 2025)
LIABILITIES		
Current liabilities		
Short-term borrowings	600,000	950,832
Current portion of long-term borrowings	258,276	192,540
Accounts payable	205,421	492,218
Accrued expenses	87,621	67,975
Income taxes payable	94,270	88,199
Accrued consumption taxes	22,688	38,767
Provision for bonuses	19,159	22,663
Other	*3 31,683	*3 24,245
Total current liabilities	1,319,121	1,877,443
Non-Current liabilities		
Long-term borrowings	379,830	226,745
Asset retirement obligations	11,807	9,000
Retirement benefit liability	-	19,787
Deferred tax liabilities	2,551	1,698
Other	90,313	59,141
Total non-current liabilities	484,502	316,373
Total liabilities	1,803,624	2,193,817
NET ASSETS		
Shareholders' equity		
Share Capital	1,868,479	1,912,113
Capital surplus	1,577,970	2,567,471
Retained earnings	(1,541,545)	(2,196,537)
Treasury stock	(3)	(50)
Total shareholders' equity	1,904,900	2,282,996
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,876	3,690
Foreign currency translation adjustment	3,404	27,984
Total accumulated other comprehensive income	9,281	31,674
Share acquisition rights	39,237	69,556
Non-controlling interests	29,206	15,926
Total net assets	1,982,624	2,400,153
Total liabilities and net assets	3,786,248	4,593,971

(ii) [Consolidated Statements of Income and Consolidated Statements of Comprehensive Income]
[Consolidated Statements of Income]

(in thousands of yen)

	Previous consolidated fiscal year (From April 1, 2023 to March 31, 2024)	Current consolidated fiscal year (From April 1, 2024 to March 31, 2025)
Net sales	2,229,281	2,942,635
Cost of sales	1,527,915	1,690,421
Gross profit	701,365	1,252,213
Selling, general and administrative expenses	*1 917,462	*1 1,748,215
Operating profit (loss)	(216,097)	(496,001)
Non-operating income		
Interest income	3,721	2,245
Dividend income	3,093	1,160
Gain on investments in silent partnerships	2,544	-
Subsidy income	-	17,833
Other	5,326	5,114
Total non-operating income	14,686	26,354
Non-operating expenses		
Interest expenses	11,656	41,454
Share of loss of entities accounted for using equity method	7,090	4,050
Foreign exchange losses	465	88,297
Loss on cancellation of insurance policies	-	6,372
Other	14,416	3,403
Total non-operating expenses	33,629	143,577
Ordinary profit (loss)	(235,040)	(613,224)
Extraordinary income		
Gain on sale of investment securities	-	5,658
Gain on sale of non-current assets	*2 3,323	-
Gain on reversal of share acquisition rights	9,434	5,021
Gain on bargain purchase	6,629	-
Gain on adjustment of accounts payable	-	6,024
Total extraordinary income	19,387	16,704
Extraordinary losses		
Impairment losses	*3 378,409	*3 24,700
Loss on retirement of non-current assets	-	*5 8,782
Bad debts expenses	*4 505,907	-
Total extraordinary losses	884,317	33,482
Profit/(Loss) before income taxes	(1,099,970)	(630,002)
Income taxes - current	45,494	39,524
Income taxes - deferred	113,175	(14,192)
Total income taxes	158,670	25,332
Profit/(Loss)	(1,258,640)	(655,335)
Profit/(Loss) attributable to non-controlling interests	3,055	(343)
Profit/(Loss) attributable to owners of parent	(1,261,695)	(654,991)

[Consolidated Statements of Comprehensive Income]

(in thousands of yen)

	Previous consolidated fiscal year (From April 1, 2023 to March 31, 2024)	Current consolidated fiscal year (From April 1, 2024 to March 31, 2025)
Profit/(Loss)	(1,258,640)	(655,335)
Other comprehensive income		
Valuation difference on available-for-sale securities	2,838	(2,186)
Foreign currency translation adjustment	(4,952)	25,585
Total other comprehensive income	* (2,113)	* 23,398
Comprehensive income	(1,260,754)	(631,936)
(Breakdown)		
Comprehensive income attributable to owners of parent	(1,264,445)	(632,598)
Comprehensive income attributable to non-controlling interests	3,690	661

(iii) [Consolidated Statement of Changes in Equity]

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

(in thousands of yen)

	Shareholders' equity				
	Share Capital	Capital surplus	Retained earnings	Treasury stock	Shareholders' equity Total
Balance at beginning of period	1,516,478	1,225,970	(287,953)	(3)	2,454,492
Changes during period					
Issuance of new shares	352,000	352,000			704,000
Profit/(Loss) attributable to owners of parent			(1,261,695)		(1,261,695)
Changes in retained earnings due to new consolidation			8,103		8,103
Changes in items other than shareholders' equity during period, net					
Total changes during period	352,000	352,000	(1,253,592)	-	(549,591)
Balance at end of period	1,868,479	1,577,970	(1,541,545)	(3)	1,904,900

(in thousands of yen)

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Other comprehensive income Accumulated total			
Balance at beginning of period	3,038	8,992	12,030	16,841	25,515	2,508,880
Changes during period						
Issuance of new shares						704,000
Profit/(Loss) attributable to owners of parent						(1,261,695)
Changes in retained earnings due to new consolidation						8,103
Changes in items other than shareholders' equity during period, net	2,838	(5,587)	(2,749)	22,395	3,690	23,336
Total changes during period	2,838	(5,587)	(2,749)	22,395	3,690	(526,255)
Balance at end of period	5,876	3,404	9,281	39,237	29,206	1,982,624

Current consolidated fiscal year (from April 1, 2024 to March 31, 2025)

(in thousands of yen)

	Shareholders' equity				
	Share Capital	Capital surplus	Retained earnings	Treasury stock	Shareholders' equity Total
Balance at beginning of period	1,868,479	1,577,970	(1,541,545)	(3)	1,904,900
Changes during period					
Issuance of new shares	43,633	43,633			87,267
Restricted stock-based compensation		9,999			9,999
Profit/(Loss) attributable to owners of parent			(654,991)		(654,991)
Changes due to business combinations		935,867			935,867
Purchase of treasury stock				(46)	(46)
Changes in items other than shareholders' equity during period, net					
Total changes during period	43,633	989,500	(654,991)	(46)	378,096
Balance at end of period	1,912,113	2,567,471	(2,196,537)	(50)	2,282,996

(in thousands of yen)

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Other comprehensive income Accumulated total			
Balance at beginning of period	5,876	3,404	9,281	39,237	29,206	1,982,624
Changes during period						
Issuance of new shares						87,267
Restricted stock-based compensation						9,999
Profit/(Loss) attributable to owners of parent						(654,991)
Changes due to business combinations						935,867
Purchase of treasury stock						(46)
Changes in items other than shareholders' equity during period, net	(2,186)	24,579	22,392	30,319	(13,279)	39,432
Total changes during period	(2,186)	24,579	22,392	30,319	(13,279)	417,528
Balance at end of period	3,690	27,984	31,674	69,556	15,926	2,400,153

(iv) [Consolidated Statements of Cash Flows]

(in thousands of yen)

	Previous consolidated fiscal year (From April 1, 2023 to March 31, 2024)	Current consolidated fiscal year (From April 1, 2024 to March 31, 2025)
Cash Flows from Operating Activities		
Profit/(Loss) before income taxes	(1,099,970)	(630,002)
Depreciation	167,274	176,506
Impairment losses	378,409	24,700
Bad debts expenses	505,907	-
Gain on reversal of share acquisition rights	(9,434)	(5,021)
Gain on adjustment of accounts payable	-	(6,024)
Amortization of Goodwill	47,136	96,796
Gain on bargain purchase	(6,629)	-
Interest received and dividends received	(6,815)	(3,406)
Interest expenses	11,656	41,454
Share of loss (profit) of entities accounted for using equity method	7,090	4,050
Foreign exchange losses (gains)	465	88,297
Loss (gain) on investments in silent partnerships	(2,180)	-
Loss (gain) on sales of non-current assets	(3,323)	-
Loss on retirement of non-current assets	-	8,782
Loss (gain) on sale of investment securities	-	(5,658)
Decrease (increase) in trade receivables	(58,263)	66,530
Decrease (increase) in inventories	31,670	7,440
Increase (decrease) in accounts payable and accrued expenses	37,572	236,802
Other	371,999	(113,722)
Subtotal	372,566	(12,475)
Interest and dividends received	6,814	3,406
Interest paid	(11,656)	(40,899)
Income taxes paid	(34,120)	(33,440)
Cash Flows from Operating Activities	333,604	(83,408)
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(536,773)	(94,023)
Proceeds from sale of property, plant and equipment	16,860	-
Purchase of intangible assets	(157,583)	(927,555)
Proceeds from sale of investment securities	-	29,487
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	*2 (248,283)
Purchase of shares of subsidiaries and associates	-	(1,934)
Loan advances	(33,612)	(13,032)
Purchase of insurance funds	-	(27,331)
Proceeds from cancellation of insurance funds	152,965	72,854
Proceeds from withdrawal of investments in silent partnership	2,180	-
Other	(13,301)	17,082
Cash Flows from Investing Activities	(569,264)	(1,192,735)
Cash Flows from Financing Activities		
Proceeds from long-term borrowings	135,652	-
Repayments of long-term borrowings	(504,455)	(251,548)
Increase (decrease) in short-term borrowings	86,533	351,575
Proceeds from issuance of shares	704,000	-
Proceeds from issuance of shares through exercise of share acquisition rights	-	87,267
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(38,774)	(23,697)
Purchase of treasury shares	-	(46)
Cash Flows from Financing Activities	382,956	163,550

Effect of exchange rate change on cash and cash equivalents	85,440	(41,798)
Net increase (decrease) in cash and cash equivalents	232,737	(1,154,391)
Cash and cash equivalents at beginning of period	1,415,253	1,659,429
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	11,438	-
Cash and cash equivalents at end of period	*1 1,659,429	*1 505,038

[Notes]

(Basis of Presenting Consolidated Financial Statements)

1. Scope of Consolidation

(1) Number of consolidated subsidiaries: 9

Names of principal consolidated subsidiaries

solid intelligence Inc.

d-ss. inc.

MSS Inc.

Jach Technology SpA

Alianza FollowUP S.A.S.

Intelligenxia S.A.

FollowUP Peru S.A.C

FollowUP Customer Experience S.L.

Alianza FollowUP Panamá S.A

Since MSS became a wholly owned subsidiary through a share acquisition and share exchange on July 1, 2024, these companies are included in consolidated subsidiaries from the current consolidated fiscal year.

(ii) Names of principal unconsolidated subsidiaries

There are no major unconsolidated subsidiaries that should be noted.

2. Application of equity method

(1) Number of companies to which the equity method was applied and names of major companies, etc.

- Number of non-consolidated subsidiaries accounted for by the equity method: 0
- Number of affiliates to which the equity method was applied: 1
- Name of affiliated company: Japan Data Exchange, Inc.

(2) Names of major unconsolidated subsidiaries not accounted for by the equity method

There are no major unconsolidated subsidiaries not accounted for by the equity method that should be noted.

3. Matters concerning fiscal year of consolidated subsidiaries

The fiscal year of consolidated subsidiaries Jach Technology SpA, Alianza FollowUP S.A.S., Intelligenxia S.A., FollowUP Peru S.A.C., FollowUP Customer Experience S.L. and Alianza FollowUP Panamá S.A. ends on December 31.

In cases where the difference between the fiscal year end of a consolidated subsidiary and the consolidated fiscal year end does not exceed three months, the financial statements of such a subsidiary as of its fiscal year end are used, and adjustments necessary for consolidation are made for significant transactions that occurred between the fiscal year end of the subsidiary and the consolidated fiscal year end.

4. Matters concerning accounting policies

(1) Valuation standards and methods for securities

Available-for-sale securities

Shares that do not have a market value

Stated at cost determined by the moving-average cost method.

Investments in silent partnerships are accounted for based on the most recent financial statements available according to the financial reporting date stipulated in the partnership agreement, and the amount equivalent to the equity interest is included as a net amount.

(2) Valuation standards and methods for inventories

Merchandise and finished goods, work in process

Stated at cost based on the first-in, first-out method (the amount on the balance sheet is calculated by writing down the book value based on a decline in profitability)

(3) Depreciation and amortization methods for non-current assets

A. Property, plant and equipment

The Company and its domestic consolidated subsidiaries apply the declining-balance method.

However, buildings (excluding building fixtures) acquired on April 1, 1998 or later and building fixtures and structures acquired on April 1, 2016 or later are depreciated applying the straight-line method.

Overseas consolidated subsidiaries apply the straight-line method.

The main useful lives are as follows:

Buildings and structures 4-28 years

Tools, furniture and fixtures 3-15 years

Vehicles 6 years

B. Intangible fixed assets

The straight-line method is applied.

Software for internal use is depreciated over the estimated useful life (3-6 years).

(4) Basis for allowances

Allowance for loan losses

To prepare for possible losses from notes, accounts receivable and other receivables, an allowance for doubtful accounts is provided for the estimated uncollectible amount based on the historical write-off ratio for general receivables and on a case-by-case determination of collectibility for specific receivables such as doubtful receivables.

Provision for bonuses

To prepare for payments of employee bonuses, an allowance is provided based on the estimated amount of payments.

(5) Standards for recognition of significant revenues and expenses

The following are the details of performance obligations in the Company and its consolidated subsidiaries' principal operations relating to revenue from contracts with customers and the normal timing at which such performance obligations are satisfied (the normal timing at which revenue is recognized):

Revenue is measured at the transaction price related to the contract with the customer, and there are no significant variable consideration amounts, etc. In addition, there is no significant financial element included in the amount of consideration promised.

B. Retail marketing business

In the retail marketing business, the Company provides SaaS-type services in the retail sector that utilize the Group's proprietary analytical tools. In this service, the Company identifies the provision of services related to the installation of AI cameras and other equipment and the subsequent provision of services as performance obligations under the contract with the customer.

Revenues from services provided for the installation of AI cameras, etc. are recognized at the time of completion of the installation. For the subsequent provision of services, the performance obligations are deemed to be satisfied over time as the services are provided to the customer in accordance with the contract, and revenues are recognized on a pro-rata basis over the contract period in which the performance obligations are satisfied.

B. Data analysis solutions business

In the data analysis solutions business, the Company mainly provides contracted system development and operational support for customers, services utilizing social listening analysis tools, and consulting services.

For contracted system development and consulting services, the Company recognizes revenues over a period of time as it satisfies its performance obligations. The percentage of completion for the fulfillment of performance obligations is estimated primarily by the input method based on the cost incurred. For service contracts with a very short period of time from the date of inception of the transaction to the point in time when the performance obligations are expected to be fully satisfied, revenues are not recognized over a certain period of time, but are recognized when the

performance obligations are fully satisfied.

With respect to the system operation support and the provision of services using social listening analysis tools, the performance obligations are deemed to be satisfied over time as the services are provided to the customer in accordance with the contract, and revenues are recognized on a pro-rata basis over the contract period in which the performance obligations are satisfied.

(6) Standards for translating significant assets or liabilities that are in a foreign currency into Japanese currency

Monetary receivables and payables denominated in foreign currencies are translated into yen at the spot exchange rate prevailing at the consolidated balance sheet date, with translation differences recognized as gains or losses. Assets and liabilities of overseas subsidiaries are translated into yen at the spot exchange rate on the consolidated balance sheet date, while revenues and expenses are translated into yen at the average exchange rate during the period, with translation differences included in the foreign currency translation adjustments and noncontrolling interests in net assets.

(7) Amortization method and amortization period of goodwill

Goodwill is amortized by the straight-line method over a period of 10 to 15 years, based on a reasonable estimate of the period over which the goodwill will be effective.

(8) Accounting for retirement benefits

The liabilities for retirement benefits and retirement benefit expenses are calculated applying the simplified method, whereby the amount payable at the end of the fiscal year is considered to be the liability for retirement benefits.

(9) Scope of funds reported on the consolidated cash flow statement

Cash and cash equivalents consist of cash on hand, deposits that can be withdrawn on demand, and short-term investments with maturities of three months or less at the time of acquisition that are readily convertible into cash and are exposed to insignificant risk of changes in value.

(Significant accounting estimates)

Valuation of goodwill

(1) Amount recorded in the consolidated financial statements for the current consolidated fiscal year
(in thousands of yen)

	Previous consolidated fiscal year	Current consolidated fiscal year
Goodwill	174,048	1,318,157

(2) Information on significant accounting estimates for identified items

1,180,065 thousand yen of the above goodwill recorded in the current consolidated fiscal year is the unamortized balance of goodwill identified as excess earning power of MSS Inc., which became a consolidated subsidiary in the current consolidated fiscal year.

The Company monitors the achievement of MSS Inc.'s business plan mainly to identify signs of impairment, and if there are signs of impairment, the Company determines whether or not to recognize an impairment loss.

If this assessment finds that an impairment loss must be recognized, the carrying amount of the asset is reduced to its recoverable amount and the amount of the reduction is recognized as an impairment loss. The Company has determined that there is no indication of impairment of goodwill in the current consolidated fiscal year.

Estimated impairment loss on non-current assets

(1) Amount recorded in the consolidated financial statements for the current consolidated fiscal year
(in thousands of yen)

	Previous consolidated fiscal year	Current consolidated fiscal year
Property, plant and equipment	383,698	406,954
Intangible assets	644,875	2,625,706
Impairment losses	378,409	24,700

(2) Information on significant accounting estimates for identified items

The Group groups its business assets by the smallest unit that generates generally independent cash flows, using the management accounting classification units based on services, etc. as the grouping units. For an asset group that has been determined to be impaired, the Company determines that an impairment loss is recognized if the total undiscounted future cash flows from the asset group are less than the carrying amount of the asset. For an asset group that has been determined to recognize an impairment loss, the carrying amount was reduced to the recoverable amount, and the amount of the reduction was recognized as an impairment loss. The recoverable amount is based on the value in use.

Undiscounted future cash flows are calculated based on the business plan approved by the Board of Directors, taking into account the business environment and demand trends. Such business plan includes significant assumptions regarding future sales by business, cost of sales such as labor and outsourcing costs, and expected incurrence of selling, general and administrative expenses. If changes in the business environment or demand trends necessitate a revision of the assumptions used in these estimates, an impairment loss may be recorded in the next consolidated fiscal year.

Please refer to Notes to Consolidated Statements of Income for impairment losses recorded in the previous and current consolidated fiscal years.

(Change in accounting policy)

The Company has applied the Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, October 28, 2022) ("2022 Revised Accounting Standard") and other standards from the beginning of the current consolidated fiscal year.

The revisions to the classification of income taxes (taxation on other comprehensive income) are in accordance with the transitional treatments prescribed in the proviso of Paragraph 20-3 of the 2022 Revised Accounting Standard and the proviso of Paragraph 65-2 (2) of the Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022) (the "2022 Revised Guidance"). There is no effect of this change in the accounting policy on the consolidated financial statements.

In addition, the Company has applied the 2022 Revised Guidance from the beginning of the current consolidated fiscal year for revisions related to the treatment of consolidated financial statements when gains or losses on the sale of subsidiary shares among consolidated companies are deferred for tax purposes. The change in the accounting policy has been applied retrospectively, and the consolidated financial statements for the previous fiscal year have been adjusted retrospectively. There is no effect of this change in the accounting policy on the consolidated financial statements for the previous fiscal year.

(Unapplied accounting standards, etc.)

- "Accounting Standard for Leases" (ASBJ Statement No. 34, September 13, 2024)
- The "Guidance on Accounting Standard for Leases" (ASBJ Guidance No. 33, September 13, 2024, Accounting Standards Board of Japan), etc.

(1) Overview:

As part of its efforts to align Japanese standards with international practice, the ASBJ developed a new lease standard requiring lessees to recognize assets and liabilities for all leases, taking into account IFRS and other global approaches. The standard is based on the single accounting model of IFRS 16, but incorporates only its major provisions, thereby achieving simplicity and convenience while ensuring that, when applied to separate financial statements, essentially no modifications are required. For the accounting treatment of lessees, a single model, consistent with IFRS 16, shall be applied. Under this model, all leases, whether finance or operating, are accounted for by recognizing depreciation of the right-of-use asset and interest expense on the lease liability.

(2) Scheduled date of application

Effective from the beginning of the fiscal year ending March 31, 2028.

(3) Effect of Application of the said Accounting Standards

The Company is currently evaluating the impact of the application of the "Accounting Standard for Leases" and other related accounting standards on its consolidated financial statements.

(Notes to Consolidated Balance Sheets)

- *1. The following are notes receivable, accounts receivable, and contract assets arising from contracts with customers are as follows:

	Previous consolidated fiscal year (March 31, 2024)	Current consolidated fiscal year (March 31, 2025)
Accounts receivable - trade	638,876 thousand yen	646,913 thousand yen
contract assets	7,724	4,281

- *2 The following are items related to non-consolidated subsidiaries and affiliates:

	Previous consolidated fiscal year (March 31, 2024)	Current consolidated fiscal year (March 31, 2025)
Investment securities	16,009 thousand yen	13,893 thousand yen

*3 Contract liabilities

The following are contract liabilities included in "Other" under current liabilities:

	Previous consolidated fiscal year (March 31, 2024)	Current consolidated fiscal year (March 31, 2025)
Contract liabilities	2,128 thousand yen	3,613 thousand yen

(Notes to Consolidated Statements of Income)

- *1. The major items and amounts of selling, general and administrative expenses are as follows:

	Previous consolidated fiscal year (From April 1, 2023 to March 31, 2024)	Current consolidated fiscal year (From April 1, 2024 to March 31, 2025)
Remuneration for directors (and other officers)	125,123 thousand yen	179,695 thousand yen
Salaries and allowances	311,477	619,017
Retirement benefit expenses	-	2,579
Amortization of Goodwill	47,136	96,796
Outsourcing expenses	97,636	243,579

Provision of allowance for doubtful accounts

-

7,279

*2. The following are breakdown of gain on sale of non-current assets:

	Previous consolidated fiscal year (From April 1, 2023 to March 31, 2024)	Current consolidated fiscal year (From April 1, 2024 to March 31, 2025)
Buildings and structures	888 thousand yen	- thousand yen
Land	2,434	-
Total	3,323	-

*3. Impairment losses

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

In the current consolidated fiscal year, the Group recorded impairment losses on the following assets:

Location	Use	Type
Shinagawa-ku, Tokyo	Business assets	Building
Shinagawa-ku, Tokyo	Business assets	Tools, furniture and fixtures
Shinagawa-ku, Tokyo	Business assets	Land
Shinagawa-ku, Tokyo	Other	Goodwill
Shinagawa-ku, Tokyo	Business assets	Customer-related assets
Shinagawa-ku, Tokyo	Business assets	Long-term prepaid expenses
Shinagawa-ku, Tokyo	Software for internal use	Software, etc.
Panama	Other	Goodwill
Spain	Other	Goodwill
Spain	Business assets	Tools, furniture and fixtures

In applying impairment accounting, assets are grouped by service according to the smallest unit that generates independent cash flows.

The book value of business assets and some services and goodwill of software for internal use in the current consolidated fiscal year was reduced to the recoverable amount because of no expectation of recovery of the investment amount due to declining business profitability. This decrease of 378,409 thousand yen was recognized as impairment loss and recorded as extraordinary loss. The major breakdown is as follows: buildings, 6,463 thousand yen; tools, furniture and fixtures, 73,445 thousand yen; land, 13,010 thousand yen; software, 102,326 thousand yen; software in progress, 70,349 thousand yen; goodwill, 64,304 thousand yen; customer-related assets, 14,244 thousand yen; and long-term prepaid expenses, 34,265 thousand yen.

The recoverable amount of the asset group is measured by value in use, which is calculated by discounting the estimated future cash flows based on the business plan to the present value, using outside experts as necessary.

Current consolidated fiscal year (from April 1, 2024 to March 31, 2025)

In the current consolidated fiscal year, the Group recorded impairment losses on the following assets:

Location	Use	Type
Minato-ku, Tokyo	Software for internal use	Software

In applying impairment accounting, assets are grouped by service according to the smallest unit that generates independent cash flows.

The book value of software for in-house use in the current consolidated fiscal year was reduced to the recoverable amount because the profitability of the business declined and recovery of the investment amount could no longer be expected. 24,700 thousand yen representing the above decrease was recognized as impairment loss and recorded as extraordinary loss. The major breakdown is 24,700 thousand yen for software related to the SDGs consulting business.

The recoverable amount of the asset group is measured by value in use, which is calculated by discounting the estimated future cash flows based on the business plan to the present value, using outside experts as necessary.

*4. Bad debts expenses

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

As a result of examining the collectability of long-term loans held by Jach Technology SpA, a consolidated subsidiary of the Company, on an individual basis, the Company recorded an extraordinary loss of 505,907 thousand yen for bad debt.

Lenders of long-term loans receivable include CCC SpA and Inversiones Santa Olga SpA, companies that manage assets of Christian Pablo Cafatti Cuevas, a director of the Company, and his relatives.

Current consolidated fiscal year (from April 1, 2024 to March 31, 2025)

Not applicable.

*5. Loss on retirement of non-current assets

	Previous consolidated fiscal year (From April 1, 2023 to March 31, 2024)	Current consolidated fiscal year (From April 1, 2024 to March 31, 2025)
Buildings and structures	- thousand yen	4,654 thousand yen
Software	-	4,127
Total	-	8,782

(Notes to Consolidated Statements of Comprehensive Income)

* Reclassification adjustments for other comprehensive income

	Previous consolidated fiscal year (From April 1, 2023 to March 31, 2024)	Current consolidated fiscal year (From April 1, 2024 to March 31, 2025)
Valuation difference on available-for-sale securities:		
Amount accrued in the current period	4,091 thousand yen	(1,105) thousand yen
reclassification adjustment	-	(2,087)
Income taxes and before tax effect adjustments	4,091	(3,192)
Income taxes and tax effects	(1,252)	1,006
Valuation difference on available-for-sale securities	2,838	(2,186)
Foreign currency translation adjustment:		
Amount accrued in the current period	(4,952)	25,585
reclassification adjustment	-	-
Foreign currency translation adjustment	(4,952)	25,585
Total other comprehensive income	(2,113)	23,398

(Notes to Consolidated Statement of Changes in Equity)

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

1. Matters concerning issued shares

	Beginning of current consolidated fiscal year issued	Current consolidated fiscal year Increase in number of shares	Current consolidated fiscal year Decrease in number of shares	End of current consolidated fiscal year issued
Common stock (shares)	14,757,851	2,430,200	-	17,188,051

(Summary of reasons for changes)

The main breakdown of the increase is as follows:

Increase due to exercise of share acquisition rights: 200,200 shares

Increase due to allocation of new shares to a third party: 2,230,000 shares

2. Matters concerning treasury stock

	Beginning of current consolidated fiscal year issued	Current consolidated fiscal year Increase in number of shares	Current consolidated fiscal year Decrease in number of shares	End of current consolidated fiscal year issued
Common stock (shares)	22,623	40,299	-	62,922

(Summary of reasons for changes)

The main breakdown of the increase is as follows:

Increase due to acquisition of shares without contribution upon retirement of employees subject to the restricted stock-based compensation plan: 40,299 shares

3. Matters concerning share acquisition rights, etc.

Category	Breakdown of share acquisition rights	Type of shares to be issued upon exercise of share acquisition rights	Number of shares to be issued upon exercise of share acquisition rights (shares)				Balance at the end of the current consolidated fiscal year (thousand yen)
			Beginning of current consolidated fiscal year	Increase in the current consolidated fiscal year	Decrease in the current consolidated fiscal year	End of current consolidated fiscal year	
Reporting company (Parent Company)	Share acquisition rights as stock options	-	-	-	-	-	32,987

Category	Breakdown of share acquisition rights	Type of shares to be issued upon exercise of share acquisition rights	Number of shares to be issued upon exercise of share acquisition rights (shares)				Balance at the end of the current consolidated fiscal year (thousand yen)
			Beginning of current consolidated fiscal year	Increase in the current consolidated fiscal year	Decrease in the current consolidated fiscal year	End of current consolidated fiscal year	
	The 19th series of share acquisition rights	Common shares	-	1,488,000	-	1,488,000	6,249
Total		-	-	-	-	-	39,237

(Notes) 1. The number of shares to be issued upon exercise of share acquisition rights is the number of shares assuming that the share acquisition rights are exercised.

2. The increase in the 19th series of share acquisition rights in the current consolidated fiscal year is due to the issuance of share acquisition rights.

4. Matters concerning dividends

Not applicable.

Current consolidated fiscal year (from April 1, 2024 to March 31, 2025)

1. Matters concerning issued shares

	Beginning of current consolidated fiscal year issued	Current consolidated fiscal year Increase in number of shares	Current consolidated fiscal year Decrease in number of shares	End of current consolidated fiscal year issued
Common stock (shares)	17,188,051	607,900	-	17,795,951

(Summary of reasons for changes)

The main breakdown of the increase is as follows:

Increase due to share exchange: 515,000 shares

Increase due to exercise of the 20th series of share acquisition rights with exercise price revision clause by third-party allotment: 92,900 shares

2. Matters concerning treasury stock

	Beginning of current consolidated fiscal year issued	Current consolidated fiscal year Increase in number of shares	Current consolidated fiscal year Decrease in number of shares	End of current consolidated fiscal year issued
Common stock (shares)	62,922	41,707	13,717	90,912

(Summary of reasons for changes)

The breakdown is as follows:

Increase due to acquisition of shares without consideration upon retirement of employees subject to the restricted stock-based compensation plan: 41,664 shares

Increase due to purchase of fractional shares: 43 shares

Disposal of treasury shares as restricted stock-based compensation: 13,717 shares

3. Matters concerning share acquisition rights, etc.

Category	Breakdown of share acquisition rights	Type of shares to be issued upon exercise of share acquisition rights	Number of shares to be issued upon exercise of share acquisition rights (shares)				Balance at the end of the current consolidated fiscal year (thousand yen)
			Beginning of current consolidated fiscal year	Increase in the current consolidated fiscal year	Decrease in the current consolidated fiscal year	End of current consolidated fiscal year	
Reporting company (Parent Company)	Share acquisition rights as stock options	-	-	-	-	-	48,146
	The 19th series of share acquisition rights	Common shares	1,488,000	-	-	1,488,000	6,249
	The 20th series of share acquisition rights	Common shares	-	4,400,000	92,900	4,307,100	15,160
Total		-	-	-	-	-	69,556

(Notes) 1. The number of shares to be issued upon exercise of share acquisition rights is the number of shares assuming that the share acquisition rights are exercised.

2. The increase in the 20th series of share acquisition rights in the current consolidated fiscal year is due to the issuance of share acquisition rights.

3. The decrease in the 20th series of share acquisition rights in the current consolidated fiscal year was due to the exercise of share acquisition rights.

4. Matters concerning dividends

Not applicable.

(Notes to consolidated statements of cash flows)

*1 Reconciliation of ending balance of cash and cash equivalents with account balances per balance sheet

	Previous consolidated fiscal year (From April 1, 2023 to March 31, 2024)	Current consolidated fiscal year (From April 1, 2024 to March 31, 2025)
Cash and deposits	1,690,432 thousand yen	526,039 thousand yen
Time deposits with maturities longer than three months	(31,002)	(21,001)
Cash and cash equivalents	1,659,429	505,038

*2 Breakdown of assets and liabilities of the company newly consolidated as a result of the acquisition of its shares

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

Not applicable.

Current consolidated fiscal year (from April 1, 2024 to March 31, 2025)

The following are the breakdown of assets and liabilities of MSS Inc. at the time of its consolidation due to the acquisition of its shares, and the reconciliation of the acquisition cost of its shares and the expenditure for the acquisition (net amount):

Current assets	153,870 thousand yen
Non-current assets	21,068
Goodwill	1,242,173
Current liabilities	(103,157)
Non-Current liabilities	(55,540)
Acquisition cost of shares	1,258,415
Cash and cash equivalents	(51,717)
Delivery price of the Company's shares upon exchange of shares	(958,415)
Difference: Expenditures for acquisition	248,283

(Financial instruments)

1. Status of financial instruments

(1) Policy for financial instruments

The Group finances its capital requirements mainly through cash on hand and borrowings. Funds are managed mainly by short-term deposits and highly liquid financial assets.

(2) Description of financial instruments and their risks

Accounts receivable, which are trade receivables, are exposed to customer credit risk.

Long-term loans receivable are exposed to credit risk of the borrower.

Investment securities are mainly investments in unlisted companies and silent partnerships, and are exposed to credit risk of the issuer.

Most of the accounts payable - other, which are trade payables, are due for settlement within one year.

Long-term borrowings are mainly for the purpose of procuring funds related to working capital, and involve liquidity risk that the Company may not be able to make payments on the due date.

Monetary receivables and payables denominated in foreign currencies are exposed to the risk of exchange rate fluctuations.

(3) Risk management system for financial instruments

(i) Management of credit risk (risk related to breach of contract by counterparties)

With respect to trade accounts receivable, the Company's sales representatives periodically monitor the status of major customers in accordance with internal rules and regulations, and manage due dates and outstanding balances for each customer, in order to early identify and mitigate concerns about collection due to deterioration of financial conditions or other reasons.

For long-term loans receivable, the Company periodically monitors the financial conditions of the borrowers to early identify and mitigate concerns over collection due to deterioration of financial conditions and other factors.

Among investment securities, for equity securities without a market price, the Company periodically monitors the financial conditions of the issuers.

(ii) Management of market price fluctuation risk

With respect to securities, the person in charge periodically determines the market value, summarizes and specifies the valuation difference by issue, and reports it to the responsible person to review the holding status on a periodic basis.

(iii) Management of foreign exchange risk (foreign exchange fluctuation risk)

With respect to monetary receivables and payables denominated in foreign currencies, the Company monitors exchange rate fluctuations.

(iv) Management of liquidity risk (risk of being unable to make payments on due dates)

The department in charge prepares and updates cash management plans in a timely manner and manages liquidity by maintaining liquidity on hand.

2. Fair value of financial instruments

Consolidated balance sheet amounts, fair values and their differences are as follows.

Previous consolidated fiscal year (March 31, 2024)

	Consolidated balance sheet amount (thousand yen)	Fair value (thousand yen)	Difference (thousand yen)
Long-term loans receivable	19,383	17,841	(1,542)
Total assets	19,383	17,841	(1,542)
Long-term borrowings	638,106	633,086	(5,020)
Total liabilities	638,106	633,086	(5,020)

Notes: 1. Cash and deposits, notes and accounts receivable - trade, and contract assets, accounts payable - other, income taxes payable, accrued consumption taxes, and short-term borrowings are omitted as they are settled in a short period of time and their fair value approximates their book value.

2. Equity securities without a market price and investments in silent partnerships are not included in the table above. The following are consolidated balance sheet amounts of these financial instruments:

Classification	Consolidated balance sheet amount (thousand yen)
Shares that do not have a market value	19,554
Investments in silent partnerships, etc. (*)	48,150

(*) Investments in silent partnerships, etc. are not included in the scope of fair value disclosure in accordance with Paragraph 24-16 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021).

3. Long-term loans receivable include current portion of long-term loans receivable.

4. Long-term borrowings include current portion of long-term borrowings.

Current consolidated fiscal year (March 31, 2025)

	Consolidated balance sheet amount (thousand yen)	Fair value (thousand yen)	Difference (thousand yen)
Long-term loans receivable	11,191	11,099	(91)
Total assets	11,191	11,099	(91)
Long-term borrowings	419,285	413,277	(6,007)
Total liabilities	419,285	413,277	(6,007)

Notes: 1. Cash and deposits, accounts receivable - trade, and contract assets, income taxes refund receivable, accounts payable - other, income taxes payable, accrued consumption taxes, and short-term borrowings are omitted as they are settled in a short period of time and their fair value approximates their book value.

2. Equity securities without a market price and investments in silent partnerships are not included in the table above. The following are consolidated balance sheet amounts of these financial instruments:

Classification	Consolidated balance sheet amount (thousand yen)
Shares that do not have a market value	17,437
Investments in silent partnerships, etc. (*)	31,888

(*) Investments in silent partnerships, etc. are not included in the scope of fair value disclosure in accordance with Paragraph 24-16 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021).

3. Long-term loans receivable include current portion of long-term loans receivable.

4. Long-term borrowings include current portion of long-term borrowings.

3. Breakdown of the fair value of financial instruments by level

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

Level 1 fair value: Among the inputs for the calculation of observable fair value, fair value calculated based on quoted market prices formed in an active market for the same asset or liability for which such fair value is calculated

Level 2 fair value: Among the inputs for the calculation of observable fair value, fair value calculated using inputs other than Level 1 inputs

Level 3 fair value: Fair value calculated using inputs for calculating unobservable fair value

When multiple inputs with a significant impact on the calculation of fair value are used, the financial instrument is classified to the fair value level with the lowest priority in the calculation of fair value among the levels to which each of those inputs belongs.

Financial instruments other than those recorded on the consolidated balance sheets at fair value

Previous consolidated fiscal year (March 31, 2024)

(thousand yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Long-term loans receivable	-	17,841	-	17,841
Total assets	-	17,841	-	17,841
Long-term borrowings	-	633,086	-	633,086
Total liabilities	-	633,086	-	633,086

Current consolidated fiscal year (March 31, 2025)

(thousand yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Long-term loans receivable	-	11,099	-	11,099
Total assets	-	11,099	-	11,099
Long-term borrowings	-	413,277	-	413,277
Total liabilities	-	413,277	-	413,277

(Note) Explanation of valuation techniques used to calculate fair value and inputs related to the calculation of fair value

Long-term loans receivable

The fair value of long-term loans receivable is calculated using the discounted present value method based on the total amount of principal and interest and an interest rate that takes into account the remaining period of the loans receivable and credit risk, and is classified as Level 2 fair value.

Long-term borrowings

The fair value of long-term borrowings is calculated using the discounted present value method based on the total amount of the principal and interest and an interest rate that takes into account the remaining period of the borrowings and credit risk, and is classified as Level 2 fair value.

4. Scheduled redemption amount of monetary claims after the consolidated balance sheet date

Previous consolidated fiscal year (March 31, 2024)

(thousand yen)

	Within 1 year	Within 1-5 years	within 5-10 years	Over 10 years
Accounts receivable - trade, and contract assets	646,601	-	-	-
Long-term loans receivable (*)	13,954	5,429	-	-
Total	660,555	5,429	-	-

(*) Current portion of long-term loans receivable are included.

Current consolidated fiscal year (March 31, 2025)

(thousand yen)

	Within 1 year	Within 1-5 years	within 5-10 years	Over 10 years
Accounts receivable - trade, and contract assets	651,195	-	-	-
Long-term loans receivable (*)	9,329	1,861	-	-
Total	660,524	1,861	-	-

(*) Current portion of long-term loans receivable are included.

5. Scheduled repayment amount of long-term borrowings after the balance sheet date

Previous consolidated fiscal year (March 31, 2024)

(thousand yen)

	Within 1 year	Within 1-2 years	Within 2-3 years	Within 3-4 years	within 4-5 years	Over 5 years
Long-term borrowings (*)	258,276	186,540	92,412	62,138	14,212	24,528
Total	258,276	186,540	92,412	62,138	14,212	24,528

(*) Current portion of long-term borrowings are included.

Current consolidated fiscal year (March 31, 2025)

(thousand yen)

	Within 1 year	Within 1-2 years	Within 2-3 years	Within 3-4 years	within 4-5 years	Over 5 years
Long-term borrowings (*)	192,540	114,258	68,589	19,370	15,504	9,024
Total	192,540	114,258	68,589	19,370	15,504	9,024

(*) Current portion of long-term borrowings are included.

(Retirement benefits)

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

Not applicable, as the Group has no retirement benefit plan.

Current consolidated fiscal year (from April 1, 2024 to March 31, 2025)

1. Outline of the retirement benefit plan adopted

Certain consolidated subsidiaries apply a simplified method for calculating retirement benefit liabilities and expenses, using the voluntary termination benefits at end of period as the retirement benefit obligations.

2. Defined benefit plan using the simplified method

(1) Reconciliation of balance at beginning and ending of period of retirement benefit liability for the defined benefit plan applying the simplified method

	(thousand yen)	
	Previous consolidated fiscal year (March 31, 2024)	Current consolidated fiscal year (March 31, 2025)
Retirement benefit liability balance at beginning of period	-	-
Retirement benefit expenses	-	2,850
Retirement benefits paid	-	(16,263)
Increase (decrease) due to business combination	-	33,540
Other	-	(340)
Retirement benefit liability balance at end of period	-	19,787

(2) Retirement benefit expenses

Retirement benefit expenses calculated using the simplified method	Previous consolidated fiscal year	- thousand yen	Current consolidated fiscal year	2,850 thousand yen
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(Stock options, etc.)

1. Amount of expenses recorded for stock options and account title

	Previous consolidated fiscal year	Current consolidated fiscal year
Selling, general and administrative expenses	18,913 thousand yen	14,041 thousand yen

2. Amount recorded as profit due to forfeiture of rights resulting from non-exercise

	Previous consolidated fiscal year	Current consolidated fiscal year
Gain on reversal of share acquisition rights	9,434 thousand yen	5,021 thousand yen

3. Description, size and changes in stock options

(1) Description of stock options

	The 15th series of share acquisition rights	The 16th series of share acquisition rights
Category and number of grantees	Directors of the Company: 2	Directors of the Company: 3
Number of stock options by type of stock (Note)	Common stock 216,000 shares	Common stock 376,500 shares
Grant date	February 2, 2021	August 12, 2022
Conditions for vesting	Net sales must exceed 2,000 million yen in any fiscal year from the fiscal year ended March 31, 2022 to the fiscal year ended March 31, 2024. If the closing price of the Company's common stock in regular trading on the Tokyo Stock Exchange, Inc. for any 20 consecutive trading days between the date of allotment and July 31, 2025 all exceeds 150% of the exercise price of the share acquisition rights.	Must be a director, auditor or employee of the Company's group.
Eligible service period	From February 2, 2021 to March 31, 2021	From August 12, 2022 to August 12, 2027
Exercise period	From February 3, 2021 to February 2, 2029	(From August 13, 2027 to August 12, 2032)

	The 18th series of share acquisition rights
Category and number of grantees	12 employees of the Company's subsidiaries
Number of stock options by type of stock (Note)	Common stock 132,800 shares
Grant date	December 21, 2022
Conditions for vesting	Must be a director, auditor or employee of the Company's group.
Eligible service period	From December 21, 2022 to December 21, 2027
Exercise period	(From December 22, 2027 to December 21, 2032)

(Note) The number of stock options is converted into the number of shares.

(2) Size and changes in stock options

The following describes stock options that existed during the current consolidated fiscal year ended March 31, 2025. The number of stock options is converted into the number of shares.

(i) Number of stock options

	The 15th series of share acquisition rights	The 16th series of share acquisition rights	The 18th series of share acquisition rights
Pre-vesting (shares)			
Outstanding at the end of the previous year	-	262,200	118,800
Granted	-	-	-
Expired	-	33,300	4,400
Vested	-	-	-
Outstanding	-	228,900	114,400
Post-vesting (shares)			
Outstanding at the end of the previous year	216,000	-	-
Vested	-	-	-
Exercised	-	-	-
Expired	-	-	-
Outstanding	216,000	-	-

(ii) Per share prices

	The 15th series of share acquisition rights	The 16th series of share acquisition rights	The 18th series of share acquisition rights
Exercise price (Note) (yen)	430	1	1
Average share price at the time of exercise (yen)	-	-	-
Fair value at grant date (yen)	261	280	251

(Notes) 1. Method for estimating the number of stock options vested

In principle, since it is difficult to reasonably estimate the number of options that will expire in the future, only the actual number that have expired is reflected.

2. The total intrinsic value of the stock options at the end of the current consolidated fiscal year and the total intrinsic value of the stock options exercised during the current consolidated fiscal year at the date of exercise, if the calculation is based on the intrinsic value per unit of stock options.

(1) Total intrinsic value at the end of the current consolidated fiscal year: 446,501 thousand yen

(2) Total intrinsic value exercised during the current consolidated fiscal year: - thousand yen

(Restricted stock-based compensation)

1. Details, size and changes in advance-delivery type transactions in which shares are delivered without consideration as remuneration for directors

(1) Details of advance-delivery type transactions

	2020 advance-delivery type	2021 advance-delivery type
Category and number of grantees	Directors of the Company (excluding outside directors): 3 Director of the Company's subsidiary: 1	Directors of the Company (excluding outside directors): 3 Director of the Company's subsidiary: 1
Number of shares granted by type of stock	Common stock 6,516 shares	Common stock 14,780 shares

	2020 advance-delivery type	2021 advance-delivery type
Grant date	July 22, 2020	August 10, 2021
Conditions for vesting	The grantee must continuously hold the position of director of the Company (or of the Company's subsidiary if the grantee is a director of the Company's subsidiary) from the grant date until the close of the ordinary general meeting of shareholders for the fiscal year ended March 31, 2021.	The grantee must continuously hold the position of director of the Company (or of the Company's subsidiary if the grantee is a director of the Company's subsidiary) from the grant date until the close of the ordinary general meeting of shareholders for the fiscal year ended March 31, 2022.
Eligible service period	From July 22, 2020 to the close of the ordinary general meeting of shareholders for the fiscal year ended March 31, 2021	From August 10, 2021 to the close of the ordinary general meeting of shareholders for the fiscal year ended March 31, 2022
Fair value at grant date	753 yen	397 yen

	2022 advance-delivery type	2024 advance-delivery type
Category and number of grantees	Directors of the Company (excluding outside directors): 3 Director of the Company's subsidiary: 1	Director of the Company (excluding outside directors): 1
Number of shares granted by type of stock	Common stock 96,184 shares	Common stock 13,717 shares
Grant date	August 19, 2022	April 16, 2024
Conditions for vesting	The grantee must continuously hold the position of director of the Company (or of the Company's subsidiary if the grantee is a director of the Company's subsidiary) from the grant date until the close of the ordinary general meeting of shareholders for the fiscal year ended March 31, 2023. (With regard to a portion of the shares to be delivered to one of the eligible officers, this period is from the grant date to the close of the ordinary general meeting of shareholders for the fiscal year ending March 31, 2027.)	The grantee must continuously hold the position of director of the Company from the grant date until the close of the ordinary general meeting of shareholders for the fiscal year ended March 31, 2025.
Eligible service period	From August 19, 2022 to the close of the ordinary general meeting of shareholders for the fiscal year ended March 31, 2023 (With regard to a portion of the shares to be delivered to one of the eligible officers, this period is from August 19, 2022 to the close of the ordinary general meeting of shareholders for the fiscal year ending March 31, 2027.)	From April 16, 2024 to the close of the ordinary general meeting of shareholders for the fiscal year ended March 31, 2025
Fair value at grant date	284 yen	729 yen

- (2) Size and changes in advance-delivery type transactions
(i) Amount of expenses recorded and account title

	Previous consolidated fiscal year	Current consolidated fiscal year
Selling, general and administrative expenses	6,093 thousand yen	13,136 thousand yen

(ii) Number of shares

The following describes the advance-delivery type transactions for which the number of unvested shares existed in the current consolidated fiscal year (year ended March 31, 2025).

	2022 advance-delivery type	2024 advance-delivery type
Outstanding at the end of the (share previous year s)	68,896	-
Granted	-	13,717
Forfeited	-	-
Vested	-	13,717
Outstanding	68,896	-

(Tax effect accounting)

1. Breakdown of deferred tax assets and deferred tax liabilities by principal cause

	Previous consolidated fiscal year (March 31, 2024)	Current consolidated fiscal year (March 31, 2025)
Deferred tax assets		
Accrued enterprise taxes	4,373 thousand yen	9,722 thousand yen
Excess depreciation	14,156	44,528
Impairment losses	105,385	51,874
Loss on valuation of shares of subsidiaries and associates	612	-
Accounts payable	2,388	1,181
Asset retirement obligations	3,727	2,755
Asset adjustment account	8,124	6,413
Loss on valuation of investment securities	17,286	17,794
Provision for bonuses	6,627	7,839
Stock-based compensation expenses	22,485	32,559
Provision for paid vacation	5,083	5,407
Tax loss carryforwards (Note 2)	81,777	336,660
Retirement benefit liability	-	7,009
Other	16,872	(2,043)
Subtotal of deferred tax assets	288,902	521,703
Valuation allowance for tax loss carryforwards (Note 2)	(81,777)	(336,660)
Valuation allowance for total deductible temporary differences, etc.	(171,624)	(121,194)
Subtotal of valuation allowance (Note 1)	(253,401)	(457,854)
Total deferred tax assets	35,500	63,848
Deferred tax liabilities		
Asset retirement cost corresponding to asset retirement obligations	(744)	-
Gain on valuation of investment securities	(2,551)	(1,698)
Lease liabilities	(18,084)	-
Other	-	(31,828)
Total deferred tax liabilities	(21,380)	(33,527)
Deferred tax assets, net	14,120	30,321

(Note) 1 Valuation allowance increased by 204,453 thousand yen. This increase was mainly due to an increase in the valuation allowance for tax loss carryforwards at the Company.

(Note) 2 Tax loss carryforwards and their deferred tax assets by deferral period

Previous consolidated fiscal year (March 31, 2024)

	Within 1 year (thousan d yen)	Within 1- 2 years (thousan d yen)	Within 2- 3 years (thousand yen)	Within 3- 4 years (thousand yen)	Within 4- 5 years (thousand yen)	Over 5 years (thousan d yen)	Total (thousand yen)
Tax loss carryforwards*	-	-	-	-	-	81,777	81,777
Valuation allowance	-	-	-	-	-	(81,777)	(81,777)
Deferred tax assets	-	-	-	-	-	-	-

*Tax loss carryforwards are multiplied by the statutory tax rate.

Current consolidated fiscal year (March 31, 2025)

	Within 1 year (thousan d yen)	Within 1- 2 years (thousan d yen)	Within 2- 3 years (thousand yen)	Within 3- 4 years (thousand yen)	Within 4- 5 years (thousand yen)	Over 5 years (thousan d yen)	Total (thousand yen)
Tax loss carryforwards*	-	-	-	-	-	336,660	336,660
Valuation allowance	-	-	-	-	-	(336,660)	(336,660)
Deferred tax assets	-	-	-	-	-	-	-

*Tax loss carryforwards are multiplied by the statutory tax rate.

2. Breakdown of key items that have caused significant differences (if any) between the statutory effective tax rate and the actual effective tax rate after the application of tax effect accounting

The information is omitted, as the Company recorded a loss before income taxes for the previous and current consolidated fiscal years.

3. Accounting treatment for income taxes and local corporate taxes or tax effect accounting related to these taxes

The Company and some of the domestic consolidated subsidiaries adopt the group tax sharing system, and apply accounting treatment for income taxes and local corporate taxes or the tax effect accounting related to these taxes and disclosures in accordance with "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (ASBJ PITF No. 42, August 12, 2021).

4. Adjustment of deferred tax assets and deferred tax liabilities due to changes in income tax rates

Following the enactment of the "Act for Partial Revision of the Income Tax Act and Other Acts" (Act No. 13 of 2025) by the Diet on March 31, 2025, the "Defense Special Corporate Tax" will be imposed from the consolidated fiscal year beginning on or after April 1, 2026.

As a result, the statutory effective tax rate was changed from 30.6% to 31.5% for the calculation of deferred tax assets and deferred tax liabilities related to temporary differences expected to be eliminated in the consolidated fiscal year beginning on April 1, 2026 and thereafter.

The effect of this change on the consolidated financial statements for the current consolidated fiscal year was minimal.

(Business combinations, etc.)

Acquisition of shares and conversion to wholly owned subsidiary through share exchanges

At a meeting of the Company's Board of Directors held on June 3, 2024, the Company resolved to acquire a portion of the issued shares of MSS Inc. ("MSS") ("Share Acquisition") and to subsequently conduct a share exchange ("Share Exchange") to make the Company the wholly owning parent and MSS a wholly owned subsidiary. Accordingly, we concluded a share transfer agreement and share exchange agreement on June 3, 2024.

The Share Exchange was executed on July 1, 2024 and MSS became a wholly owned subsidiary of the Company.

(1) Outline of business combination

(i) Name of the acquired company and its business

Name of acquiree: MSS Inc.

Description of Business: Marketing research and sales promotion

(ii) Main reasons for the business combination

In addition to analyzing big data, we have developed multiple elemental technologies, such as image analysis using AI, from the basic research stage, and have developed a system integration business that promotes customers' business improvement, and a marketing solution business that encourages customers' digital marketing and DX. In recent years, we have restructured our business portfolio through an aggressive M&A strategy, and deployed our own products utilizing AI-based image analysis in more than 20 countries around the world. In September 2023, we acquired businesses in the data science and AI fields. In this way, we are working to create new corporate value by achieving a fusion of technology with the real world.

As disclosed in the "Announcement of Basic Agreement on Comprehensive Business Alliance with VLC Holdings Co., Ltd." released on February 14, 2024, the Company and VLC Holdings, the parent company of MSS, have been exploring a specific alliance in areas where business synergies can be achieved in order to leverage the strengths and resources of both groups in their existing business areas. We have decided to make MSS a wholly owned subsidiary because we believe that there are significant synergies in the complementary relationship between MSS, which has its mainstay marketing research and sales promotion business, and our Group's marketing solutions business, which has strengths in data analytics and AI and is engaged in digital marketing support and SNS business, and that this will contribute to further enhancement of the corporate value of our Group.

The Company will continue to strengthen its strategic alliance with VLC Holdings in AI- and security-related businesses and other general business areas.

(iii) Date of business combination

July 1, 2024 (deemed acquisition date: June 30, 2024)

(iv) Legal form of business combination

Share exchange in which the Company becomes the wholly owning parent and the acquired company as the wholly owned subsidiary

(v) Name of company after combination

No change.

(vi) Percentage of voting rights acquired

Percentage of voting rights acquired on the date of business combination	100%
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(Breakdown)

Percentage of voting rights acquired through share transfer	37.5%
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Percentage of voting rights acquired through share exchange	62.5%
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(vii) Main basis for determining the acquirer

The Company acquired MSS through a share transfer for cash and through a share exchange, making MSS a wholly owned subsidiary. The transaction makes the Company the acquirer.

(2) Period of the acquiree's operating results included in the consolidated financial statements

From July 1, 2024 to March 31, 2025

(3) Acquisition cost of the acquiree and breakdown by type of consideration

Consideration for
acquisition of shares in 300,000 thousand yen
cash

Consideration for
acquisition through share 958,415 thousand yen
exchange

Acquisition cost 1,258,415 thousand yen

(4) Exchange ratio by type of shares, calculation method, and number of shares delivered

(i) Exchange ratio by type of shares

Type of shares	Common stock (Company and MSS)	
Share exchange ratio	The Company	MSS
	1	4,120

In this transaction, 4,120 shares of common stock of the Company were allocated for each share of common stock of MSS. The shares to be delivered are newly issued common shares.

(ii) Calculation method of the share exchange ratio

The Company engaged BDO Sanyu & Co., an independent third-party valuation firm, to assess and calculate the share exchange ratio in connection with the share exchange.

Since the Company is listed on the Growth Market of the Tokyo Stock Exchange and a market price of its shares is available, the calculation was made with reference to such market price. Specifically, the business day preceding the date of execution of the Share Exchange Agreement was set as the base date for the calculation. We also considered the fact that the stock price observation period for calculation was susceptible to temporary stock price fluctuation factors in a short period of time. Based on the agreement with MSS on May 30, 2024, the Board of Directors unanimously decided on 970 yen (rounded up to the nearest whole number; the closing price of the Company's stock on May 31, 2024 was 1,578 yen), the closing price of the Company's stock on May 31, 2024 was 1,578 yen), which is the average closing price of the Company's stock on the Growth Market of the Tokyo Stock Exchange for the most recent six months from the base date of calculation.

On the other hand, MSS is an unlisted company with no market share price and the source of its share value is its ability to earn future profits. The discounted cash flow method (DCF method), therefore, was used to calculate the share value to reflect the status of future business activities in the evaluation.

(iii) Number of shares delivered : 515,000 shares

(5) Details and amounts of major acquisition-related expenses

Fees and commissions for advisory services: 8,998 thousand yen

(6) Amount of goodwill incurred, reason for incurrence, amortization method, and amortization period

(i) Amount of goodwill incurred

1,242,173 thousand yen

(ii) Cause of occurrence

It is mainly the excess earning power expected from future business development.

(iii) Amortization method and period

Equal amortization over 15 years

(7) Amount of assets acquired and liabilities assumed on the date of business combination and their breakdown

Current assets	153,870 thousand yen
Non-current assets	21,068 thousand yen
Total assets	174,939 thousand yen
Current liabilities	103,157 thousand yen
Non-Current liabilities	55,540 thousand yen
Total liabilities	158,698 thousand yen

- (8) Estimated effect of the business combination on the consolidated statement of income for the current consolidated fiscal year and the method for calculating such effect, if the business combination completes at the beginning of the consolidated fiscal year

Not stated as it is difficult to calculate the estimated amount for the current consolidated fiscal year.

(Asset retirement obligations)

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

The information is omitted as the total amount of asset retirement obligations is not material.

Current consolidated fiscal year (from April 1, 2024 to March 31, 2025)

The information is omitted as the total amount of asset retirement obligations is not material.

(Revenue recognition)

(1) Information that breaks down revenue from contracts with customers

Information that breaks down revenue from contracts with customers is presented in the "Notes (Segment information, etc.)"

(2) Basic information for understanding revenue

Basic information for understanding revenue is presented in "Significant Matters that Serve as the Basis for Preparation of Consolidated Financial Statements, 4. Accounting policies, (5) the Standards for recognition of significant revenues and expenses."

(3) Information to understand the amount of revenue in the current and subsequent consolidated fiscal years

(i) Contract balance, etc.

The balances of receivables and contract assets arising from contracts with customers are as follows.

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

(thousand yen)

Receivables arising from contracts with customers (balance at beginning of period)	550,263
Receivables arising from contracts with customers (balance at end of period)	638,876
Contract assets (balance at beginning of period)	10,252
Contract assets (balance at end of period)	7,724
Contract liabilities (balance at beginning of period)	1,864
Contract liabilities (balance at end of period)	2,128

Current consolidated fiscal year (from April 1, 2024 to March 31, 2025)

(thousand yen)

Receivables arising from contracts with customers (balance at beginning of period)	638,876
Receivables arising from contracts with customers (balance at end of period)	646,913
Contract assets (balance at beginning of period)	7,724
Contract assets (balance at end of period)	4,281
Contract liabilities (balance at beginning of period)	2,128
Contract liabilities (balance at end of period)	3,613

(ii) Transaction price allocated to remaining performance obligations

The unfulfilled (or partially unfulfilled) performance obligations at the end of the previous and current consolidated fiscal years amounted to 1,490,341 thousand yen and 1,066,651 thousand yen, respectively. The unfulfilled (or partially unfulfilled) performance obligations at the end of the previous and current consolidated fiscal years amounted to 1,490,341 thousand yen and 1,066,651 thousand yen, respectively.

(thousand yen)

	Previous consolidated fiscal year (From April 1, 2023 to March 31, 2024)	Current consolidated fiscal year (From April 1, 2024 to March 31, 2025)
Within 1 year	776,514	597,576
Within 1-2 years	429,164	298,745
Over 2 years	284,662	170,330

The practical expedient method is applied in noting the transaction price allocated to the remaining performance obligations, and contracts with an initial expected contract term of one year or less are not included in the scope of the notes.

The practical expedient method is applied in noting the transaction price allocated to the remaining performance obligations, and contracts with an initial expected contract term of one year or less are not included in the scope of the notes.

In addition, contracts with customers in the retail marketing business are automatically renewed at regular intervals after the initial contract period unless there is an indication of cancellation by both parties. Only the amounts related to the initial contract period are included in the amounts of unfulfilled performance obligations above.

[Segment information]

1. Overview of reportable segments

The reportable segments of our group are units for which separate financial information is available, and are subject to regular review by the Board of Directors for the purpose of making decisions on resource allocation and evaluating performance.

The reportable segments of our group are units for which separate financial information is available, and are subject to regular review by the Board of Directors for the purpose of making decisions on resource allocation and evaluating performance.

The Group has two reportable segments: Japan Segment, which is mainly engaged in business activities in Japan, and Overseas Segment, which is mainly engaged in business activities overseas.

The accounting methods for the reported business segments are consistent with the accounting policies adopted for the preparation of the consolidated financial statements.

The accounting methods for the reported business segments are consistent with the accounting policies adopted for the preparation of the consolidated financial statements.

Intersegment sales and transfers are based on prevailing market prices.

3. Information on sales, profit or loss, assets, liabilities, and other items by reportable segment, and breakdown of revenue

3. Information on sales, profit or loss, assets, liabilities, and other items by reportable segment, and breakdown of revenue

(in thousands of yen)

	Reportable Segment			Adjustments (Note 1)	Amount recorded in consolidated financial statements (Note 2)
	Japan Segment	Overseas Segment	Total		
Net sales					
Goods or services transferred at a point in time	743,814	56,547	800,361	-	800,361
Goods or services transferred over a period of time	620,009	808,910	1,428,919	-	1,428,919
Revenue from contracts with customers	1,363,824	865,457	2,229,281	-	2,229,281
Other revenue	-	-	-	-	-
Sales to external customers	1,363,824	865,457	2,229,281	-	2,229,281
Intersegment sales and transfers	19,849	-	19,849	(19,849)	-
Total	1,383,674	865,457	2,249,131	(19,849)	2,229,281
Segment profit (loss)	(18,261)	169,683	151,422	(367,519)	(216,097)
Segment assets	2,166,985	1,452,816	3,619,802	166,446	3,786,248
Other items					
Depreciation	38,926	124,107	163,033	4,240	167,274
Amortization of Goodwill	25,049	22,086	47,136	0	47,136

(Notes) 1. The adjustments are as follows:

(1) The adjustment of (367,519) thousand yen for segment profit (loss) represents corporate

expense that are not allocated to each reportable segment.

(2) The adjustment of 166,446 thousand yen for segment assets represents corporate assets and the elimination of intersegment transactions that are not allocated to each reportable segment.

(2) The adjustment of 166,446 thousand yen for segment assets represents corporate assets and the elimination of intersegment transactions that are not allocated to each reportable segment.

Current consolidated fiscal year (from April 1, 2024 to March 31, 2025)

(in thousands of yen)

	Reportable Segment			Adjustments (Note 1)	Amount recorded in consolidated financial statements (Note 2)
	Japan Segment	Overseas Segment	Total		
Net sales					
Goods or services transferred at a point in time	1,320,882	50,816	1,371,699	-	1,371,699
Goods or services transferred over a period of time	598,678	972,257	1,570,935	-	1,570,935
Revenue from contracts with customers	1,919,561	1,023,073	2,942,635	-	2,942,635
Other revenue	-	-	-	-	-
Sales to external customers	1,919,561	1,023,073	2,942,635	-	2,942,635
Intersegment sales and transfers	12,588	-	12,588	(12,588)	-
Total	1,932,149	1,023,073	2,955,223	(12,588)	2,942,635
Segment profit (loss)	92,972	163,793	256,765	(752,767)	(496,001)
Segment assets	4,371,969	1,507,262	5,879,232	(1,285,260)	4,593,971
Other items					
Depreciation	9,681	166,476	176,158	348	176,506
Amortization of Goodwill	85,153	11,643	96,796	-	96,796

(Notes) 1. The adjustments are as follows:

- (1) The adjustment of segment profit (loss) of (752,767) thousand yen represents corporate expense that are not allocated to each reportable segment.
- (2) The adjustment of segment assets of (1,285,260) thousand yen represents corporate assets and the elimination of intersegment transactions that are not allocated to each reportable segment.

2. Segment profit (loss) is adjusted with operating loss in the consolidated financial statements.

[Related information]

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

1. Information by product and service

(in thousands of yen)

Retail Marketing	Data Analysis Solutions	Total
1,055,256	1,055,256	1,174,025

2. Information by region

2. Information by region

(1) Net sales

Japan	Chile	Other	Total
1,363,824	505,652	359,804	2,229,281

(2) Property, plant and equipment

(in thousands of yen)

Chile	Colombia	Panama	Peru	Other	Total
197,360	92,331	46,598	38,846	8,562	383,698

3. Information by major customer

Information by major customer is omitted due to no customers accounting for 10% or more of the net sales in the statement of income.

Current consolidated fiscal year (from April 1, 2024 to March 31, 2025)

1. Information by product and service

(in thousands of yen)

Retail Marketing	Data Analysis Solutions	Total
1,454,692	1,487,942	2,942,635

2. Information by region

(1) Net sales

(in thousands of yen)

Japan	Chile	Other	Total
1,919,561	509,864	513,209	2,942,635

(2) Property, plant and equipment

(in thousands of yen)

Chile	Colombia	Panama	Peru	Other	Total
207,161	93,422	43,727	45,224	17,417	406,954

3. Information by major customer

Information by major customer is omitted due to no customers accounting for 10% or more of the net sales in the statement of income.

[Information on impairment loss on non-current assets by reportable segment]

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

(in thousands of yen)

	Japan Segment	Overseas Segment	Corporate / Elimination	Total
Impairment losses	274,590	103,819	-	378,409

Current consolidated fiscal year (from April 1, 2024 to March 31, 2025)

(in thousands of yen)

	Japan Segment	Overseas Segment	Corporate / Elimination	Total
Impairment losses	24,700	-	-	24,700

[Information on amortization and unamortized balances of goodwill by reportable segment]

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

(in thousands of yen)

	Japan Segment	Overseas Segment	Corporate / Elimination	Total
Amortization for the period	25,049	22,086	-	47,136
Balance at end of period	86,672	87,376	-	174,048

Current consolidated fiscal year (from April 1, 2024 to March 31, 2025)

(in thousands of yen)

	Japan Segment	Overseas Segment	Corporate / Elimination	Total
Amortization for the period	85,153	11,643	-	96,796
Balance at end of period	1,243,693	74,464	-	1,318,157

[Information on gain on negative goodwill by reportable segment]

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

In the "Overseas Segment," negative goodwill was recognized due to the new consolidation of Alianza FollowUP Panamá S.A. starting from the interim consolidated accounting period. The recorded gain on bargain purchase from this event amounts to 6,629 thousand yen.

Current consolidated fiscal year (from April 1, 2024 to March 31, 2025)

Not applicable.

[Related Party Information]

1. Transactions with related parties

(1) Transactions between the company submitting the consolidated financial statements and related parties

Directors and major shareholders (limited to individuals), etc. of the company submitting the consolidated financial statements

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

Not applicable.

Current consolidated fiscal year (April 1, 2024 to March 31, 2025)

Type	Name Company	Address	Share capital or investmen ts in capital (thousand yen)	Description of Business	Percenta ge of voting rights, etc. owned (%)	Relations hip with related parties	Transactio n descriptio n	Transac tion amount (thousa nd yen)	Accoun t title	Year-end balance (thous and yen)
Officer	Norihiro Ishihara VLC HOLDING S CO., LTD.	Minato- ku, Tokyo	24,599	Representat ive Director of the Company	-	Borrowin g of funds	Borrowin g of funds (Note 2)	260,00 0	Short- term borrowi ngs	-
				Representat ive Director of VLC HOLDINGS CO., LTD.		Payment of interest	Payment of interest (Note 2)	561	Accrue d expens es	-
						Transfer of shares	Transfer of shares (Note 3)	300,00 0	-	-
						Share exchang e	Share exchang e (Note 3)	938,33 0	-	-

(Notes) 1. All transactions were conducted by Norihiro Ishihara, Representative Director of the Company, with himself as a representative of VLC HOLDINGS CO., LTD., a third party.

2. Interest rates for the borrowing of funds are reasonably determined by taking market interest rates into consideration.

3. After acquiring a portion of the shares of MSS Inc. from VLC HOLDINGS CO., LTD. for cash consideration, a share exchange was conducted, making the Company the wholly owning parent company in the share exchange and MSS Inc. a wholly owned subsidiary in the share exchange. The acquisition price of the shares and the share exchange ratio in this transaction were determined upon consultation between the parties based on the valuation calculated by a third-party valuation institution. The consideration for the exchange is 515,000 shares of the Company's stock, and the amount of the exchange consideration is calculated based on the closing price of the Company's stock of 1,822 yen on the Tokyo Stock Exchange on July 1, 2024.

(2) Transactions between consolidated subsidiaries of the company submitting the consolidated financial statements and related parties

Directors and major shareholders (limited to individuals), etc. of the company submitting the consolidated financial statements

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

Type	Name of the company, etc.	Address	Share capital or investments in capital	Description of Businesses	Percentage of voting rights, etc. owned (%)	Relationship with related parties	Transaction description	Transaction amount (thousand yen)	Account title	Year-end balance (thousand yen)
Company in which the majority of voting rights are held by directors and their close relatives	CCC SpA (Note 1)	Santiago, Chile	8 million Chilean pesos	Investment and advisory services	2.8	Concurrently serve as director Loan of funds	Bad debts expenses (Note 3)	121,210	-	-
Company in which the majority of voting rights are held by directors and their close relatives	Inversiones Santa Olga SpA (Note 2)	Santiago, Chile	39 million Chilean pesos	Investment and advisory services	1.4	Concurrently serve as director Loan of funds	Bad debts expenses (Note 3)	66,248	-	-
Company in which the majority of voting rights are held by directors and their close relatives	Inversiones Cuatro C SpA (Note 2)	Santiago, Chile	8 million Chilean pesos	Investment and advisory services	-	Concurrently serve as director Rental of offices, etc.	Rental of offices, etc. (Note 4)	22,089	Accounts payable	3,550

(Notes) 1. Christian Pablo Cafatti Cuevas, Director of the Company, owns 100% of the voting rights.

2. Christian Pablo Cafatti Cuevas, Director of the Company, and his close relatives own 100% of the voting rights.

3. As a result of examining the collectability of long-term loans receivable and accrued interest held by Jach Technology SpA, a consolidated subsidiary of the Company, on an individual basis, the Company determined that there was no possibility of recovery. As a result, the Company recorded an extraordinary loss of 505,907 thousand yen as bad debts loss. Some of the lenders of long-term loans receivable include CCCS pA and Inversiones Santa Olga SpA, asset management companies of Christian Pablo Cafatti Cuevas, Director of the Company, and his relatives.

4. Rental payments are determined based on actual transactions in the neighborhood.

Current consolidated fiscal year (April 1, 2024 to March 31, 2025)

Type	Name of the company, etc.	Address	Share capital or investments in capital	Description of Businesses	Percentage of voting rights, etc. owned (%)	Relationship with related parties	Transaction description	Transaction amount (thousand yen)	Account title	Year-end balance (thousand yen)
Company in which the majority of voting rights are held by directors and their close relatives	Inversiones Cuatro C SpA (Note 1)	Santiago, Chile	8 million Chilean pesos	Investment and advisory services	-	Concurrently serve as director Rental of offices, etc.	Rental of offices, etc. (Note 3)	22,098 (Note 2)	Accounts payable	3,339 (Note 2)

(Notes) 1. Christian Pablo Cafatti Cuevas, former Director of the Company, and his close relatives own 100% of the voting rights.

2. Christian Pablo Cafatti Cuevas retired from the Company's Board of Directors at the conclusion of the Extraordinary General Meeting of Shareholders held on December 19, 2024, due to the expiration of his term of office. The transaction amount and year-end balance during the period in which he was a related party are those at the time he ceased to be a related party.

3. Rental payments are determined based on actual transactions in the neighborhood.

2. Notes concerning the parent company and significant affiliates

Not applicable.

(Matters concerning special purpose companies subject to disclosure)

Not applicable.

(Per share information)

	Previous consolidated fiscal year (From April 1, 2023 to March 31, 2024)	Current consolidated fiscal year (From April 1, 2024 to March 31, 2025)
Net Assets per Share	111.78 yen	130.74 yen
Loss per share	(84.07) yen	(37.40) yen

(Notes) 1. The diluted profit per share for the previous and current consolidated fiscal years is not presented, as it was a loss per share despite the existence of dilutive shares.

2. The basis for calculating loss per share is as follows:

	Previous consolidated fiscal year (From April 1, 2023 to March 31, 2024)	Current consolidated fiscal year (From April 1, 2024 to March 31, 2025)
Loss per share		
Loss attributable to owners of parent (thousand yen)	(1,261,695)	(654,991)
Amount not attributable to common shareholders (thousand yen)	-	-
Loss attributable to owners of parent related to common stock (thousand yen)	(1,261,695)	(654,991)
Average number of shares outstanding during the period (shares)	15,007,284	17,515,436

(Significant subsequent events)

(Capital increase through the exercise of share acquisition rights with an exercise price revision clause)

A portion of the 20th series of share acquisition rights (with an exercise price revision clause) issued through a third-party allotment on March 6, 2025 was exercised during the period from April 1, 2025 to June 26, 2025 as follows.

(1) Class and number of issued shares	Common shares	3,244,400	shares
(2) Number of share acquisition rights exercised		32,444	rights
(3) Total exercise price		2,692,523	thousand yen
(4) Increase in share capital		1,351,971	thousand yen
(5) Increase in legal capital surplus		1,351,971	thousand yen

As a result of the above, as of June 26, 2025, the total number of issued shares was 21,040,351, share capital was 3,264,084 thousand yen, and capital surplus was 3,919,442 thousand yen.

(Issuance of paid-in share acquisition rights (performance-linked paid-in stock options))

At a meeting of the Company's Board of Directors held on June 23, 2025, pursuant to Articles 236, 238 and 240 of the Companies Act, the Company resolved to issue share acquisition rights to its directors and executive officers as follows. Since the share acquisition rights will be issued to the recipients at a fair price and not on particularly favorable conditions, the issuance will be conducted without obtaining approval at a general meeting of shareholders. The share acquisition rights are not intended as compensation to the recipients, but are to be purchased based on the individual investment decision of such a person.

I. Purpose and reason for offering share acquisition rights

In addition to restructuring its business portfolio, the Company has launched a new AI data center business on a global basis as its strategic core business. In order to develop and expand this business, the Company reformed its management structure during the previous year and is promoting business expansion under the new management structure. In order to further increase motivation and morale, strengthen the Company's cohesiveness, encourage a strong commitment to achieving our performance targets, and realize sustainable growth as we aim to expand our business performance and increase our corporate value over the medium to long term, we have decided to issue performance commitment-type share acquisition rights for value to our directors and executive officers.

The exercise condition of these share acquisition rights is that consolidated net sales exceed 5,000 million yen in

either the fiscal year ending March 31, 2026 or the fiscal year ending March 31, 2027, which is a considerably higher target than the performance for the fiscal year ended March 31, 2025 (consolidated net sales of 2,942 million yen).

The total number of shares of the Company's common stock that would increase if all of the share acquisition rights were exercised would account for approximately 3.0% of the total number of issued shares. However, as stated above, the achievement of high performance targets is a condition for exercise, and we recognize that the achievement of such targets will contribute to increasing our corporate value as well as shareholder value. Accordingly, the Company believes that the issuance of the share acquisition rights will contribute to the interests of the Company's existing shareholders and an impact on share dilution will be reasonable.

II. Terms and conditions of issuance of share acquisition rights

1. Number of share acquisition rights

6,312

The total number of shares that can be delivered by exercising the share acquisition rights shall be 631,200 shares of common stock of the Company, and if the number of shares granted per share acquisition right is adjusted in accordance with 3.(1) below, the total number shall be calculated by multiplying the number of shares granted per share acquisition right after adjustment by the number of share acquisition rights.

2. Cash to be paid in exchange for share acquisition rights

The issue price per share acquisition right shall be 1,344 yen. This amount was determined to be equal to the amount obtained by the third-party valuation firm Akasaka International Accounting using a Monte Carlo simulation, which is a common option pricing model, taking into account the Company's stock price information and other factors.

3. Details of share acquisition rights

(1) Type and number of shares to be granted upon exercise of share acquisition rights

The number of shares to be granted upon exercise of one (1) share acquisition right (the "number of shares granted") shall be 100 shares of common stock of the Company.

In the event that the Company conducts a stock split (including a gratis allotment of its common shares; the same shall apply hereinafter) or a reverse split after the allotment date of the share acquisition rights, adjustments shall be made in accordance with the following formula. However, such adjustment shall be made only with respect to the number of shares underlying the share acquisition rights that have not been exercised as of such time, and any fraction of less than one share resulting from the adjustment shall be rounded down.

Number of shares granted after adjustment = Number of shares granted before adjustment × ratio of split (or consolidation)

If, after the allotment date of the share acquisition rights, the Company conducts a merger, company split, share exchange, or share delivery, or if it otherwise becomes necessary to adjust the number of shares to be granted in a similar case, the number of shares to be granted shall be adjusted appropriately within a reasonable scope.

(2) Value or calculation method of assets to be contributed upon exercise of share acquisition rights

The value of the assets to be contributed upon exercise of the share acquisition rights shall be the amount obtained by multiplying the amount to be paid per share (the "exercise price") by the number of shares granted. The exercise price shall be 2,315 yen, which is the same amount as the closing price of the Company's common stock in regular trading on the day before the day of resolution for issuance of the share acquisition rights.

If the Company conducts a stock split or a reverse split after the allotment date of the share acquisition rights, the exercise price shall be adjusted in accordance with the following formula, and any fraction less than one yen resulting from the adjustment shall be rounded up to the nearest whole yen.

$$\text{Exercise price after adjustment} = \frac{\text{Exercise price before adjustment} \times 1}{\text{Ratio of split (or consolidation)}}$$

If the Company issues new shares or disposes of treasury shares at a price below the market value of the Company's common stock after the allotment date of the share acquisition rights (excluding cases where the Company issues new shares or disposes of treasury shares based on the exercise of share acquisition rights, or issues new shares or delivers treasury shares due to a merger, corporate split, share exchange or share delivery), the Exercise Price shall be adjusted in accordance with the following formula, and any fraction of less than one yen resulting from the adjustment shall be rounded up to the nearest whole yen.

$$\text{Exercise price after adjustment} = \frac{\text{Exercise price before adjustment} \times \left(\frac{\text{Number of newly issued shares} \times \text{paid-in amount per share}}{\text{Market value per share before new issue}} \right) + \text{Number of outstanding shares}}{\text{Number of outstanding shares} + \text{Number of shares newly issued}}$$

In the above formula, the "number of outstanding shares" shall be the number obtained by deducting the number of treasury shares of the Company's common stock from the total number of issued shares of the Company's common stock, and in the case of the disposal of treasury shares of the Company's common stock, "number of newly issued shares" shall be deemed to be replaced with "number of treasury shares to be disposed of".

Furthermore, in addition to the above, in case where the Company conducts a merger, a corporate split, share exchange or share delivery after the allotment date of the share acquisition rights, or other equivalent cases requiring adjustment of the exercise price, the Company may appropriately adjust the exercise price to a reasonable extent.

(3) Period during which share acquisition rights may be exercised

The period during which the share acquisition rights may be exercised (the "exercise period") shall be from April 1, 2027 to March 31, 2035 (however, if the last day of the exercise period is not a bank business day, then the preceding bank business day).

(4) Matters concerning share capital and legal capital surplus to be increased

(i) The amount of share capital to be increased in the event of the issuance of shares upon the exercise of the share acquisition rights shall be half of the maximum amount of increase in share capital as calculated in accordance with Article 17, Paragraph 1 of the Corporate Calculation Regulations. Any fraction less than one yen resulting from the calculation shall be rounded up to the nearest whole yen.

(ii) The amount of legal capital surplus to be increased in the event of the issuance of shares upon the exercise of the share acquisition rights shall be the amount obtained by subtracting the amount of share capital to be increased set forth in (i) above from the maximum amount of increase in share capital set forth in (i) above.

(5) Restriction on acquisition of share acquisition rights by transfer

Acquisition of the share acquisition rights by transfer shall require approval by a resolution of the Board of Directors of the Company.

(6) Conditions for exercise of share acquisition rights

(i) Only if the Company's net sales shown in the consolidated statement of income (or the statement of income if the Company does not prepare a consolidated statement of income; hereinafter the same shall apply) in its Annual Securities Report for either the fiscal year ending March 31, 2026 or March 2027 exceed 5,000 million yen, person(s) who has/have received an allotment of share acquisition rights ("share acquisition rights holder[s]") may exercise the share acquisition rights thereafter, but within the exercise period set forth in (3) above.

(ii) Share acquisition rights holder(s) must be directors, corporate auditors or employees of the Company or its affiliates at the time of exercising the share acquisition rights. However, this shall not apply in the event of retirement due to expiration of term of office, mandatory retirement age, or any other justifiable reason

- recognized by the Board of Directors of the Company.
- (iii) Exercise of the share acquisition rights by the heir(s) of the share acquisition rights holder(s) shall not be permitted.
 - (iv) If the exercise of the share acquisition rights would cause the total number of issued shares of the Company to exceed the total number of shares authorized to be issued at the time of such exercise, such share acquisition rights may not be exercised.
 - (v) Any fraction less than one share acquisition right may not be exercised.
4. Date of allotment of share acquisition rights
July 10, 2025
5. Matters concerning acquisition of share acquisition rights
- (1) In the event that a merger agreement under which the Company becomes the company to be dissolved, a company split agreement or plan under which the Company becomes the company to be split, or a share exchange agreement, share delivery plan or share transfer plan under which the Company becomes a wholly owned subsidiary, is approved at a general meeting of shareholders (or, if approval at a general meeting of shareholders is not required, is resolved by the Board of Directors), the Company may acquire all of the share acquisition rights without consideration on a date separately determined by the Board of Directors.
 - (2) If a share acquisition rights holder is unable to exercise the share acquisition rights pursuant to the provisions set forth in 3.(6) above before exercising the rights, the Company may acquire the share acquisition rights without contribution.
6. Handling of share acquisition rights in the event of reorganization
- In the event that the Company undergoes a merger (limited to the case where the Company ceases to exist as a result of the merger), an absorption-type company split, an incorporation-type company split, a share exchange or a share transfer (collectively referred to as "Reorganization"), the Company shall grant share acquisition rights of a stock corporation listed in Article 236, Paragraph 1, Item 8, Subitems (a) to (e) of the Companies Act ("Reorganized Company") to share acquisition rights holders on the effective date of the Reorganization, in each case, based on the following conditions. However, this shall be limited to cases where it is stipulated in the absorption-type merger agreement, incorporation-type merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement or share transfer plan that share acquisition rights of the Reorganized Company shall be granted in accordance with the following conditions.
- (1) Number of share acquisition rights of the reorganized company to be granted
The same number of share acquisition rights as the number of share acquisition rights held by a share acquisition rights holder shall be delivered respectively.
 - (2) Class of shares of the reorganized company to be issued upon exercise of share acquisition rights
The shares shall be common stock of the Reorganized Company.
 - (3) Number of shares of the reorganized company to be issued upon exercise of share acquisition rights
To be determined in accordance with 3.(1) above, taking into consideration the conditions of the reorganization.
 - (4) Amount of assets to be contributed in exercising share acquisition rights
The value of the assets to be contributed upon the exercise of each share acquisition right to be allotted shall be an amount obtained by multiplying (i) the post-Reorganization Exercise Price, which is the Exercise Price determined in 3 (2) above as adjusted in consideration of the conditions of the Reorganization, by (ii) the number of shares of the Reorganized Company to be delivered upon exercise of such share acquisition rights as determined in accordance with (3) above.
 - (5) Period during which share acquisition rights may be exercised
From the later date of the first day of the exercise period specified in 3.(3) above or the effective date of the reorganization, to the last day of the exercise period specified in 3.(3) above.
 - (6) Matters concerning share capital and legal capital surplus to be increased in the event of the issuance of shares upon the exercise of share acquisition rights
To be determined in accordance with 3.(4) above.
 - (7) Restriction on acquisition of share acquisition rights by transfer
Restrictions on acquisition by transfer shall require approval by a resolution of the Board of Directors of the Reorganized Company.
 - (8) Other conditions for exercise of share acquisition rights
To be determined in accordance with 3.(6) above.
 - (9) Reasons and conditions for acquisition of share acquisition rights
To be determined in accordance with 5. above.
 - (10) Other conditions shall be determined in accordance with the conditions of the reorganized company.
7. Matters concerning certificates for share acquisition rights
The Company shall not issue any certificates for the share acquisition rights.
8. Date of payment of cash in exchange for share acquisition rights

July 10, 2025

9. Application due date

July 9, 2025

10. Persons to whom share acquisition rights are allotted and the number of share acquisition rights

Directors of the Company: 3, 5,260 rights

Executive officers of the Company: 2, 1,052 rights

(5) [Consolidated Supplementary Schedules]

[Schedule of Corporate Bonds]

Not applicable.

[Schedule of Borrowings]

Category	Balance at beginning of period (thousand yen)	Balance at end of period (thousand yen)	Average interest rate (%)	Repayment deadline
Short-term borrowings	600,000	950,832	3.04	-
Current portion of long-term borrowings	258,276	192,540	0.92	-
Long-term borrowings (excluding current portion)	379,830	226,745	1.49	2026 - 2030
Total	1,238,106	1,370,118	-	-

(Notes) 1. The average interest rate is the weighted average interest rate on the balance of borrowings outstanding at the end of the fiscal year.

2. The scheduled repayment amounts of long-term borrowings (excluding current portion) for the five years after the consolidated balance sheet date are as follows.

	Within 1-2 years (thousand yen)	Within 2-3 years (thousand yen)	Within 3-4 years (thousand yen)	Within 4-5 years (thousand yen)
Long-term borrowings	114,258	68,589	19,370	15,504

[Schedule of Asset Retirement Obligations]

Since the amount of asset retirement obligations at the beginning and end of the current consolidated fiscal year is less than 1/100 of the total liabilities and net assets at the beginning and end of the current consolidated fiscal year, this information is omitted pursuant to Article 92-2 of the Regulations for Consolidated Financial Statements.

(2) [Other]

Interim information for the current consolidated fiscal year

	Interim consolidated accounting period	Current consolidated fiscal year
Net sales (thousand yen)	1,359,041	2,942,635
Loss before income taxes (thousand yen)	(218,523)	(630,002)
Loss attributable to owners of parent (thousand yen)	(246,898)	(654,991)
Loss per share (yen)	(14.20)	(37.40)

2 [Financial Statements, etc.]

(1) [Financial statements]

(i) [Balance sheets]

(in thousands of yen)

	Previous fiscal year (March 31, 2024)	Current fiscal year (March 31, 2025)
ASSETS		
Current assets		
Cash and deposits	1,325,000	31,397
Accounts receivable - trade, and contract assets	* 265,517	* 269,579
Merchandise	9,418	9,447
Prepaid expenses	22,210	11,438
Short-term loans receivable	* 33,972	* 44,864
Other	* 46,119	* 61,467
Allowance for loan losses	-	(880)
Total current assets	1,702,238	427,314
Non-current assets		
Property, plant and equipment		
Tools, furniture and fixtures	-	9,882
Total property, plant and equipment	-	9,882
Intangible assets		
Software	-	841,572
Total intangible assets	-	841,572
Investments and other assets		
Investment securities	51,695	35,433
Shares of subsidiaries and associates	326,360	1,610,476
Long-term loans receivable	* 93,818	* 75,313
Long-term accounts receivable - other	* 1,479	* 2,342
Insurance funds	65,067	13,409
Other	27,668	32,519
Total investments and other assets	566,090	1,769,494
Total non-current assets	566,090	2,620,948
Total assets	2,268,329	3,048,263

(in thousands of yen)

	Previous fiscal year (March 31, 2024)	Current fiscal year (March 31, 2025)
LIABILITIES		
Current liabilities		
Short-term borrowings	600,000	* 1,020,415
Current portion of long-term borrowings	238,272	171,549
Accounts payable	* 67,162	* 261,152
Accrued expenses	21,486	* 13,003
Income taxes payable	13,348	16,787
Accrued consumption taxes	-	2,646
Advances received	1,798	1,570
Deposits received	4,521	8,093
Other	* 1,315	* 2,186
Total current liabilities	947,904	1,497,405
Non-Current liabilities		
Long-term borrowings	364,839	193,290
Asset retirement obligations	9,000	9,000
Deferred tax liabilities	2,551	1,698
Other	-	1,934
Total non-current liabilities	376,390	205,922
Total liabilities	1,324,295	1,703,327
NET ASSETS		
Shareholders' equity		
Share Capital	1,868,479	1,912,113
Capital surplus		
Legal capital surplus	1,640,262	1,683,896
Other capital surplus	-	968,414
Total capital surplus	1,640,262	2,652,310
Retained earnings		
Other retained earnings		
Retained earnings brought forward	(2,609,817)	(3,292,684)
Total retained earnings	(2,609,817)	(3,292,684)
Treasury stock	(3)	(50)
Total shareholders' equity	898,920	1,271,688
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	5,876	3,690
Total valuation and translation adjustments	5,876	3,690
Share acquisition rights	39,237	69,556
Total net assets	944,034	1,344,935
Total liabilities and net assets	2,268,329	3,048,263

(ii) [Statements of income]

(in thousands of yen)

	Previous fiscal year (From April 1, 2023 to March 31, 2024)	Current fiscal year (From April 1, 2024 to March 31, 2025)
Net sales	*1 463,437	*1 628,325
Cost of sales	*1 444,752	*1 398,907
Gross profit	18,685	229,417
Selling, general and administrative expenses	*1,*2 565,106	*1,*2 976,619
Operating profit (loss)	(546,421)	(747,201)
Non-operating income		
Interest income	*1 66,935	*1 12,144
Dividend income	*1 28,093	*1 26,160
Foreign exchange gains	63,656	-
Gain on investments in silent partnerships	2,180	-
Recoveries of written off receivables	-	*1 11,556
Other	38	-
Total non-operating income	160,904	49,862
Non-operating expenses		
Interest expenses	8,727	*1 17,157
Bad debts expenses	980,529	-
Loss on cancellation of insurance policies	-	6,372
Foreign exchange losses	-	8,511
Other	13,282	1,132
Total non-operating expenses	1,002,538	33,173
Ordinary profit (loss)	(1,388,054)	(730,512)
Extraordinary income		
Gain on sale of investment securities	-	5,658
Gain on sale of non-current assets	3,323	-
Gain on reversal of share acquisition rights	9,434	5,021
Gain on adjustment of accounts payable	-	*1 6,024
Total extraordinary income	12,758	16,704
Extraordinary losses		
Impairment losses	274,590	-
Loss on valuation of shares of subsidiaries and associates	293,511	-
Loss on retirement of non-current assets	-	4,127
Total extraordinary losses	568,102	4,127
Loss before income taxes	(1,943,398)	(717,936)
Income taxes - current	(12,240)	(35,068)
Income taxes - deferred	21,962	-
Total income taxes	9,721	(35,068)
Profit/(Loss)	(1,953,120)	(682,867)

(iii) [Statements of Changes in Net Assets]

Previous fiscal year (April 1, 2023 to March 31, 2024)

	Shareholders' equity						
	Share Capital	Capital surplus			Retained earnings		Treasury stock
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings Retained earnings brought forward	Total retained earnings	
Balance at beginning of period	1,516,478	1,288,261	-	1,288,261	(656,696)	(656,696)	(3)
Changes during period							
Issuance of new shares	352,000	352,000		352,000			
Restricted stock-based compensation							
Increase due to share exchange							
Purchase of treasury stock							
Profit/(Loss)					(1,953,120)	(1,953,120)	
Net changes in items other than shareholders' equity							
Total changes during period	352,000	352,000	-	352,000	(1,953,120)	(1,953,120)	-
Balance at end of period	1,868,479	1,640,262	-	1,640,262	(2,609,817)	(2,609,817)	(3)

(in thousands of yen)

	Shareholders' equity	Valuation and translation adjustments		Share acquisition rights	Total net assets
	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of period	2,148,040	3,038	3,038	16,841	2,167,920
Changes during period					
Issuance of new shares	704,000				704,000
Restricted stock-based compensation					
Increase due to share exchange					
Purchase of treasury stock					
Profit/(Loss)	(1,953,120)				(1,953,120)
Net changes in items other than shareholders' equity		2,838	2,838	22,395	25,233
Total changes during period	(1,249,119)	2,838	2,838	22,395	(1,223,886)
Balance at end of period	898,920	5,876	5,876	39,237	944,034

Current fiscal year (April 1, 2024 to March 31, 2025)

	Shareholders' equity						
	Share Capital	Capital surplus			Retained earnings		Treasury stock
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings Retained earnings brought forward	Total retained earnings	
Balance at beginning of period	1,868,479	1,640,262	-	1,640,262	(2,609,817)	(2,609,817)	(3)
Changes during period							
Issuance of new shares	43,633	43,633		43,633			
Restricted stock-based compensation			9,999	9,999			
Increase due to share exchange			958,415	958,415			
Purchase of treasury stock							(46)
Profit/(Loss)					(682,867)	(682,867)	
Net changes in items other than shareholders' equity							
Total changes during period	43,633	43,633	968,414	1,012,048	(682,867)	(682,867)	(46)
Balance at end of period	1,912,113	1,683,896	968,414	2,652,310	(3,292,684)	(3,292,684)	(50)

(in thousands of yen)

	Shareholders' equity	Valuation and translation adjustments		Share acquisition rights	Total net assets
	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of period	898,920	5,876	5,876	39,237	944,034
Changes during period					
Issuance of new shares	87,267				87,267
Restricted stock-based compensation	9,999				9,999
Increase due to share exchange	958,415				958,415
Purchase of treasury stock	(46)				(46)
Profit/(Loss)	(682,867)				(682,867)
Net changes in items other than shareholders' equity		(2,186)	(2,186)	30,319	28,133
Total changes during period	372,767	(2,186)	(2,186)	30,319	400,901
Balance at end of period	1,271,688	3,690	3,690	69,556	1,344,935

[Notes]

(Significant accounting policies)

1. Valuation standards and methods for securities

(1) Shares of subsidiaries and affiliates

Stated at cost determined by the moving-average cost method.

(2) Investments in capital of associates

Stated at cost determined by the moving-average cost method.

(3) Available-for-sale securities

Shares that do not have a market value

Stated at cost determined by the moving-average cost method.

Investments in silent partnerships are accounted for based on the most recent financial statements available according to the financial reporting date stipulated in the partnership agreement, and the amount equivalent to the equity interest is included as a net amount.

2. Valuation standards and methods for inventories

Merchandise and finished goods

Stated at cost based on the first-in, first-out method (the amount on the balance sheet is calculated by writing down the book value based on a decline in profitability)

3. Depreciation and amortization methods for non-current assets

(1) Property, plant and equipment

The declining-balance method is applied.

However, buildings (excluding building fixtures) acquired on April 1, 1998 or later and building fixtures and structures acquired on April 1, 2016 or later are depreciated applying the straight-line method.

The main useful lives are as follows:

Buildings: 4-28 years

Tools, furniture and fixtures 3-15 years

(2) Intangible assets

The straight-line method is applied.

Software for internal use is depreciated over the estimated useful life (3 to 5 years).

4. Basis for allowances

Allowance for loan losses

To prepare for possible losses from accounts receivable and other receivables, an allowance for doubtful accounts is provided for the estimated uncollectible amount based on the historical write-off ratio for general receivables and on a case-by-case determination of collectibility for specific receivables such as doubtful receivables.

5. Standards for recognition of revenues and expenses

The following are the details of performance obligations in the Company's principal operations relating to revenue from contracts with customers and the normal timing at which such performance obligations are satisfied (the normal timing at which revenue is recognized):

Revenue is measured at the transaction price related to the contract with the customer, and there are no significant variable consideration amounts, etc. In addition, there is no significant financial element included in the amount of consideration promised.

B. Retail marketing business

In the retail marketing business, the Company provides SaaS-type services in the retail sector that utilize its proprietary analytical tools. In this service, the Company identifies the provision of services related to the installation of AI cameras and other equipment and the subsequent provision of services as performance obligations under the contract with the customer.

Revenues from services provided for the installation of AI cameras, etc. are recognized at the time of completion of the installation. For the subsequent provision of services, the performance obligations are deemed to be satisfied over time as the services are provided to the customer in

accordance with the contract, and revenues are recognized on a pro-rata basis over the contract period in which the performance obligations are satisfied.

B. Data analysis solutions business

In the data analysis solutions business, the Company mainly provides contracted system development and operational support for customers, services utilizing social listening analysis tools, and consulting services.

For contracted system development and consulting services, the Company recognizes revenues over a period of time as it satisfies its performance obligations. The percentage of completion for the fulfillment of performance obligations is estimated primarily by the input method based on the cost incurred. For service contracts with a very short period of time from the date of inception of the transaction to the point in time when the performance obligations are expected to be fully satisfied, revenues are not recognized over a certain period of time, but are recognized when the performance obligations are fully satisfied.

With respect to the system operation support and the provision of services using social listening analysis tools, the performance obligations are deemed to be satisfied over time as the services are provided to the customer in accordance with the contract, and revenues are recognized on a pro-rata basis over the contract period in which the performance obligations are satisfied.

6. Standards for translating assets and liabilities that are in a foreign currency into Japanese currency

Monetary receivables and payables denominated in foreign currencies are translated into yen at the spot exchange rate prevailing at the balance sheet date, with translation differences recognized as gains or losses.

(Significant accounting estimates)

Valuation of shares of subsidiaries and associates related to MSS

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

(thousand yen)

	Previous fiscal year	Current fiscal year
Shares of MSS	-	1,264,615

(2) Information on significant accounting estimates for identified items

Shares of subsidiaries and associates are valued at cost as equity securities, etc. without a market price, and when an impairment loss is recognized, the amount of the impairment loss is deducted from the acquisition price. In cases where the real value of the shares has declined significantly due to deterioration of the issuing company's financial condition and no recovery is deemed possible, the shares are written down considerably, and the valuation difference is recognized as an impairment loss.

In valuing these affiliates, a significant decline in real value is considered to have occurred when the real value has declined by 50% or more from the acquisition price. In calculating the real value, the net asset per share is used as the basis, and the excess earning capacity, management rights, etc. recognized at the time of acquisition are taken into account if it is determined that the original value is maintained after checking the progress of the business plan and other factors.

In accordance with the above policy, with respect to the valuation of excess earning capacity, management rights, etc. recognized at the time of acquisition of the shares of the affiliated company, the Company confirmed the progress of the business plan and other factors and judged that the original value was maintained. Since no significant decline in the real value was identified, no impairment loss was recognized.

The business plan used to value the shares of the affiliated company includes important assumptions such as future growth in projected sales and the resulting increase in personnel and equipment costs.

For these estimates, if the real value declines significantly and is not expected to recover, such as when changes in the business environment necessitate a major revision of the business plan used for the evaluation, an impairment loss may be recorded in the following fiscal year.

(Change in accounting policy)

The Company has applied the Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, October 28, 2022) ("2022 Revised Accounting Standard") and other standards from the beginning of the current fiscal year.

With regard to the amendment to categories in which income taxes should be recorded, it applies the transitional treatment provided for in the proviso to Paragraph 20-3 of the 2022 Revised Accounting Standard. There is no effect of this change in accounting policy on the financial statements.

(Change in presentation)

(Balance sheets)

“Income taxes refund receivable” (39 thousand yen in the current fiscal year), which had been separately presented until the previous fiscal year, is included in “Others” under “Current assets” from the current fiscal year, because its amount became immaterial. The financial statements for the previous fiscal year have been reclassified to reflect this change in presentation.

As a result, “Income taxes refund receivable” of 6,057 thousand yen and “Others” of 40,062 thousand yen under “Current assets” in the balance sheet for the previous fiscal year were reclassified as “Others” of 46,119 thousand yen.

(Matters related to balance sheets)

* Monetary claims and monetary obligations to affiliates (excluding those presented separately)

	Previous fiscal year (March 31, 2024)	Current fiscal year (March 31, 2025)
Short-term monetary claims	241,438 thousand yen	295,277 thousand yen
Long-term monetary claims	85,187	68,945
Short-term monetary obligations	7,460	154,678

(Matters related to statements of income)

*1 Transaction balance with affiliates

	Previous fiscal year (From April 1, 2023 to March 31, 2024)	Current fiscal year (From April 1, 2024 to March 31, 2025)
Transaction balance from operating transactions		
Net sales	44,067 thousand yen	63,333 thousand yen
Amount of goods purchased	44,987	94,178
Selling, general and administrative expenses	39,847	50,250
Transaction balance from non-operating transactions		
Management guidance fee	24,126	41,744
Interest income	59,784	11,123
Dividend income	25,000	25,000
Recoveries of written off receivables	-	11,033
Gain on adjustment of accounts payable	-	6,024
Interest expenses	-	1,506

*2 The approximate percentage of expenses included in selling expenses was 8% in the previous fiscal year and 7% in the current fiscal year, and the approximate percentage of expenses included in general and administrative expenses was 92% in the previous fiscal year and 93% in the current fiscal year.

The major items and amounts of selling, general and administrative expenses are as follows:

	Previous fiscal year (From April 1, 2023 to March 31, 2024)	Current fiscal year (From April 1, 2024 to March 31, 2025)
Remuneration for directors (and other officers)	90,230 thousand yen	133,331 thousand yen
Salaries and allowances	104,974	209,192
Outsourcing expenses	91,932	237,761
Remuneration and fees paid	20,613	139,416
Bad debts expenses	115,663	-

(Matters related to securities)

Previous fiscal year (March 31, 2024)

Shares of subsidiaries and associates (amount on the balance sheet: 326,360 thousand yen for shares of subsidiaries and associates) are not stated because they do not have market prices.

Current fiscal year (March 31, 2025)

Shares of subsidiaries and associates (amount on the balance sheet: 1,610,476 thousand yen for shares of subsidiaries and associates) are not stated because they do not have market prices.

(Tax effect accounting)

1. Breakdown of deferred tax assets and deferred tax liabilities by principal cause

	Previous fiscal year (March 31, 2024)	Current fiscal year (March 31, 2025)
Deferred tax assets		
Accrued enterprise taxes	3,080 thousand yen	5,783 thousand yen
Excess depreciation	3,908	-
Impairment losses	105,385	42,654
Loss on valuation of shares of subsidiaries and associates	326,057	335,011
Asset retirement obligations	2,755	2,755
Asset adjustment account	7,232	5,710
Loss on valuation of investment securities	17,286	17,794
Stock-based compensation expenses	22,133	31,982
Tax loss carryforwards	76,660	315,387
Inventories	-	924
Allowance for loan losses	-	277
Bad debts expenses	335,654	342,042
Subtotal of deferred tax assets	900,154	1,100,324
Valuation allowance for tax loss carryforwards	(76,660)	(315,387)
Valuation allowance for total deductible temporary differences, etc.	(823,494)	(784,937)
Total valuation allowance	(900,154)	(1,100,324)
Total deferred tax assets	-	-
Deferred tax liabilities		
Investment securities	(2,551)	(1,698)
Total deferred tax liabilities	(2,551)	(1,698)
Net deferred tax assets or liabilities	(2,551)	(1,698)

2. Breakdown of key items that have caused significant differences (if any) between the statutory effective tax rate and the actual effective tax rate after the application of tax effect accounting

The information is omitted, as the Company recorded a loss before income taxes for the previous and current fiscal years.

3. Accounting treatment for income taxes and local corporate taxes or tax effect accounting related to these taxes

The Company adopts the group tax sharing system, and applies accounting treatment for income taxes and local corporate taxes or the tax effect accounting related to these taxes and disclosures in accordance with "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (ASBJ PITF No. 42, August 12, 2021).

4. Adjustment of deferred tax assets and deferred tax liabilities due to changes in income tax rates

Following the enactment of the "Act for Partial Revision of the Income Tax Act and Other Acts" (Act No. 13 of 2025) by the Diet on March 31, 2025, the "Defense Special Corporate Tax" will be imposed from the fiscal year beginning on or after April 1, 2026.

As a result, the statutory effective tax rate was changed from 30.6% to 31.5% for the calculation of deferred tax assets and deferred tax liabilities related to temporary differences expected to be eliminated in the fiscal year beginning on April 1, 2026 and thereafter.

The effect of this change on the financial statements for the current fiscal year was minimal.

(Business combinations, etc.)

The information is omitted, as it is similar to the description in "1. Consolidated Financial Statements, etc. (1) Consolidated Financial Statements, Notes (Business combinations, etc.)"

(Revenue recognition)

Basic information for understanding revenue is presented in "(Significant accounting policies) 5. Standards for recognition of revenues and expenses."

(Significant subsequent events)

(Capital increase through the exercise of share acquisition rights with an exercise price revision clause)

The information is omitted, as it is similar to the description in "1. Consolidated Financial Statements, etc. (1) Consolidated Financial Statements, Notes (Significant subsequent events)."

(Issuance of paid-in share acquisition rights (performance-linked paid-in stock options))

The information is omitted, as it is similar to the description in "1. Consolidated Financial Statements, etc. (1) Consolidated Financial Statements, Notes (Significant subsequent events)."

(iv) [Supplementary Schedules]

[Schedule of Property, Plant and Equipment]

(in thousands of yen)

Category	Asset type	Balance at beginning of period	Increase during the year	Decrease during the year	Amortization for the period	Balance at end of period	Accumulated depreciation
Property, plant and equipment	Building	-	-	-	-	-	18,851
	Tools, furniture and fixtures	-	14,413	-	4,531	9,882	77,880
	Total	-	14,413	-	4,531	9,882	96,732
Intangible assets	Software	-	845,699	4,127	-	841,572	-
	Total	-	845,699	4,127	-	841,572	-

(Notes) 1. Major items in the increase during the year are as follows:

Tools, furniture and fixtures	Purchase of equipment and PCs for business use	14,413 thousand yen
Software	Software for internal use	841,572 thousand yen

3. Major items in the decrease during the year are as follows:

Software	Software for internal use	4,127 thousand yen
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[Schedule of Provisions]

Category	Balance at beginning of period (thousand yen)	Increase during the year (thousand yen)	Decrease during the year (Purpose use) (thousand yen)	Decrease during the year (Other) (thousand yen)	Balance at end of period (thousand yen)
Allowance for loan losses	-	880	-	-	880

(Note) The amount in the "Increase during the year" for allowance for doubtful accounts is calculated by examining the collectability of specific doubtful accounts on a case-by-case basis, and the estimated uncollectible amount is recorded.

(2) [Major Assets and Liabilities]

This information is omitted since consolidated financial statements are prepared.

(3) [Other]

Not applicable.

6 [Outline of Share-related Administration of Reporting Company]

Fiscal Year	April 1 through March 31 of the following year
Annual General Shareholders Meeting	Within 3 months after the end of each fiscal year
Record date	March 31
Record Date for Dividends of Surplus	September 30 March 31
Number of Shares Constituting One Share Unit of Shares	100 shares
Purchase or Sale of Shares Less Than One Unit	
Location	Stock Transfer Agent Department, Sumitomo Mitsui Trust Bank, Limited 4-1, Marunouchi, 1-chome, Chiyoda-ku, Tokyo
Administrator of Shareholder Register	Sumitomo Mitsui Trust Bank, Limited 4-1, Marunouchi, 1-chome, Chiyoda-ku, Tokyo
Handling Office	Branch offices nationwide of Sumitomo Mitsui Trust Bank, Limited
Purchasing Fee	The amount equivalent to the brokerage commission per trading unit and the related consumption tax prorated by the number of shares constituting less than one unit
Method of Public Notice	An electronic public notice shall be made. However, in the event of an accident or other unavoidable circumstances that preclude public notice by electronic means, the notice shall be given in the Nihon Keizai Shimbun. URL for public notice https://www.datasection.co.jp/en
Shareholder Benefits	Not applicable.

7 [Reference Information of Reporting Company]

1 [Information about Parent of Reporting Company]

The Company has no parent company, etc. as defined in Article 24-7, Paragraph 1 of the Financial Instruments and Exchange Act.

2 [Other Reference Information]

The following documents were submitted between the beginning of the current fiscal year and the date of submission of the Annual Securities Report.

(1) Annual Securities Report and its attachments and confirmation letters

24th fiscal year (April 1, 2023 to March 31, 2024) Submitted to the Director-General of the Kanto Finance Bureau on June 27, 2024

(2) Internal Control Report and its attachments

Submitted to the Director-General of the Kanto Finance Bureau on June 27, 2024

(3) Semiannual Securities Report and confirmation letters

During the 25th fiscal year (from April 1, 2024 to September 30, 2024) Submitted to the Director-General of the Kanto Finance Bureau on November 14, 2024

(4) Extraordinary Report

Submitted to the Director-General of the Kanto Finance Bureau on April 18, 2024

This is an Extraordinary Report based on Article 19, Paragraph 2, Item 9-2 (results of exercise of voting rights at the general meeting of shareholders) of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc.

Submitted to the Director-General of the Kanto Finance Bureau on May 16, 2024

This is an Extraordinary Report based on Article 19, Paragraph 2, Item 19 (events significantly affecting the financial position, business performance and cash flows) of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc.

Submitted to the Director-General of the Kanto Finance Bureau on June 4, 2024

This is an Extraordinary Report based on Article 19, Paragraph 2, Item 9-4 (change of certified public accountant for audits, etc.) of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc.

Submitted to the Director-General of the Kanto Finance Bureau on June 4, 2024

This is an Extraordinary Report based on Article 19, Paragraph 2, Item 6-2 (decision of share exchange) and Item 8-2 (decision of acquisition of subsidiary) of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc.

Submitted to the Director-General of the Kanto Finance Bureau on June 27, 2024

This is an Extraordinary Report based on Article 19, Paragraph 2, Item 9-2 (results of exercise of voting rights at the general meeting of shareholders) of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc.

Submitted to the Director-General of the Kanto Finance Bureau on June 28, 2024

This is an Extraordinary Report based on Article 19, Paragraph 2, Item 9 (transfer in representative director) of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc.

Submitted to the Director-General of the Kanto Finance Bureau on August 8, 2024

This is an Extraordinary Report based on Article 19, Paragraph 2, Item 3 (transfer in specified subsidiaries) of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc.

Submitted to the Director-General of the Kanto Finance Bureau on November 14, 2024

This is an Extraordinary Report based on Article 19, Paragraph 2, Item 19 (events significantly affecting the financial position, business performance and cash flows) of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc.

Submitted to the Director-General of the Kanto Finance Bureau on November 19, 2024

This is an Extraordinary Report based on Article 19, Paragraph 2, Item 9 (transfer in representative director) of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc.

Submitted to the Director-General of the Kanto Finance Bureau on December 24, 2024

This is an Extraordinary Report based on Article 19, Paragraph 2, Item 9-2 (results of exercise of voting rights at the general meeting of shareholders) of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc.

Submitted to the Director-General of the Kanto Finance Bureau on February 17, 2025

This is an Extraordinary Report based on Article 19, Paragraph 2, Item 19 (events significantly affecting the financial position, business performance and cash flows) of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc.

Submitted to the Director-General of the Kanto Finance Bureau on March 26, 2025

This is an Extraordinary Report based on Article 19, Paragraph 2, Item 2-2 (issuance of share acquisition rights) of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc.

Submitted to the Director-General of the Kanto Finance Bureau on June 17, 2025

This is an Extraordinary Report based on Article 19, Paragraph 2, Item 8-2 (decision of acquisition of subsidiary) of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc.

Submitted to the Director-General of the Kanto Finance Bureau on June 23, 2025

This is an Extraordinary Report based on Article 19, Paragraph 2, Item 2-2 (issuance of share acquisition rights) of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc.

Submitted to the Director-General of the Kanto Finance Bureau on June 26, 2025

This is an Extraordinary Report based on Article 19, Paragraph 2, Item 9-2 (results of exercise of voting rights at the general meeting of shareholders) of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc.

(5) Securities Registration Statement

Submitted to the Director-General of the Kanto Finance Bureau on February 18, 2025 (Securities Registration Statement for Allotment to Other Parties)

Part II [Information about Reporting Company's Guarantor]

Not applicable.

Independent Auditor's Report and Internal Control Audit Report

June 27, 2025

To the Board of Directors of Datasection Inc.

Amaterasu Limited Liability Audit Company
Shibuya-ku, Tokyo

Designated
Limited Liability Certified Public
Partner Accountant Keishi Mishima
Managing Partner

Designated
Limited Liability Certified Public
Partner Accountant Satoshi Fukudome
Managing Partner

<Audit of Consolidated Financial Statements>

Audit Opinion

For the purpose of providing audit certification pursuant to Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements of Datasection, Inc. included in the "Status of Accounting" for the consolidated fiscal year from April 1, 2024 to March 31, 2025, which consist of the consolidated balance sheet, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows, significant matters serving as the basis for the preparation of the consolidated financial statements, other notes, and consolidated supplementary schedules.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Datasection Inc. and its consolidated subsidiaries as of March 31, 2025, and the operating results and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Basis for Audit Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section. We are independent of the Company and its consolidated subsidiaries in accordance with the provisions related to professional ethics in Japan. We also fulfill other ethical responsibilities as an auditor. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our opinion.

Points of Emphasis

As described in the notes on significant subsequent events (Capital increase through the exercise of share acquisition rights with an exercise price revision clause), a portion of the 20th series of share acquisition rights was exercised between the end of the current fiscal year and June 26, 2025.

Such event does not affect our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of particular importance in our audit of the consolidated financial statements for the current consolidated fiscal year. Those matters were addressed in the course of performing the audit of the consolidated financial statements as a whole and in forming our audit opinion, and we do not express a separate opinion on those matters.

Valuation of goodwill of MSS Inc.	
Description of key audit matter and reasons for decision	Audit responses
As stated in the notes to the consolidated financial statements, "(Significant accounting estimates) Valuation of goodwill," the goodwill of 1,318,157 thousand yen recorded in the consolidated balance sheet of Datasection Inc. at the end of the current consolidated fiscal year includes the goodwill of 1,180,065 thousand yen recorded when the Company acquired control of MSS Inc. ("MSS"). Goodwill is amortized on a regular basis. However, when an indication of impairment is identified, such as the posting of continuous operating losses of the subject business or significant deterioration of the business environment, it is necessary to determine whether an impairment loss should be recognized. In the current consolidated fiscal year, MSS posted an operating loss including amortization of goodwill. Although this is the first year that MSS became a subsidiary, whether the company will post an operating profit, including amortization of goodwill, remains uncertain. In light of the business environment of MSS, we have determined that the Company should carefully identify signs of impairment of the asset group, including goodwill, of MSS and assess whether impairment is necessary or not. In identifying indications of impairment, with regard to profit/loss from business operations of MSS, the Company compares and analyzes the actual results with the business plan originally formulated when MSS became a subsidiary. In order to evaluate whether there has been a change in the scope or method of use that would significantly reduce the recoverability of the assets, the Company is considering to take some measures, including estimating the undiscounted future cash flows of MSS, and comparing the total amount of such estimates with the total amount of undiscounted future cash flows based on the original business plan of MSS. The total amount of undiscounted cash flows used in this determination are estimated based on the future business plan of MSS formulated by management. Such business plan includes sales forecasts and cost estimates based on such forecasts, the feasibility of which is generally highly uncertain and involves a high degree of judgment by management. Based on the above, we concluded that since the accounting estimates related to the valuation of goodwill of MSS involve assumptions and judgments by management and require a high degree of judgment in the audit consideration, this matter constitutes a key audit matter.	We mainly performed the following audit procedures to assess the adequacy of valuation of the asset group of MSS, including goodwill. (1) Understanding and assessment of internal control To assess the adequacy of the valuation of goodwill, we checked the internal controls maintained by the Company and assessed the effectiveness of the maintenance and operation of the internal controls. (2) Evaluation of valuation review documents • We reviewed whether the estimates of undiscounted future cash flows are consistent with MSS's business plan approved by management. • We evaluated the accuracy of the estimates included in the company's business plan through a comparative analysis of the business plan developed when MSS became a subsidiary and the actual results. • In order to examine the appropriateness of the sales forecasts for the fiscal year and cost estimates based on such forecasts, we questioned MSS management and referred to historical sales figures, documents supporting the business plan, and other available outside information for our review.

Other Information

The other information comprises the information included in the Annual Securities Report, other than the consolidated financial statements and the financial statements and the auditor's reports thereon. Management is responsible for

preparing and disclosing the other information. In addition, the responsibility of the Audit and Supervisory Committee is to oversee the execution of duties by Directors with respect to the design and operation of the reporting process of the other information.

Our audit opinion on the consolidated financial statements does not cover the other information, and we express no opinion on the other information.

Our responsibility in the audit of the consolidated financial statements is to read the other information and, in the course of that reading, to consider whether there are material differences between the other information and the consolidated financial statements or our knowledge obtained in the audit, and to pay attention to whether there are any indication of material errors in the other information other than such material differences.

If, based on the work we have performed, we determine that there are material errors in the other information, we are required to report those facts.

We have nothing to report regarding the other information.

Responsibilities of Management and the Audit and Supervisory Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan. This includes the design and operation of such internal control as management determines is necessary to enable the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

When preparing consolidated financial statements, management is responsible for evaluating whether it is appropriate to prepare consolidated financial statements based on the premise of a going concern, and for disclosing matters concerning going concern if there is a need to do so in accordance with accounting principles generally accepted in Japan.

The responsibility of the Audit and Supervisory Committee is to oversee the execution of duties by Directors with respect to the design and operation of the financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

We are responsible for obtaining reasonable assurance about whether the consolidated financial statements as a whole are free of material misstatement, whether due to fraud or error, based on the audit performed by us, and for expressing an opinion on the consolidated financial statements independently in the auditor's report. A misstatement can arise from fraud or error and is considered to be material if, individually or in the aggregate, it could reasonably be expected to affect the decisions of users of the consolidated financial statements.

We exercise professional judgment and maintain professional skepticism throughout the audit process in accordance with auditing standards generally accepted in Japan, and we perform the following:

- Identify and assess the risks of material misstatement due to fraud or error. In addition, design and perform audit procedures to address the risks of material misstatement. The selection and application of the audit procedures depend on the auditor's judgment. We also obtain sufficient and appropriate audit evidence to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessment, although the purpose of the audit of consolidated financial statements is not to express an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of the accounting policies and methods of application thereof adopted by management, as well as the reasonableness of the accounting estimates made by management and the appropriateness of the related notes.
- Conclude whether it is appropriate for management to prepare the consolidated financial statements on a going concern basis and, based on the audit evidence obtained, whether there are material uncertainties regarding events or conditions that might cast significant doubt on the Company's ability to continue as a going concern. If a material uncertainty regarding the Company's ability to continue as a going concern exists, we are required to draw attention in the auditor's report to the notes to the consolidated financial statements or, if the notes to the consolidated financial statements are not appropriate with respect to the material uncertainty, to express a qualified opinion with exclusions on the consolidated financial statements. Our conclusion is based on audit evidence obtained up to the date of the auditor's report; however, future events or circumstances may cause the Company to cease to continue as a going concern.
- Evaluate whether the presentation of and the notes to the consolidated financial statements are in conformity with accounting principles generally accepted in Japan, and whether the presentation, structure and content of the consolidated financial statements, including related notes, represent the underlying transactions and accounting events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence about the financial information of the Company and its consolidated

subsidiaries in order to express an opinion on the consolidated financial statements. We are responsible for directing, supervising, and performing the audit of the consolidated financial statements. We remain solely responsible for our audit opinion.

We report to the Audit and Supervisory Committee on the scope and timing of the planned audit, significant audit findings, including material deficiencies in internal control, identified during the course of the audit, and other matters required by the audit standards.

We report to the Audit and Supervisory Committee that we have complied with the provision related to Japanese professional ethics regarding independence. In case we implemented any measures to remove matters that are reasonably considered to affect the independence of the auditor or any impediments, or implemented safeguards to reduce impediments to an acceptable level, we report on the details of such measures.

Of the matters discussed with the Audit and Supervisory Committee, we determine key audit matters that we consider to be of particular importance in the audit of the consolidated financial statements for the current consolidated fiscal year and include them in the auditor's report. However, such matters are not included in the auditor's report if the disclosure of such matters is prohibited by law or regulation or if, although extremely limited, we determine that such matters should not be reported because the disadvantages of reporting such matters in the auditor's report are reasonably expected to outweigh the public interest.

<Internal Control Audit>

Audit Opinion

We have audited the internal control report as of March 31, 2025 of Datasection Inc. for the purpose of providing audit certification pursuant to Article 193-2, Paragraph 2 of the Financial Instruments and Exchange Act.

In our opinion, the internal control report referred to above, in which Datasection Inc. indicated that its internal control over financial reporting as of March 31, 2025 was effective, presents fairly, in all material respects, the results of its assessment of internal control over financial reporting, based on criteria for assessment of internal control over financial reporting generally accepted in Japan.

Basis for Audit Opinion

We conducted our internal control audit in accordance with auditing standards on internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Internal Control Audit section. We are independent of the Company and its consolidated subsidiaries in accordance with the provisions related to professional ethics in Japan. We also fulfill other ethical responsibilities as an auditor. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our opinion.

Responsibilities of Management, the Audit and Supervisory Committee Members and the Audit and Supervisory Committee for the Internal Control Report

Management is responsible for designing and operating internal control over financial reporting, and for preparing and properly presenting the internal control report in accordance with standards for assessment of internal control over financial reporting generally accepted in Japan.

The Audit and Supervisory Committee is responsible for monitoring and verifying the design and operation of internal control over financial reporting.

It is possible that internal control over financial reporting does not completely prevent or detect misstatements in financial reporting.

Auditor's Responsibilities for the Internal Control Audit

We are responsible for obtaining reasonable assurance about whether the internal control report is free of material misstatement based on the internal control audit performed by us, and for expressing an opinion on the internal control report from an independent standpoint in the internal control audit report.

We exercise professional judgment and maintain professional skepticism throughout the audit process in accordance with auditing standards on internal control over financial reporting generally accepted in Japan, and we perform the following:

- Perform audit procedures to obtain audit evidence regarding the results of the assessment of internal control over financial reporting in the internal control report. Audit procedures for the internal control audit are selected and applied based on our judgment, in consideration of the materiality of the effect on the reliability of financial reporting.
- Review the presentation of the internal control report as a whole, including the statements made by management regarding the scope, procedures, and results for assessment of internal control over financial reporting.

- Obtain sufficient and appropriate audit evidence regarding the results of the assessment of internal control over financial reporting in the internal control report. We are responsible for directing, supervising, and performing the audit of the internal control report. We remain solely responsible for our audit opinion.

We report to the Audit and Supervisory Committee on the scope and timing of the planned internal control audit, results of the audit, material deficiencies in internal control identified during the course of the audit that should be disclosed and the results of corrective actions for such deficiencies, and other matters required by the standards for the internal control audit.

We report to the Audit and Supervisory Committee that we have complied with the provision related to Japanese professional ethics regarding independence. In case we implemented any measures to remove matters that are reasonably considered to affect the independence of the auditor or any impediments, or implemented safeguards to reduce impediments to an acceptable level, we report on the details of such measures.

<Remuneration-related Information>

The amount of remuneration paid to us and to persons belonging to the same network as us for audit certification services and non-audit services for the Company and its subsidiaries is disclosed in "Corporate governance, (3) [Audit]" included in "Information about Reporting Company."

Conflict of interest

The Auditor or the Managing Partner have no conflict of interest with the Company or its consolidated subsidiaries that must be disclosed pursuant to the provisions of the Certified Public Accountants Act.

END

(Note) 1. The original copy of the above audit report is kept separately by the Company (the company submitting the annual securities report).

2. XBRL data is not included in the scope of the audit.

Independent Auditor's Report

June 27, 2025

To the Board of Directors
of Datasection Inc.

Amaterasu Limited Liability Audit Company
Shibuya-ku, Tokyo

Designated			
Limited Liability	Certified Public		
Partner	Accountant	Keishi Mishima	
Managing Partner			

Designated			
Limited Liability	Certified Public		
Partner	Accountant	Satoshi Fukudome	
Managing Partner			

<Audit of Financial Statements>

Audit Opinion

For the purpose of providing audit certification pursuant to Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, we have audited the financial statements of Datasection, Inc. included in the "Status of Accounting" for the 25th fiscal year from April 1, 2024 to March 31, 2025, which consist of the balance sheet, the statement of income, the statement of changes in net assets, significant accounting policies, other notes, and consolidated supplementary schedules. In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Datasection Inc. as of March 31, 2025, and the operating results for the year then ended in conformity with accounting principles generally accepted in Japan.

Basis for Audit Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section. We are independent of the Company in accordance with the provisions related to professional ethics in Japan. We also fulfill other ethical responsibilities as an auditor. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our opinion.

Points of Emphasis

As described in the notes on significant subsequent events (Capital increase through the exercise of share acquisition rights with an exercise price revision clause), a portion of the 20th series of share acquisition rights was exercised between the end of the current fiscal year and June 26, 2025.

Such event does not affect our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of particular importance in our audit of the financial statements for the current fiscal year. Those matters were addressed in the course of performing the audit of the financial statements as a whole and in forming our audit opinion, and we do not express a separate opinion on those matters.

Valuation of investment in MSS Inc.	
Description of key audit matter and reasons for decision	Audit responses
As stated in the notes "(Significant accounting estimates) Valuation of shares of subsidiaries and associates," the shares of subsidiaries and associates recorded on the balance sheet of Datasection Inc. include an investment of 1,264,615 thousand yen in MSS Inc. ("MSS"). This investment is valued at a value significantly in excess of the net asset per share at the time of acquisition. For shares of subsidiaries, its acquisition cost is used as its balance sheet amount. However, in cases where the acquisition cost of the shares reflects excess earning capacity, etc., regardless of whether or not the financial condition has deteriorated, if the excess earning capacity, etc. has decreased and is expected to remain so into the future, and excess earning capacity is no longer expected, then consideration of impairment of the shares is necessary. After reviewing the financial condition of MSS and its total undiscounted future cash flows, the Company concluded that the real value of the shares has not declined due to a decrease in its excess earning capacity, etc., and therefore, no impairment loss was required. The future cash flows used in this determination are estimated based on the future business plan of MSS formulated by management. Such business plan includes sales forecasts and cost estimates based on such forecasts, the feasibility of which is generally highly uncertain and involves a high degree of judgment by management. Based on the above, we concluded that the adequacy of the valuation of the investment in MSS constitutes a key audit matter.	We mainly performed the following audit procedures to assess the adequacy of valuation of the investment in MSS. (1) Understanding and assessment of internal control To assess the adequacy of the valuation of shares of subsidiaries, we checked the internal controls maintained by the Company and assessed the effectiveness of the maintenance and operation of the internal controls. (2) Evaluation of valuation review documents We obtained the Company's valuation review documents for the investment in MSS and evaluated whether the real value was properly valued based on the financial information reported by MSS. In addition, we reviewed the relevant valuation review documents and examined whether the existence of a significant decline was properly judged by comparing the actual value with the acquisition cost. (3) Valuation of MSS's excess earnings, etc. The excess earning capacity, etc. reflected in the acquisition cost of the investment in MSS is recorded as "goodwill" on the consolidated balance sheet. We have performed the audit procedures described in the Key Audit Matters in the auditor's report on the consolidated financial statements.

Other Information

The other information comprises the information included in the Annual Securities Report, other than the financial statements and the auditor's reports thereon. Management is responsible for preparing and disclosing the other information. In addition, the responsibility of the Audit and Supervisory Committee is to oversee the execution of duties by Directors with respect to the design and operation of the reporting process of the other information.

Our audit opinion on the financial statements does not cover the other information, and we express no opinion on the other information.

Our responsibility in the audit of the financial statements is to read the other information and, in the course of that reading, to consider whether there are material differences between the other information and the financial statements or our knowledge obtained in the audit, and to pay attention to whether there are any indication of material errors in the other information other than such material differences.

If, based on the work we have performed, we determine that there are material errors in the other information, we are required to report those facts.

We have nothing to report regarding the other information.

Responsibilities of Management and the Audit and Supervisory Committee for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in Japan. This includes the design and operation of such internal control as management determines is necessary to enable the preparation and fair presentation of financial statements that are free

from material misstatement, whether due to fraud or error.

When preparing financial statements, management is responsible for evaluating whether it is appropriate to prepare financial statements based on the premise of a going concern, and for disclosing matters concerning going concern if there is a need to do so in accordance with accounting principles generally accepted in Japan.

The responsibility of the Audit and Supervisory Committee is to oversee the execution of duties by Directors with respect to the design and operation of the financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

We are responsible for obtaining reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, based on the audit performed by us, and for expressing an opinion on the financial statements independently in the auditor's report. A misstatement can arise from fraud or error and is considered to be material if, individually or in the aggregate, it could reasonably be expected to affect the decisions of users of the financial statements.

We exercise professional judgment and maintain professional skepticism throughout the audit process in accordance with auditing standards generally accepted in Japan, and we perform the following:

- Identify and assess the risks of material misstatement due to fraud or error. In addition, design and perform audit procedures to address the risks of material misstatement. The selection and application of the audit procedures depend on the auditor's judgment. We also obtain sufficient and appropriate audit evidence to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessment, although the purpose of the audit of financial statements is not to express an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of the accounting policies and methods of application thereof adopted by management, as well as the reasonableness of the accounting estimates made by management and the appropriateness of the related notes.
- Conclude whether it is appropriate for management to prepare the financial statements on a going concern basis and, based on the audit evidence obtained, whether there are material uncertainties regarding events or conditions that might cast significant doubt on the Company's ability to continue as a going concern. If a material uncertainty regarding the Company's ability to continue as a going concern exists, we are required to draw attention in the auditor's report to the notes to the financial statements or, if the notes to the financial statements are not appropriate with respect to the material uncertainty, to express a qualified opinion with exclusions on the financial statements. Our conclusion is based on audit evidence obtained up to the date of the auditor's report; however, future events or circumstances may cause the Company to cease to continue as a going concern.
- Evaluate whether the presentation of and the notes to the financial statements are in conformity with accounting principles generally accepted in Japan, and whether the presentation, structure and content of the financial statements, including related notes, represent the underlying transactions and accounting events in a manner that achieves fair presentation.

We report to the Audit and Supervisory Committee on the scope and timing of the planned audit, significant audit findings, including material deficiencies in internal control, identified during the course of the audit, and other matters required by the audit standards.

We report to the Audit and Supervisory Committee that we have complied with the provision related to Japanese professional ethics regarding independence. In case we implemented any measures to remove matters that are reasonably considered to affect the independence of the auditor or any impediments, or implemented safeguards to reduce impediments to an acceptable level, we report on the details of such measures.

Of the matters discussed with the Audit and Supervisory Committee, we determine key audit matters that we consider to be of particular importance in the audit of the financial statements for the current fiscal year and include them in the auditor's report. However, such matters are not included in the auditor's report if the disclosure of such matters is prohibited by law or regulation or if, although extremely limited, we determine that such matters should not be reported because the disadvantages of reporting such matters in the auditor's report are reasonably expected to outweigh the public interest.

<Remuneration-related Information>

Remuneration-related information is described in the auditor's report on the consolidated financial statements.

Conflict of interest

The Auditor or the Managing Partner have no conflict of interest with the Company that must be disclosed pursuant to the provisions of the Certified Public Accountants Act.

END

(Note) 1. The original copy of the above audit report is kept separately by the Company (the company submitting the annual securities report).

2. XBRL data is not included in the scope of the audit.