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[Document Submitted]	Annual Securities Report (“Yukashoken Hokokusho”)
[Article of the Applicable Law Requiring Submission of This Document]	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Submitted to]	Director-General of the Tokai Local Finance Bureau
[Date of Submission]	June 26, 2024
[Accounting Period]	The 53rd Fiscal Year (from April 1, 2023 to March 31, 2024)
[Company Name]	Sun Denshi Kabushiki Kaisha
[Company Name in English]	SUNCORPORATION (the “Company”)
[Position and Name of Representative]	Ryusuke Utsumi, Representative Director and President
[Location of Head Office]	250 Asahi, Kochino-cho, Konan-shi, Aichi
[Phone No.]	0587-55-2201 (main)
[Contact for Communications]	Yoshimi Kimura, Senior Managing Director and Representative Director
[Nearest Contact]	Nagoya Building Sakura-Kan 2F, 4-2-25 Meieki, Nakamura-ku, Nagoya-shi, Aichi
[Phone No.]	052-756-5981 (main)
[Contact for Communications]	Yoshimi Kimura, Senior Managing Director and Representative Director
[Place Where Available for Public Inspection]	Tokyo Stock Exchange, Inc. (2-1 Nihombashi Kabutocho, Chuo-ku, Tokyo) SUNCORPORATION Tokyo Office (5-6-10 Tsukiji, Chuo-ku, Tokyo)

Part I　Information on the Company

I. Overview of the Company

1. Key Financial Data and Trends

(1) Consolidated key financial data, etc.

Fiscal term		49th term	50th term	51st term	52nd term	53rd term
Period of account		March 2020	March 2021	March 2022	March 2023	March 2024
Net sales	(Thousands of yen)	26,220,033	26,662,815	37,205,435	37,449,092	10,045,586
Ordinary profit (loss)	(Thousands of yen)	(1,875,717)	881,396	9,673,717	14,174,666	(4,114,510)
Profit (loss) attributable to owners of parent	(Thousands of yen)	(3,440,219)	47,377	2,818,774	6,878,387	(3,777,621)
Comprehensive income	(Thousands of yen)	(3,585,498)	(435,214)	8,375,523	13,510,337	3,531,951
Net assets	(Thousands of yen)	18,605,548	20,820,746	27,040,281	35,013,806	37,259,391
Total assets	(Thousands of yen)	41,636,625	49,785,150	82,088,168	41,767,380	46,838,448
Net assets per share	(Yen)	556.51	601.92	1,018.23	1,542.39	1,670.86
Basic earnings per share	(Yen)	(152.47)	2.08	117.77	292.82	(169.82)
Diluted earnings per share	(Yen)	-	1.98	108.47	278.46	-
Equity ratio	(%)	30.1	28.9	29.7	83.6	79.3
Return on equity	(%)	(32.5)	0.3	14.5	23.2	(10.2)
Price-earnings ratio	(Times)	-	1,766.8	16.5	6.6	-
Cash flows from operating activities	(Thousands of yen)	(46,489)	6,110,885	3,632,940	(13,518,612)	2,509,798
Cash flows from investing activities	(Thousands of yen)	(5,123,112)	(910,832)	4,020,857	(25,131,298)	(3,562,671)
Cash flows from financing activities	(Thousands of yen)	11,236,435	3,598,193	(3,036,636)	25,574,225	(385,206)
Cash and cash equivalents at end of period	(Thousands of yen)	12,674,157	21,113,250	27,438,438	2,934,094	1,519,890
Number of employees (Average number of temporary employees)	(Persons)	1,135 (86)	1,038 (88)	1,171 (102)	302 (89)	301 (93)

(Notes)
1. Diluted earnings per share for the 49th and 53rd terms are not shown in the above table because basic earnings per share were negative despite the existence of dilutive shares.
2. Price-earnings ratios for the 49th and 53rd terms are not shown in the above table because the Company recorded a loss attributable to owners of parent.
3. The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and other standards since the beginning of the 51st term. The cumulative impact of this is reflected in retained earnings at the beginning of the term, and comparative information is not restated.
4. The figures for the 49th term reflect corrections to the financial statements of previous fiscal years. The revised Annual Securities Report for the same periods was submitted on March 15, 2021.
5. In the 50th and 53rd terms, the Company finalized the provisional accounting for the business combination, and the consolidated financial position for the 49th and 52nd terms reflects the details of the finalization of the provisional accounting.
6. The significant decreases in total assets for the 52nd term and the net sales for the 53rd term are attributable to the fact

that Cellebrite DI Ltd., which was the Company's consolidated subsidiary, and its 13 subsidiaries were excluded from the scope of consolidation and became equity-method associates.

(2) Key financial data, etc. of the filing company

Fiscal term		49th term	50th term	51st term	52nd term	53rd term
Period of account		March 2020	March 2021	March 2022	March 2023	March 2024
Net sales	(Thousands of yen)	7,000,751	5,484,558	8,046,965	8,051,251	8,435,466
Ordinary profit (loss)	(Thousands of yen)	(128,483)	(52,011)	8,579,594	3,415,618	433,911
Profit (loss)	(Thousands of yen)	(1,651,543)	(83,575)	23,998,034	3,212,903	439,241
Share capital	(Thousands of yen)	1,016,786	2,062,839	2,086,192	2,089,685	2,097,606
Total number of issued shares	(Shares)	22,627,400	23,961,128	23,992,328	23,998,828	24,007,728
Net assets	(Thousands of yen)	3,688,462	5,655,941	32,080,501	31,876,890	37,299,093
Total assets	(Thousands of yen)	10,574,043	13,465,520	47,076,287	36,848,260	45,640,321
Net assets per share	(Yen)	156.22	234.60	1,337.97	1,403.78	1,672.64
Dividends per share (Of the above, interim dividends per share)	(Yen)	- (-)	10.00 (-)	40.00 (20.00)	20.00 (-)	40.00 (-)
Basic earnings per share	(Yen)	(73.19)	(3.66)	1,002.69	136.78	19.75
Diluted earnings per share	(Yen)	-	-	1,000.79	136.55	19.73
Equity ratio	(%)	33.4	41.7	68.0	86.2	81.5
Return on equity	(%)	(36.0)	(1.8)	127.5	10.1	1.3
Price-earnings ratio	(Times)	-	-	1.9	14.1	172.2
Dividend payout ratio	(%)	-	-	4.0	14.6	2.0
Number of employees (Average number of temporary employees)	(Persons)	353 (14)	240 (9)	224 (13)	217 (16)	209 (22)
Total shareholder return (Comparative indicator: TOPIX Total Return Index)	(%) (%)	152.2 (95.0)	431.0 (128.6)	233.1 (131.2)	234.0 (138.8)	410.5 (196.2)
Highest stock price	(Yen)	2,019	4,380	4,055	2,508	3,425
Lowest stock price	(Yen)	855	1,167	1,662	1,379	1,707

(Notes) 1. Diluted earnings per share for the 49th and 50th terms are not shown in the above table because basic earnings per share were negative despite the existence of dilutive shares.

2. Price-earnings ratios and dividend payout ratios for the 49th and 50th terms are not shown in the above table because the Company recorded a loss.

3. The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and other standards since the beginning of the 51st term. The cumulative impact of this is reflected in retained earnings at the beginning of the term, and comparative information is not restated.

4. The highest and lowest stock prices before April 3, 2022 are prices listed on the Tokyo Stock Exchange’s JASDAQ market, and those after April 4, 2022 are prices listed on the Tokyo Stock Exchange’s Standard Market.

2. History

Date	Overview
Apr. 1971	Established SUNCORPORATION in Konan City, Aichi, in order to manufacture and sell electronic equipment.
May 1974	Developed and launched computers for pachinko parlors
Nov. 1978	Opened an Osaka sales office in Osaka City.
Mar. 1980	Developed and launched control boards for game machines.
Nov. 1980	Opened a Tokyo sales office in Chiyoda-ku, Tokyo.
July 1985	Developed and launched home video game software.
Dec. 1985	Developed and launched analog modems for PC communication.
July 1986	Established SUNCORPORATION OF AMERICA in Illinois, U.S. (Sold its shares in March 2000.)
Mar. 1988	Reorganized the Tokyo sales office to a Tokyo business office to expand development operations.
Dec. 1988	Acquired Aiwa Kasei Co., Ltd. (now eDream Corporation., a consolidated subsidiary) to expand manufacturing operations.
Mar. 1990	Established Sunrise Electronics Corporation in Taipei, Taiwan. (Liquidated it in August 2006.)
Apr. 1990	Established Sun Communications Corporation in Shinjuku-ku, Tokyo. (Absorbed it in April 2008.)
June 1990	Reorganized the Osaka sales office to an Osaka business office to expand development operations.
Mar. 1994	Opened a Kyushu sales office in Fukuoka City.
Apr. 1995	Opened a Nagoya business office in Nagoya City. (Closed it in December 2000.)
July 1998	Opened an American branch in California, U.S. (Closed it in February 2001.)
Aug. 1999	Invested in and established Future Dial Inc. (Sold its shares in March 2008.)
Apr. 2001	Opened a Tokyo sales office in Taito-ku, Tokyo, to strengthen sales capabilities.
Mar. 2002	Registered as an over-the-counter stock with the Japan Securities Dealers Association.
Aug. 2002	Opened a Sendai sales office in Sendai City.
Aug. 2002	Opened an e-office in Nagoya City. (Closed it in December 2006.)
Aug. 2003	Established Glory Wings Software Corporation in Shanghai, China. (Liquidated it in August 2004.)
Dec. 2004	Listed on the Jasdaq Securities Exchange, Inc.
Feb. 2005	Integrated the Tokyo business and sales offices into a new Tokyo business office in Chuo-ku, Tokyo.
July 2007	Acquired shares of Cellebrite Mobile Synchronization Ltd. (now Cellebrite DI Ltd., an equity-method associate).
Nov. 2008	Established Cellebrite GmbH (now an equity-method associate) to strengthen sales capabilities in Europe.
Dec. 2008	Established Yueyang Information Technology (Shanghai) Co., Ltd. to strengthen sales capabilities in China. (Liquidated it in April 2014.)
Nov. 2009	Acquired shares of NIFCO Advanced Technology Inc. (Bloom techno Inc.) (Absorbed it in April 2012.)
Apr. 2010	Listed on the Osaka Securities Exchange's JASDAQ market following the merger of the Jasdaq Securities Exchange and the Osaka Securities Exchange.
Oct. 2010	Listed on the Osaka Securities Exchange's JASDAQ (Standard) following the integration of the Osaka Securities Exchange's Hercules, JASDAQ, and NEO markets.
Aug. 2011	Relocated the pachinko parlor system sales base in the Kanto region to Taito-ku, Tokyo, to strengthen sales capabilities.
	Relocated the Tokyo business office to Shinagawa-ku, Tokyo, to improve management efficiency.
May 2012	Opened a Hiroshima sales office in Hiroshima City and a Saitama sales office in Saitama City to strengthen sales capabilities. (Closed them in February 2015.)
Oct. 2012	Acquired shares of SunFuture Inc. (Sold its shares in June 2013.)
Jan. 2013	Established Cellebrite Soluções Tecnol' ogicas Ltda. (now Cellebrite Soluções de Inteligencia Digital Ltda, an equity-method associate) to strengthen sales capabilities in South America.
Feb. 2013	Established Cellebrite Asia Pacific Pte Ltd. (now an equity-method associate) to strengthen sales capabilities in Asia.
Mar. 2013	Concluded a capital and business alliance agreement with Fujishoji Co., Ltd. to enhance game machine planning and development capabilities.
July 2013	Listed on the Tokyo Stock Exchange's JASDAQ (Standard) following the integration of the Tokyo Stock Exchange and the Osaka Securities Exchange.
Sep. 2013	Opened a Mita development center in Minato-ku, Tokyo, to expand development operations.
Feb. 2014	Moved the Tokyo business office to Chiyoda-ku, Tokyo, to improve management efficiency.
	Established Cellebrite UK Limited (now an equity-method associate) to strengthen sales capabilities in Europe.
Apr. 2014	Established SUNCORP USA, Inc. in California, U.S. (Liquidated it in June 2020.)
Jan. 2015	Established Cellebrite France SAS (now an equity-method associate) to strengthen sales capabilities in Europe.
Mar. 2015	Established Cellebrite Canada Data Solutions Ltd. (now Cellebrite Canada Mobile Data Solutions Ltd., an equity-method

	associate) to strengthen sales capabilities in North America.
Aug. 2015	Acquired shares of Bacsoft, Ltd. (Sold its shares in September 2022.)
Sep. 2015	Established Cellebrite (Beijing) Mobile Data Technology Co., Ltd. to strengthen sales capabilities in China. (Liquidated it in August 2021.)
July 2017	Established Cellebrite Australia PTY Limited. (now an equity-method associate) to strengthen sales capabilities in Australia.
Jan. 2018	Opened a Nagoya headquarters in Nagoya City, Aichi .
Jan. 2019	Established Cellebrite Technology Private Limited. (now Cellebrite Digital Intelligence Solutions Private Limited, an equity-method associate) to strengthen sales capabilities in Asia.
Jan. 2019	Established Cellebrite Japan K.K. (now an equity-method associate) to strengthen sales capabilities in Japan.
Jun. 2019	Issued preferred shares of Cellebrite DI Ltd. to IGP SAFER WORLD, LIMITED PARTNERSHIP through a third-party allotment of capital, to obtain growth capital for further expansion of the Mobile Data Solution business.
Jan. 2020	Concluded a business alliance agreement with Advantage Advisors Co., Ltd. and allocated convertible bonds and share acquisition rights to the fund introduced by Advantage Advisors Co., Ltd., to receive support for the implementation of the Group’s growth strategy. (Terminated the agreement in January 2021.)
Feb. 2020	Acquired the shares of BlackBag Technologies, Inc. (absorbed by Cellebrite DI Ltd. in December 2023) to expand the scope of the Mobile Data Solution business.
May 2020	Established SUNTAC Co., Ltd. to develop human resources for management of the pachinko parlor systems business. (Sold its shares in October 2020.)
Dec. 2020	Established Cellebrite Digital Intelligence LP (now an equity-method associate) in Delaware, U.S.
Mar. 2021	Established Cupcake Merger Sub, Inc. in Delaware, U.S. (Dissolved it through a reverse triangular merger in August 2021.)
Aug. 2021	Cellebrite DI Ltd., Cupcake Merger Sub, Inc., and TWC Tech Holdings II Corp. (now Cellebrite Saferworld, Inc., liquidated in December 2023) underwent a reverse triangular merger, with TWC Tech Holdings II Corp. as the surviving company and Cupcake Merger Sub, Inc. as the absorbed company, and Cellebrite DI Ltd. was listed on the NASDAQ Global Select Market.
Feb. 2022	Moved the Tokyo business office to Chuo-ku, Tokyo, and integrated the Mita development center into it, to improve management efficiency.
Apr. 2022	Listed on the Tokyo Stock Exchange’s Standard Market following the review of the Exchange’s market classification.
Oct. 2022	Cellebrite DI Ltd. and 13 of its subsidiaries became equity-method associates as a result of a decrease in the percentage of the Company’s stake in Cellebrite DI Ltd.
Feb. 2023	Moved the Nagoya headquarters to Nagoya Building Sakura-Kan to improve management efficiency.
	Acquired shares of EKTech Holdings Sdn. Bhd. (now a consolidated subsidiary).
Apr. 2023	Renamed the Mobile Data Solution business to the Global Data Intelligence business.

3. Description of Business

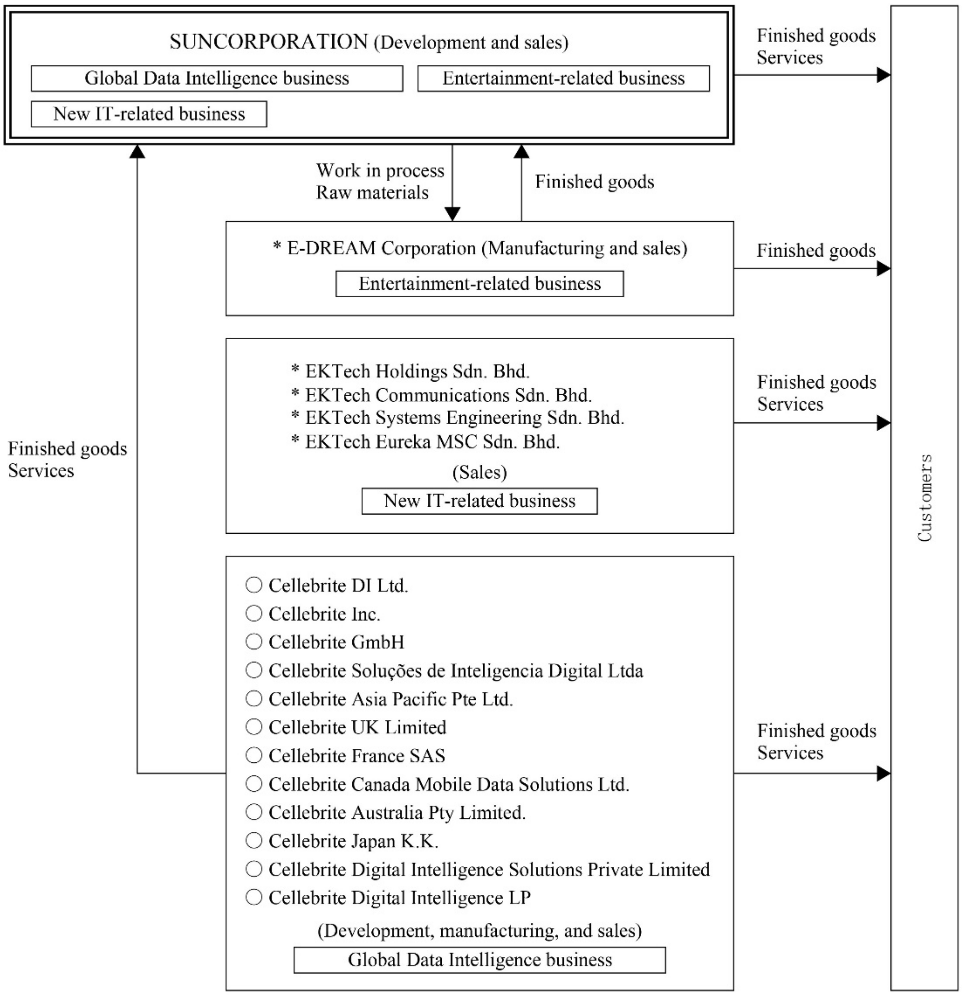
The SUNCORPORATION Group consists of the Company (SUNCORPORATION), six subsidiaries, and 12 associates, and mainly conducts development, manufacturing, and sales operations in the “Global Data Intelligence,” “Entertainment-related,” and “New IT-related” business segments. The name of a reportable segment has been changed from the fiscal year ended March 31, 2024. For details, please refer to “V. Financial Information, 1. Consolidated Financial Statements, (1) Consolidated Financial Statements, [Notes], (Segment information, etc.).”

The Company, five consolidated subsidiaries, and 12 equity-method associates are engaged in the Group’s main businesses. The business activities of the Group, the positioning of the Company and its associates in these businesses, and their relationships with the segments are as follows. The businesses are classified by segment.

Business Segment	Business Description	Key Companies
Global Data Intelligence business	Development, manufacture, and sales of mobile data transfer equipment. Development and sales of digital intelligence solutions.	SUNCORPORATION Cellebrite DI Ltd. Cellebrite Inc. Cellebrite GmbH Cellebrite Soluções de Inteligencia Digital Ltda Cellebrite Asia Pacific Pte Ltd. Cellebrite UK Limited Cellebrite France SAS Cellebrite Canada Mobile Data Solutions Ltd. Cellebrite Australia PTY Limited Cellebrite Japan K.K. Cellebrite Digital Intelligence Solutions Private Limited Cellebrite Digital Intelligence LP
Entertainment-related business	Development, manufacture and sales of game machine parts, game machine control boards and resin molded products for game machines. Development and sales of content distribution services.	SUNCORPORATION eDREAM Corporation
New IT-related business	Development, manufacture, and sales of M2M communication equipment and IoT solutions. Development and sales of business support systems for B2B.	SUNCORPORATION EKTech Holdings Sdn. Bhd. EKTech Communications Sdn. Bhd. EKTech Systems Engineering Sdn. Bhd. EKTech Eureka MSC Sdn. Bhd.

[Business Organization Chart]

An overview of the business segments and corporate groups described above is shown in the organization chart below.



(Notes)
1. *: Consolidated subsidiaries
2. ○: Associates accounted for by the equity method
3. Information on one non-consolidated subsidiary not accounted for by the equity method is omitted due to its immateriality.

4. Subsidiaries and Other Affiliated Entities

Name	Address	Share capital	Principal business	Ratio of voting rights holding (%)	Relationship
(Consolidated subsidiaries) eDREAM Corporation	Kitanagoya, Aichi	50,000 thousand yen	Entertainment-related business	100.0	Manufacture, assembly, and inspection of game machine parts and M2M communication equipment. 2 concurrent directors.
EKTech Holdings Sdn. Bhd.	Selangor, Malaysia	10 thousand MYR	New IT-related business	100.0	1 concurrent director.
EKTech Communications Sdn. Bhd. (Note 2)	Selangor, Malaysia	1,000 thousand MYR	New IT-related business	100.0 (100.0)	-
EKTech Systems Engineering Sdn. Bhd. (Note 2)	Selangor, Malaysia	1,200 thousand MYR	New IT-related business	100.0 (100.0)	-
EKTech Eureka MSC Sdn. Bhd. (Note 2)	Selangor, Malaysia	500 thousand MYR	New IT-related business	100.0 (100.0)	-
(Equity-method associates) Cellebrite DI Ltd.	Petah Tikva, Israel	1,345 NIS	Global Data Intelligence business	47.0	2 concurrent directors.
Cellebrite Inc. (Note 2)	New Jersey, U.S.	35 thousand U.S. dollars	Global Data Intelligence business	47.0 (47.0)	-
Cellebrite GmbH (Note 2)	Bavaria, Germany	25 thousand euro	Global Data Intelligence business	47.0 (47.0)	-
Cellebrite Soluções de Inteligencia Digital Ltda (Note 2)	Sao Paulo, Brazil	5,141 thousand real	Global Data Intelligence business	47.0 (47.0)	-
Cellebrite Asia Pacific Pte Ltd. (Note 2)	Singapore	161 thousand U.S. dollars	Global Data Intelligence business	47.0 (47.0)	-
Cellebrite UK Limited (Note 2)	London, U.K.	1 British pound	Global Data Intelligence business	47.0 (47.0)	-
Cellebrite France SAS (Note 2)	Paris, France	10 thousand euro	Global Data Intelligence business	47.0 (47.0)	-
Cellebrite Canada Mobile Data Solutions Ltd. (Note 2)	British Columbia, Canada	-	Global Data Intelligence business	47.0 (47.0)	-
Cellebrite Australia PTY Limited. (Note 2)	New South Wales, Australia	-	Global Data Intelligence business	47.0 (47.0)	-
Cellebrite Japan K.K. (Note 2)	Minato-ku, Tokyo	1 million yen	Global Data Intelligence business	47.0 (47.0)	-
Cellebrite Digital Intelligence Solutions Private Limited (Note 2)	India	-	Global Data Intelligence business	47.0 (47.0)	-
Cellebrite Digital Intelligence LP (Note 2)	Delaware, U.S.	-	Global Data Intelligence business	47.0 (47.0)	-

(Notes)
1. The “Principal business” column contains the names of the segments.
2. The figures in parentheses for the ratios of voting rights holding represent the indirect holding ratios.
3. In addition to the above, there is one non-consolidated subsidiary.

5. Employees

(1) Information about consolidated companies

As of March 31, 2024

Segment name	Number of employees
Global Data Intelligence business	8 (-)
Entertainment-related business	152 (74)
New IT-related business	91 (13)
Company-wide (shared)	50 (6)
Total	301 (93)

(Notes) 1. The number of employees represents that of regular employees (excluding those temporarily transferred from the Company to outside companies). The annual average number of temporary employees is shown in the parentheses.
2. Temporary employees include part-time workers and dispatched staff.
3. The number of employees for "Company-wide (shared)" refers to that of employees belonging to administrative departments that cannot be classified into specific segments.

(2) Information about the filing company

As of March 31, 2024

Number of employees	Average age (years old)	Average length of service (years)	Average annual salary (yen)
209(22)	44.2	15.5	5,964,587

Segment name	Number of employees
Global Data Intelligence business	8 (-)
Entertainment-related business	115 (13)
New IT-related business	36 (3)
Company-wide (shared)	50 (6)
Total	209 (22)

(Notes) 1. The number of employees represents that of regular employees (excluding those temporarily transferred from the Company to outside companies). The annual average number of temporary employees is shown in the parentheses.
2. Temporary employees include part-time workers and dispatched staff.
3. Average annual salary includes bonuses and extra wages.
4. The number of employees for "Company-wide (shared)" refers to that of employees belonging to administrative departments that cannot be classified into specific segments.

(3) Status of labor unions

Although no labor union has been formed, labor-management relations are amicable.

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

1) Percentage of female workers in managerial positions

	Fiscal year ended March 31, 2022 (%)	Fiscal year ended March 31, 2023 (%)	Fiscal year ended March 31, 2024 (%)
The Filing Company	6.1	4.5	7.1

(Notes) 1. 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. The figures above are those as of the end of each fiscal year and are calculated by dividing the number of female managers by the total number of managers.
3. Consolidated subsidiaries are excluded from this table because they are not subject to the obligation of information disclosure under the provisions of 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) Percentage of male workers taking childcare leave

	Fiscal year ended March 31, 2022 (%)	Fiscal year ended March 31, 2023 (%)	Fiscal year ended March 31, 2024 (%)
The Filing Company	66.7	33.3	33.3

(Notes) 1. 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), the percentage of employees who take childcare leave, etc. under Article 71, paragraph (4), Item 1 of the "Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members" (Ordinance of the Ministry of Labor No. 25 of 1991) is calculated.
2. The figures above are calculated by dividing the number of male employees who took childcare leave by the number of male employees whose spouses gave birth during the period from April 1 to March 31 of each year.
3. Consolidated subsidiaries are excluded from this table because they are not subject to the obligation of information disclosure under the provisions of 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).

3) Wage differences between male and female workers

	Fiscal year ended March 31, 2022 (%)	Fiscal year ended March 31, 2023 (%)	Fiscal year ended March 31, 2024 (%)
Wage difference between regular male and female workers	75.1	75.6	77.0
Wage difference between non-regular male and female workers	49.3	49.0	33.9
Wage difference between all male and female workers	73.4	72.9	74.6

(Notes) 1. 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. The figures above are for the Filing Company.
3. Excluding regular workers who are on leave for maternity, childcare, or other reasons.
4. Non-regular workers are contract employees, temporary employees, or part-time workers.
5. The wage differences include compensation for overtime work, bonuses, etc., in addition to base salary.
6. Consolidated subsidiaries are excluded from this table because they are not subject to the obligation of information disclosure under the provisions of 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).

II. Business Overview

1. Management Policy, Business Environment, Issues to be Addressed

Forward-looking statements presented in this document are based on judgments made by the Group as of March 31, 2024.

(Management policy, management strategy, etc.)

Slogan:	“Ambition, Challenges and Creation”
Corporate philosophy:	“Making People Happy through Information Technology and Entertainment”
Management policy:	“Entrepreneurial Spirit”
	1) Focusing on the information technology and entertainment fields
	2) Striving to enhance corporate value
	3) Taking proactive actions with entrepreneurial spirit

(Management policy)

With our management policy upholding “Focusing on the information technology and entertainment fields,” “Striving to enhance corporate value,” and “Taking proactive actions with entrepreneurial spirit,” the Group drives the following three pillar activities as a mid- to long-term management strategy.

1) Creating new customer value in the field related to information technology (security and M2M/IoT)
2) Creating new IP in the field related to entertainment (game machines and games)
3) Developing and expanding business in global markets

Specifically, as a group of engineers equipped with capabilities of both hardware and software technologies, we fully focus on products and services that will earn customers’ trust and strive to provide them with new value through our planning, development, and sales strategies, which will eventually lead to the development of business that contributes to earnings. In addition, we will actively utilize external perspectives and know-how, recognize change as an opportunity, and work toward further growth on a global scale without fear of failure.

(Targeted management indices)

The Group considers the growth of net sales and gross profit as well as operating profit, ordinary profit and cash flows that are based on these to be important management indices with the aim of securing continuous and stable revenue and expanding the scale of business.

(Business environment and issues to be addressed)

We expect the economic conditions to remain uncertain due to financial instability caused by global inflation and geopolitical risks such as those in Ukraine, in conjunction with unpredictable trends in the future policy interest rates in the United States and Japan.

In this economic climate, the Group is working to enhance business continuity by conducting business in multiple domains in which we believe we can secure our competitive advantages. Specifically, responding to the social trend of utilizing the latest technologies such as IoT, AR, and AI, in addition to the Global Data Intelligence business and the Entertainment-related business, the Company’s New IT-related business is building new core products and services, enhancing its marketing capabilities and strengthening cooperation with sales partners to conduct business in multiple markets. At the same time, the Company believes that the management of its business portfolio is also important. Accordingly, the Company strives to achieve the optimal composition of its portfolio at or below a risk level that the Company can tolerate by comprehensively taking into account market trends, competitive trends, and its own management resources.

1) Developing and recruiting employees

The Group is taking the following initiatives to strengthen talent development and recruitment:

1. Developing human resource
2. Creating organizational structure that facilitates innovation
3. Establishing an employee-friendly work environment
4. Acquiring talent

In an era of remarkable technological evolution, the Company believes that it is important to develop and attract resourceful talent who can link the Company's advanced technologies to the improvement of corporate value. Therefore, we promote the transformation of our employees into the Company's human capital by retaining employees through continuous recruitment and the enhancement of education and training systems as well as HR and promotion/remuneration systems, and by sharing the know-how accumulated in each field.

2) Reforming company structure to achieve high profitability

The Group is undertaking various reform initiatives to become a highly profitable and growing company, focusing on the key themes of possessing a large number of products that contribute to earnings, enhancing cost efficiency, and improving its earnings structure. Specifically, we will establish business structure that enables the development of products with higher added value by strengthening marketing not only in the existing markets already covered by each of our businesses but also in the surrounding areas and new markets to identify needs therein. In addition, we will continue to make necessary investments in the Global Data Intelligence business and the New IT-related business, whose markets are still in the development stage, to sustain growth over the medium to long term.

3) Expanding business domains through capital alliances and business partnership

The Group will actively apply the state-of-the-art technologies it has accumulated to its own businesses to expand and, based on these technologies, actively enter into capital alliances and business partnership with partners in business domains that are expected to generate synergies.

In addition, in order to achieve sustainable growth over the medium to long term, the Group is working to establish future core businesses following the New IT-related business. By leveraging our know-how and sales network in a variety of business fields, working with partner companies through capital alliances and business partnership, shortening product development cycle in each field, efficiently advancing marketing and finding new customers, and quickly establishing new businesses, we will work to increase profits through the creation of new customer value.

<Themes to be tackled by each business>

In the field the Global Data Intelligence business serves, in recent years, in order to obtain the maximum amount of evidence from the crime scene, it has become increasingly important to store digital evidence in addition to conventional physical evidence in criminal investigations. This has led to a wider adoption by U.S. police organizations of leading-edge digital intelligence tools, such as Inseyets of Cellebrite, as they are now indispensable solutions. On the other hand, the difficulty of data collection, extraction, and analysis that are required to respond to new demands, such as the monitoring of cloud computing and remote devices and data transmission via wireless devices, continues to grow due to (i) increase in data capacity, (ii) the sophistication of smartphone security, and (iii) increase in the number of applications that adopt IoT.

In crime scenes where law enforcement personnel face increasingly sophisticated and organized cybercrimes, there has been growing interrelationship between digital intelligence (forensics), which is investigation and analysis after the occurrence of incidents, and active cyber defense and threat intelligence, which aim to predict and prevent criminal incidents in advance for law enforcement agencies.

The Global Data Intelligence business considers seizing opportunities for stable revenue and offering new digital tools and solutions in and outside of the area of digital forensics as business challenges to be tackled. It also aims to expand subscription-based business by strengthening sales opportunities through up-selling and cross-selling, reducing the churn rate, and searching for high value-added products by making use of our global network.

In the Entertainment-related business, the market for the game machine business has been continuously shrinking due to the diversification of recreation activities. The Company strives to improve the marketability of its game machines by continuously seeking new expressions through know-how acquired through video studies and game development. Amid changes in the industry, including the emergence of smart game machines, we are working to develop game machines that satisfy market needs while strengthening relationships with customers. At the same time, we believe that the business environment will remain difficult. Thus, we are working to maximize cost performance through efficient business operations in the areas of development, manufacturing, and sales.

The New IT-related business continues to make proposals to customers in relation to IoT solutions to address labor shortages and improve business operations. In addition, it continues developing router and gateway products in the Rooster series to respond to diversified telecommunication standards and changes in interfaces.

In addition, we will offer remote monitoring and control solutions that easily realize business/efficiency improvements and innovation through IoT by providing one stop total coordination of IoT, whose technological fields tend to be diverse and complex, with sensor devices using our routers and gateways as hubs and remote support using smart glasses.

At the same time, we believe that alliances with partner companies are also essential to respond to issues and customer needs in the IoT field in a more sophisticated and flexible manner. Aiming to improve customer satisfaction, we will further strengthen our IoT solutions and respond to customer needs speedily.

<Financial issues>

In August 2021, Cellebrite was listed on the Nasdaq Stock Market in the United States, allowing the Group to raise funds that are expected to be used for strategic investments for business growth and other purposes. As a result, financial concerns have significantly reduced.

2. Approach to and Initiatives for Sustainability

The Group’s approach to and initiatives for sustainability are as follows:

Forward-looking statements presented in this document are based on judgments made by the Group as of March 31, 2024.

(1) Governance

Following its corporate philosophy, “Making People Happy through Information Technology and Entertainment,” the Group is conducting business activities with an entrepreneurial spirit. It believes that promoting environmental conservation activities aimed at reducing environmental impact and preventing pollution in all aspects of its activities, products and services at the same time is conscientious corporate activities with consideration for the global and labor environments and fair and appropriate transactions. With this in mind, we have established the Environmental Management Rules and the Environmental Management System. We strive to have them instilled as a management foundation and promote them by continuously enhancing and expanding our environmental improvement activities and actively preventing pollution.

(2) Strategy

The Group considers our people as the most valuable assets and believes that creating an employee-friendly working environment and systems, unlocking the potential of each and every employee, and responding to their needs at their every stage of life will lead to the invigoration of the organization.

(3) Policies and strategies for the development of talent and internal environment

The Group promotes the recruitment of non-Japanese as well as gender equality in recruitment in all job categories. In order to support employees in balancing work and childcare, we are working to create an employee-friendly working environment, including establishing maternity and childcare leave and shorter working hours systems. The increasing number of male employees have gradually been taking childcare leave. In addition, we offer a variety of programs to support self-development, employee interaction, and revitalization. Furthermore, we believe that promoting the management of employees’ physical and mental health by implementing health checkups, providing guidance on lifestyle-related diseases, and establishing mental health consultation desks at each site, while striving to thoroughly manage working hours and reduce long working hours, will ultimately improve productivity and lead to enhanced corporate value.

For specific indicators, please refer to “I. Overview of the Company, 5. Employees.” Please note that the Company has not set the relevant quantitative targets that can be measured. However, we continue to actively consider setting such targets.

(4) Risk management

The Group has built a risk management system with which it identifies risks to the Group’s business, such as global climate change and conflicts, resulting refugee and human rights issues, and the outbreak of pandemics, continues to monitor the situations and considers how to ensure business continuity according to the stage of those incidents.

3. Business and Other Risks

The following risks have the potential to affect the Group's business performance, share price and financial position. Forward-looking statements presented below are based on judgments made by the Group as of March 31, 2024.

The Group recognizes the possibility of the materialization of these risks and has established a risk management system to avoid their materialization and respond to them if they occur. Please note that the following risk description does not cover all of the risks related to the Group's business.

1. Businesses of the Group

1) Global Data Intelligence business

- Recent trends and the Group's response

This business carries out the domestic sales of digital intelligence solutions developed and manufactured by Cellebrite, an associate accounted for using equity method, as well as security products of other overseas companies. The performance of this business may be affected by significant logistics delays and exchange rate fluctuations due to wars, pandemics and other factors.

2) Entertainment-related business

- Impact of laws and regulations

The customers of products sold by the Entertainment-related business are game machine manufacturers in the pachinko industry. The pachinko industry is subject to applicable laws and regulations such as the Act on Control and Improvement of Amusement Business. Also, industry associations of game machine manufacturers/pachinko parlors sometimes impose self-regulations under the guidance of the government. Therefore, rapid changes in the business environment for game machine manufacturers and pachinko parlors due to amendments to laws and regulations and self-imposed regulations may have a significant impact on the Group's business performance.

In addition, fluctuations in demand in the industry served by the Entertainment-related business tends to be comparatively significant. While the Group takes various initiatives to appropriately respond to market trends, it is possible that its business performance significantly fluctuates despite these initiatives.

- Control boards for game machines

i) Recent trends and the Group's response

As for recent market trends, the number of units sold by game machine manufacturers is expected to decline due to decreases in the number of players and pachinko parlors. Amid these conditions, pachinko parlors are increasingly focusing on new models of game machines that are highly entertaining and attract customers.

In order to respond to this market environment, the Group strives to build a cooperative relationship with business partners in the development and production of game machines. The Group believes that it has a stable business relationship with its business partners taking into consideration its past business relationships, development and sales results, etc. However, it is not clear whether the current business relationship can be maintained in the future depending on the competitive situation.

Also, business performance may fluctuate significantly due to trends in demand for game machines.

ii) Legal regulations

Game machines that incorporate control boards manufactured and sold by this business are required to conform to the technical standards specified in the Rules of the National Public Safety Commission No. 4 ("Rues on Certification of Game Machines and Examination of Type") based on the "Act on Control and Improvement of Amusement Business." Therefore, every model needs to go through a type test carried out by a testing agency designated by the National Public Safety Commission as well as a type examination carried out by the Public Safety Commission of the relevant prefectures. Only the models that pass the national type test are permitted to be sold and then only those that conform to the prefectural type examination are permitted to be introduced in pachinko parlors.

Any significant changes in these laws and regulations may require the business to take new measures for the development, manufacture and sale of game machines. Although the business makes efforts to respond appropriately to these factors, there is a possibility that the sales plan and business performance, etc. of the business may be affected despite these measures.

iii) Business relationship with certain business partners

The customers of the control boards for game machines developed and manufactured by the Group are limited to a small number of game machine manufacturers. In particular, the sales to FUJISHOJI CO., LTD. represent a comparatively large part of its sales.

The Entertainment-related business has a stable business relationship with these game machine manufacturers and is working to further strengthen its relationship with them by improving its planning and proposal capabilities. However, the performance of this business may be affected by the sales situation and purchasing policies of these customers, as well as by competition with other game machine control board manufacturers.

iv) Significant fluctuations in demand

Demand for game machines tends to increase rapidly when new models are launched and then decrease rapidly for models other than top-selling models. Demand trends by model tend to fluctuate significantly due to changes in player preferences, competition among game machine manufacturers, and changes in regulations for game machines. As a result, demand trends for control boards for game machines, which the Group develops, manufactures and sells, also tend to fluctuate significantly.

Although the Entertainment-related business has adopted a production system capable of responding to such changes in demand trends, the Company may be forced to take new measures in the event that unexpected demand arises, especially in the recent circumstances where procuring semiconductors has become difficult, or demand for products falls significantly short of expectations. In such cases, the performance of this business may be affected.

In addition, the performance of this business may be affected if unexpected changes are caused due to reasons such as administrative guidance being given to the pachinko industry.

- Plastic molded products and molds

In this business, E-Dream Corporation manufactures and sells plastic injection molded products and molds. Injection molding and mold processing technologies are indispensable for the manufacture of products of the Group’s game machine and information technology businesses. By maintaining and improving E-Dream Corporation’s injection molding and mold processing technologies, we are promoting planning and proposal-based sales to the pachinko industry. However, as the Group’s main customers are game machine manufacturers, the performance of this business may be affected by trends in demand for game machines.

3) New IT-related business

- Communication devices for IoT

i) Recent trends and the response of the business

The scale of the IoT communications device market is expanding rapidly due to the rapid increase in the speed and capacity of mobile communications infrastructure, the fixed and low prices of communications charges, and the growing interest in the Internet of Things (IoT), which refers to the connection of all types of equipment to the internet using cloud infrastructure. However, competition in IoT communications device-related products and services is intensifying as new players from other industries enter the market.

In this business, we will focus on the industrial IoT (IioT) market in particular, and aim to develop our business without being caught up in price competition by quickly developing new products that accurately satisfy the needs of the market. However, the performance of this business may be affected in the event of delayed response to market trends, the emergence of unexpected new technologies to be addressed with new measures, or the competition with other companies.

ii) Legal regulations

Communication devices for IoT that the Group develops, manufactures, and sells are required to conform to the technical standards specified by the Ministry of Internal Affairs and Communications under the Telecommunications Business Act. For this reason, each model has been examined and certified by a designated testing organization (Japan Approvals Institute for Telecommunications Equipment [JATE] and Telecom Engineering Center [TELEC]) as necessary.

If these laws and standards are revised or abolished in the future, the New IT-related business may be forced to take new measures, which may affect its business performance.

2. Changes in the Group’s financial position and business performance

Since currencies in the financial statements of the Group’s consolidated subsidiaries and associates accounted for using equity method outside Japan are translated into Japanese yen when we prepare consolidated financial statements, fluctuations in foreign exchange rates, such as the U.S. dollar, the Israeli shekel and the Malaysian Ringgit, may affect the Group’s financial position and business performance.

3. Other risks in conducting business

1) Business investment, etc.

The Group will actively apply the state-of-the-art technologies it has accumulated to its own businesses to expand and, based on these technologies, actively enter into capital alliances and business partnership with partners that are expected to generate synergies.

However, if the expected synergies do not materialize or it is difficult to generate return on investment, it may affect the Group’s financial position and business performance.

2) Information security

The Company and its domestic consolidated subsidiaries have established internal regulations relating to the security of information systems, formulated a privacy policy, strengthened IT security, and conducted employee education, etc. in light of protecting information on management and business partners, as well as personal information.

However, if problems such as the leakage or tempering of information arise due to errors or attack from outside, etc., leading to costs such as compensation for damages or lowered trust in the Company, it may affect the Group’s financial position and business performance.

3) Intellectual property rights

In the Group, the Legal & Intellectual Property Department manages inventions created in the planning and development process of products and services, and has established a system to promptly file patent applications in cooperation with legal advisors and patent attorneys. We may not file a patent application for an invention if we judge that not doing so would give us a competitive advantage. However, it is possible that the Group cannot effectively prevent other companies from manufacturing and selling similar products and services.

On the other hand, while the Legal and Intellectual Property Department conducts preliminary patent investigations in order to avoid infringement of the intellectual property rights of other companies, in the event that a court judges that the Group is infringing the intellectual property rights of other companies and usage fees for the intellectual property rights or compensation for damage are claimed, the Group’s financial position and business performance may be affected.

4) Expansion of business outside Japan

The Group is actively expanding its business overseas and strives to understand in a timely manner and appropriately respond to political, social, and economic conditions as well as related laws and regulations in the countries and regions in which the Group operates.

However, the Group’s financial position and business performance may be affected in the event that the Group is unable to expand its business as planned due to unforeseen circumstances such as conflicts, natural disasters, pandemics, changes in the social environment, and changes in related laws and regulations in such countries and regions.

4. Management's Analysis of Financial Position, Business Performance, and Cash Flows

For the business combination with EKTech Holdings Sdn. Bhd., which was carried out on February 2, 2023, a provisional accounting method was applied in the previous fiscal year. As the accounting figures were finalized in the current fiscal year, the amount revised from the provisional accounting method is used for comparison between the current and previous fiscal years and analysis thereof.

Following partial change in performance management segmentation within the Group, the name of the reportable segment "Mobile Data Solution business" has been changed to "Global Data Intelligence business" from the current fiscal year. This name change has no impact on the segment information.

(1) Overview of business performance, etc.

The financial position, business performance and cash flows (hereinafter referred to as "business performance., etc.") of the Group (the Company, its consolidated subsidiaries and associates accounted for using equity method) for the current fiscal year are summarized as follows:

1) financial position and business performance

The Company as a whole posted net sales of ¥10,045 million (down 73.2% year-on-year). This is mainly because Cellebrite, which was a consolidated subsidiary, became an associate accounted for using equity method as of December 31, 2022. Likewise, gross profit, indicative of the added value created by the Group, decreased to ¥2,963 million (down 88.4% year-on-year), and gross profit margin decreased to 29.5% (down by 38.7 points), due in part to the net sales decrease as mentioned above.

The Company posted operating profit of ¥312 million (operating loss of ¥1,711 million for the previous fiscal year) on a consolidated basis. This is mainly because Cellebrite, which was a consolidated subsidiary, became an associate accounted for using equity method as of December 31, 2022.

<Overview of individual segments>

a. Global Data Intelligence business

	Fiscal year ended March 31, 2023 (Millions of yen)	Fiscal year ended March 31, 2024 (Millions of yen)	Year-on-year change in amount (Millions of yen)	Year-on-year change in percent (%)
Net sales	29,152	994	(28,158)	(96.6)
Segment profit (loss)	(1,525)	131	1,656	-

Net sales decreased by ¥28,158 million mainly because Cellebrite, which was a consolidated subsidiary, became an associate accounted for using equity method as of December 31, 2022.

b. Entertainment-related business

	Fiscal year ended March 31, 2023 (Millions of yen)	Fiscal year ended March 31, 2024 (Millions of yen)	Year-on-year change in amount (Millions of yen)	Year-on-year change in percent (%)
Net sales	6,259	6,051	(208)	(3.3)
Segment profit	706	802	95	13.5

While net sales for the game machine business decreased as a result of decreases in the shipment volume of game machine components, etc., profit for the business increased due to the easing of semiconductor shortage and the effect of effort to reduce miscellaneous costs.

c. New IT-related business

	Fiscal year ended March 31, 2023 (Millions of yen)	Fiscal year ended March 31, 2024 (Millions of yen)	Year-on-year change in amount (Millions of yen)	Year-on-year change in percent (%)
Net sales	2,064	3,022	957	46.4
Segment profit	138	230	92	66.6

Net sales and profit for this segment as a whole both increased because the M2M business saw the difficulty in component procurement easing although still being affected to some extent by soaring raw material prices.

<Financial position>

	Assets (Millions of yen)	Liabilities (Millions of yen)	Net assets (Millions of yen)	Equity ratio (%)
Year ended March 31, 2024	46,838	9,579	37,259	79.3
Year ended March 31, 2023	41,767	6,753	35,013	83.6
Change	5,071	2,825	2,245	(4.3) points

(Assets)

Total assets stood at ¥46,838 million, an increase of ¥5,071 million from the end of the previous fiscal year.

Current assets stood at ¥23,449 million, a decrease of ¥386 million from the end of the previous fiscal year.

The main factors for decrease were decreases of ¥3,805 million in accounts receivable and ¥1,406 million in cash and deposits. On the other hand, the main factors for increase were increases of ¥3,300 million in money held in trust and ¥1,655 million in raw materials.

Non-current assets stood at ¥23,388 million, an increase of ¥5,457 million from the end of the previous fiscal year.

The main factor for increase was an increase of ¥9,017 million in investment securities. On the other hand, the main factor for decrease was a decrease of ¥3,467 million in shares of subsidiaries and associates.

(Liabilities)

Total liabilities stood at ¥9,579 million, an increase of ¥2,825 million from the end of the previous fiscal year.

Current liabilities stood at ¥4,905 million, an increase of ¥880 million from the end of the previous fiscal year. The main factors for increase were increases of ¥933 million in short-term borrowings, ¥358 million in income taxes payable and ¥109 million in contract liabilities. On the other hand, the main factors for decrease were decreases of ¥421 million in notes and accounts payable - trade and ¥47 million in provision for bonuses.

Non-current liabilities stood at ¥4,674 million, an increase of ¥1,945 million from the end of the previous fiscal year. The main factor for increase was an increase of ¥1,973 million in deferred tax liabilities.

(Net assets)

Net assets stood at ¥37,259 million, an increase of ¥2,245 million from the end of the previous fiscal year. The main factors for increase were increases of ¥6,304 million in valuation difference on available-for-sale securities and ¥980 million in foreign currency translation adjustment. On the other hand, the main factors for decrease were a decrease of ¥4,230 million in retained earnings and an increase of ¥837 million in treasury shares.

2) Status of cash flows

Cash and cash equivalents (hereinafter referred to as “cash”) at the end of the current fiscal year amounted to ¥1,519 million (balance at the end of the previous fiscal year: ¥2,934 million). The status of each cash flow and the factors thereof for the current fiscal year are as follows:

(Cash flows from operating activities)

Net cash provided by operating activities amounted to ¥2,509 million in the current fiscal year, compared with ¥13,518 million used in the previous fiscal year. The main factor for cash inflow was an increase of ¥3,844 million in income taxes refund. The main factor for cash outflow was an increase of ¥2,188 million in inventories.

(Cash flows from investing activities)

Net cash used in investing activities was ¥3,562 million in the current fiscal year, compared with ¥25,131 million used in the previous fiscal year. The main factors for cash outflow were ¥4,000 million used in investments in money held in trust, ¥168 million in purchase of intangible assets, and ¥119 million in purchase of property, plant and equipment. The main factor for cash inflow was ¥700 million provided by proceeds from cancellation of money held in trust.

(Cash flows from financing activities)

Net cash used in financing activities was ¥385 million, compared with ¥25,574 million provided in the previous fiscal year. The main factors for cash outflow were ¥903 million used in purchase of treasury shares and ¥452 million in dividends paid. The main factor for cash inflow was an increase of ¥991 million in short-term borrowings.

3) Results of production, orders received and sales

a. Production results

Part of the Entertainment-related business of the Group carries out production. Production results by segment for the current fiscal year are as follows:

Segment name	Amount (Thousands of yen)	Year-on-year change (%)
Entertainment-related business	4,286,984	94.8

(Notes) 1. The amount is based on the selling price.

2. There were significant changes in production results during the current fiscal year. This is mainly because, at the Global Data Intelligence business, Cellebrite, which was a consolidated subsidiary, became an associate accounted for using equity method as of December 31, 2022.

b. Order status

Part of the Entertainment-related business of the Group carries out made-to-order production. The status of orders received in the current fiscal year is as follows:

Segment name	Orders received (Thousands of yen)	Year-on-year change (%)	Order backlog (Thousands of yen)	Year-on-year change (%)
Entertainment-related business	5,248,934	85.7	1,755,778	76.6

(Notes) 1. The amount is based on the selling price.

c. Sales results

Sales results by segment for the current fiscal year are as follows:

Segment name	Amount (Thousands of yen)	Year-on-year change (%)
Entertainment-related business	6,029,195	96.7
Global Data Intelligence business	994,033	3.4
New IT-related business	3,022,357	146.4
Total	10,045,586	26.8

(Notes) 1. Inter-segment transactions have been eliminated.

2. There were significant changes in sales results during the current fiscal year. This is mainly because, at the Global Data Intelligence business, Cellebrite, which was a consolidated subsidiary, became an associate accounted for using equity method as of December 31, 2022.

3. Sales amounts by major customers and their respective percentages to total sales for the last two fiscal years are as follows:

Customer	Previous fiscal year (From April 1, 2022 to March 31, 2023)		Current fiscal year (From April 1, 2023 to March 31, 2024)	
	Amount (Thousands of yen)	Percentage (%)	Amount (Thousands of yen)	Percentage (%)
FUJISHOJI CO., LTD.	4,973,843	13.3	4,868,505	48.5

(2) Analysis and examination of the status of business performance, etc. from the management perspective

Analysis and examination of the status of business performance, etc. from the management perspective are as follows: The forward-looking statements presented in this section are based on judgements as of the filing date of this Annual Securities Report.

1) Significant accounting policies and estimates

The Group's consolidated financial statements are prepared in accordance with accounting principles generally accepted in Japan. The preparation of such financial statements requires management to make decisions on the selection of accounting policies and apply them, as well as to make estimates and forecasts that might affect the disclosed figures of assets, liabilities, revenues and expenses. The management has made reasonable judgments on these estimates and forecasts by considering past performance and other factors, but actual results may differ.

Although it is extremely difficult to predict trends in the future, such as increase in natural disasters, the impact of the semiconductor shortage, and the situation of major customers, the Company has made accounting estimates taking into consideration various factors that are considered to be reasonable as of the end of the current fiscal year based on available external information, etc.

The significant accounting policies adopted for the Group's consolidated financial statements are described in "V. Financial Information, 1. Consolidated Financial Statements, etc. [Notes], (Significant accounting policies for preparation of consolidated financial statements), 5. Accounting policies."

2) Recognition, analysis and examination of business performance, etc. for the current fiscal year

<External environment>

The data intelligence market, which our Global Data Intelligence business serves, saw continued strong demand for digital intelligence tools in response to increasingly sophisticated and organized cybercrimes and increase in digital evidence.

Leading-edge digital intelligence tools, such as Inseyets from Cellebrite DI Ltd. (hereinafter referred to as "Cellebrite"), have become indispensable solutions and have been widely adopted by police organizations around world.

Regarding the pachinko and pachislot market, one of the markets that our Entertainment-related business serves, smart game machines began being introduced in November, 2022, and now there are popular games for these machines. Thus, the demand for such machines, mainly smart pachislot machines, has been increasing. Meanwhile, although there have been signs of recovery from the semiconductor supply crunch due to the global shortage, there are still issues such as the ongoing upsurge of raw material prices, the depreciation of the yen, and a decrease in number of pachinko parlors. The future of the market thus remains uncertain.

The game content market has consolidated its position as entertainment enjoyed at home during the COVID-19 pandemic. However, as other types of recreation activities have recovered, the market saw small contraction in developed countries. Meanwhile, the market has been increasingly competitive as the number of games released has been increasing in an accelerated manner because the technological advancement has made it possible for a single person to develop video game with a single PC.

In the Internet of things (IoT) market, one of the markets that our New IT-related business serves, the demand for remote access monitoring and control system has been increasing to address labor shortages and enhance productivity. Thus, the adoption of Rooster, our industrial network device, has been expanding as it features the strength of the Company products: long-term and stable operation. Furthermore, migration from 3G to LTE (4G) is smoothly ongoing as communication carriers are scheduled to successively terminate 3G services by March 2026. While the crunch in overall semiconductor supply is easing, due to the depreciation of the yen, component prices are continuing to soar, which may have impacts on supply of our products and our profits, and the impacts remain uncertain at present.

The market environments of some of our core businesses are uncertain as described above. Against this backdrop, we are working to establish new core products and services in line with the current social trend of moving towards utilization of leading-edge technologies, such as the IoT, augmented reality (AR), and artificial intelligence (AI) for further improvement of the Group's business performance.

<Competitive advantages>

In the Global Data Intelligence business, over many years, the Company served law enforcement agencies who deal with tech-savvy criminals (criminal organizations) as well as explosive increases in digital evidence. More specifically, we have provided them with state-of-the-art digital intelligence tools, as well as training and services to enhance the productivity of investigation resources. Inseyets, the next-generation solution released in January 2024, combines the advanced extraction of Premium with the next-generation UFED. At the same time, it forms an all-in-one digital forensic solution that encompasses the functions of Physical Analyzer (including reader), Cloud, and Commander, contributing to a significant reduction in the working hours of investigative agencies. The product's full-scale deliveries began in April 2024 in Japan.

In the game machine business of our Entertainment-related business, the Company focuses on specific industries and customers to establish strong and trustful relationships and accumulate our expressive and technical capabilities in the certain areas. This enables us to execute development of contents highly attractive as products, as well as development of high-quality control boards, thus allowing us to enhance our competitive advantages.

In the game content business, the Company internally handles all phases, from development to operation, of console games and mobile games under the famous Shanghai brand. This enables us to maintain cost-efficient profits over a long term. Furthermore, having a number of intellectual properties (IPs) in the genre of retro games, which is regaining popularity mainly in the European market, we have the prospect of further profit expansion through effective utilization of the IPs.

In the New IT-related business, our efforts center on the following: to maintain technological competitive advantages by establishing strong and trustful relationships with individual communication carriers and partners, such as Sler, and acquiring patents related to migration from 3G to LTE (4G) networks based on technologies accumulated over many years; and to further reinforce our competitiveness by developing products with keywords being 5G and edge AI. Rooster, an industrial network device, supports dual SIM and makes it possible to use lines of different communication carriers redundantly. This device automatically detects a failure in a communication carrier network and switches from the main network to the sub-network, thereby eliminating the effects of network communication failures and enabling uninterrupted operation of remote monitoring and control, and data collection. Thus, sales of Rooster have been growing steadily.

In the IoT field, our challenge is how to reduce heavy burdens of operational control derived from a large number of IoT devices installed in remote locations as they move from the introduction phase to the operation phase. In order to address this challenge, SunDMS enables alive monitoring and centralized management of Rooster to realize remote and secure operation and control. As a result, costs such as those for on-site maintenance personnel, operation adjustment, and travel time have been reduced and operational burdens have been significantly eased. The company is also deploying SunDMS-Insight. This makes it possible to collect, control, and visualize data from all types of devices and networks, including OKUDAKE Sensor and PLC (Programmable Logic Controller). In the future, we will conduct aggregation, analysis, and detection using BI/AI to improve the efficiency and security of remote operation and control in the IoT field and secure our competitive advantages.

<Management initiatives>

Regarding the Global Data Intelligence business, in crime scenes where law enforcement personnel face increasingly sophisticated and organized cybercrimes, there has been growing interrelationship between digital intelligence (forensics), which is investigation and analysis after the occurrence of incidents, and active cyber defense and threat intelligence, which aim to predict and prevent criminal incidents in advance for law enforcement agencies. We are determined to fortify our training and support structures into more specialized ones and conduct activities of providing a lineup of products equipped with new technologies so that Japanese law enforcement agencies can cope with a range of modus operandi, and also enhance sales activities in the Asia Pacific region. In response to growing calls for increasingly diverse cybercrimes to be tackled, we have begun to domestically market relevant new products based on information on our global digital intelligence tools.

In the New IT-related business, we are committed to expanding our subscription-based business through the following measures: further expanding the sales of the industrial network device Rooster; making efforts to develop solutions including OKUDAKE Sensor Solution; focusing on data businesses such as data visualization and analysis; and increasing added values by enhancing our services. The R&D Department, which was established by integrating the Marketing Department and the Technology Development Department to improve our earning power in October 2022, is focusing on and strengthening the next solution software for SunDMS, while advancing the development of AI and healthcare technologies. In addition, we aim to develop differentiated products by further strengthening our capabilities through joint research with universities that possess technological seeds.

<Overview of products and services>

In the Global Data Intelligence business, we are moving forward with providing products, services, and support related to threat intelligence and active cyber defense in addition to conventional digital intelligence products. Cellebrite, an associate accounted for using equity method, announced its release of Inseyets for mobile device investigations targeting the private sector. As an all-in-one application, Inseyets reveals facts quickly and accelerates the collection, extraction, and reporting process during corporate investigations. At the same time, we are focusing on sales of Pathfinder and increasing its sales. As a new product, we aim to expand the sales of Cybersixgill, which allows users to search for information that is beyond the reach with ordinary tools.

In the game machine business of the Entertainment-related business, we work as a contractor responsible for all phases of content development for pachinko and pachislot games, including planning, designing, video production, and programming, as well as all phases related to control boards from designing to manufacturing. In addition, leveraging on our know-how in content development, we also offer smartphone applications simulating real pachinko and pachislot machines to contribute to the operation of real pachinko and pachislot machines in the market and raise awareness of contents.

In the game content business, several plans utilizing IPs related to retro games are now underway. We launched Hebereke2 for multiple platforms (game consoles) globally on February 29, 2024 and it has received favorable reviews on global game evaluation sites. We also released Ikki Unite for Nintendo Switch™ on April 18, 2024.

In the New IT-related business, more than 0.5 million units of A330 and A900, our strategic products for beverage vending machines, have been adopted and installed by several major beverage vendors in order to reduce management costs and improve the efficiency of their operation, such as product replenishment. Our router products such as Rooster are promoted as products differentiated from those of other companies with the emphasis on features of network redundancy and linkage with SunDMS, a device management service, and have been producing steady sales. Aiming to further expand our businesses, we have released an edge computer named LBX8110, which could be equipped with an AI image analysis function, in September 2023. Serving us as a new product in the new IoT field, this edge computer offers new solutions based on the AI technologies such as image analysis. Lastly, our sensor device OKUDAKE Sensor has entered the full-scale introduction phase for HACCP-based temperature management or predictive maintenance based on acceleration (vibration) sensor.

<Overview of the consolidated statement of income>

The Company as a whole posted net sales of ¥10,045 million (down 73.2% year-on-year). This is mainly because Cellebrite, which was a consolidated subsidiary, became an associate accounted for using equity method as of December 31, 2022. Likewise, gross profit, indicative of the added value created by the Group, decreased to ¥2,963 million (down 88.4% year-on-year), and gross profit margin decreased to 29.5% (down by 38.7 points), due in part to the net sales decrease as mentioned above.

<Overview of selling, general and administrative expenses>

Consolidated selling, general and administrative expenses came to ¥2,650 million (down 90.3% year-on-year). This is mainly because Cellebrite, which was a consolidated subsidiary, became an associate accounted for using equity method as of December 31, 2022.

<Overview of operating profit>

The Company posted operating profit of ¥312 million (operating loss of ¥1,711 million for the previous fiscal year) on a consolidated basis. This is mainly because Cellebrite, which was a consolidated subsidiary, became an associate accounted for using equity method as of December 31, 2022.

<Overview of ordinary profit (loss) and profit (loss) attributable to owners of parent>

The Company posted ordinary loss of ¥4,114 million (ordinary profit of ¥14,174 million for the previous fiscal year) on a consolidated basis. This is mainly because it recorded share of loss of entities accounted for using equity method, amounting to ¥4,498 million, due to loss on valuation of derivatives in Cellebrite. The Company posted loss attributable to owners of parent of ¥3,777 million (profit attributable to owners of parent of ¥6,878 million for the previous fiscal year).

<Overview of cash flows>

As for the growth potential of cash flows, the Company places particular emphasis on free cash flow (the sum of cash flows from operating activities and cash flows from investing activities). Despite the refund of income taxes, free cash flows for the current fiscal year showed a decrease of ¥1,052 million, mainly due to investments in money held in trust. We will continue to work to increase free cash flow by leveraging our business model while continuing to enhance safety.

<Analysis of capital resources and liquidity of funds>

a. Needs of funds

The Group needs working capital primarily for selling, general and administrative expenses, including personnel expenses for sales and general administration activities and research and development activities. Although the Company's business model does not require particularly large capital expenditures, the Company belongs to a business field in which technology changes rapidly. Thus, the Company needs funds for research and development activities such as research and development of the latest technology, contracted development over multiple years, and software updates.

b. Financial policy

The Group procures working capital through internally generated funds and short-term borrowings. The internally generated funds include unearned revenue received in advance for research and development activities to update software over multiple years. With regard to working capital, which is calculated by deducting current liabilities from current assets, current assets have been exceeding current liabilities since before, including at the end of the current fiscal year.

We strive to reduce funding risk by increasing the balance of cash on hand above normal level, which is required to secure inventories in the face of a semiconductor shortage, and by advancing the timing of funding. In addition, the Group aims to improve its financial position and capital efficiency by stably accumulating retained earnings.

The Group's management strives to develop optimal management plans and strategies based on the business environment and available information.

The environment surrounding the Group's information technology business is unpredictable as technological progress is remarkable and the changes and diversification of the market are significant. Nevertheless, we will speed up the introduction of high-value-added products and solutions, and accelerate the expansion of a subscription-based model in addition to our conventional pay-per-product model. Aiming for further growth, we will expand our business globally, concentrate management resources on the information technology market, and establish a corporate structure that ensures high profitability.

The outlook for the Group's Entertainment-related business is expected to remain uncertain due to the sluggish market environment, significant changes in customer needs, and tangible superiority/inferiority of products in the market. Despite these challenges, the Group will create products that pursue entertainment value and promote new business by leveraging communications network technology in which the Group specializes.

We will also continue to take on the challenge for future growth by focusing on the development of new markets and new businesses, and by actively forming alliances with business partners that are expected to generate synergies.

5. Material Business Agreements, etc.

Not applicable.

6. Research and Development Activities

The Group continues to promote research and development activities, including planning and development, in order to continue offering high-value-added products and services with superior attractiveness and quality.

The Group has a total of 153 development staff and its research and development expenses amounted to ¥1,019 million.

Research and development activities by segment are as follows:

(1) Entertainment-related business

As for the development of game machine components, our main development issue is the planning and development of LCD and presentation control boards for game machines.

As one of our major achievements during the current fiscal year, in the development of control boards for game machines, we planned and developed control boards and LCD software that met market needs, by focusing on the development of designs and presentations with superior design quality as well as the enhancement of our planning and proposal capabilities, and by using our advanced computer graphics technology. As the environment surrounding the pachinko industry faces a decreasing number of players and diversifying needs, the Group is promoting the creation of game machines that are full of entertainment value.

The total amount of research and development expenses for the segment was ¥756 million.

(2) New IT-related business

In the development of M2M communication devices, in the current fiscal year, we promoted the development of products with keywords of 5G and edge AI in mind, while acquiring patents related to migration from 3G to LTE (4G) networks based on technologies accumulated over many years and maintaining our technological competitive advantages.

In the development of B2B operation support systems, we promoted the development of new solutions for all companies accelerating DX based on AR and AI technologies by seeking synergies with mobile communications equipment developed in the M2M business and by expanding the scope of remote support.

The total amount of research and development expenses for the segment was ¥262 million.

III. Equipment and Facilities

1. Status of Capital Expenditures, etc.

The total amount of capital expenditures (property, plant and equipment and intangible assets, excluding goodwill) for the current fiscal year amounted to ¥159 million, which mainly consists of manufacturing facilities for the manufacturing of development tools and products.

Capital expenditures by segment for the current fiscal year are as follows:

(1) Global Data Intelligence business

Capital expenditures of ¥2 million were invested mainly for digital intelligence tools.

(2) Entertainment-related business

Capital expenditures of ¥70 million were invested mainly for inspection equipment for control boards in the game machine component business.

(3) New IT-related business

Capital expenditures of ¥84 million were invested mainly for molds used in the manufacturing of new products relating to B2B operation support systems.

(4) Corporate wide

Capital expenditures of ¥2 million were invested mainly for company building facilities.

2. Status of Major Facilities

The major facilities of the Group are as follows:

(1) Filing company

As of March 31, 2024

Office name (Location)	Segment name	Description of facilities	Book value (Thousands of yen)				Number of employees [Persons]
			Buildings and structures	Land [Area in m²]	Other	Total	
Headquarters (Nagoya-shi, Aichi)	Global Data Intelligence business	Sales facilities	-	-	200-	200	- [-]
	Entertainment-related business	Development and sales facilities	-	-	310-	310	8 [-]
	New IT-related business	Development and sales facilities	-	-	-	-	- [-]
	Corporate	Management facilities	22,185	-	10,211	32,397	34 [5]
Konan Office (Konan-shi, Aichi)	Global Data Intelligence business	Sales facilities	-	2,913 [29.54]	-	2,913	1 [-]
	Entertainment-related business	Development and sales facilities	5,527	302,956 [3,072.45]	71,424	379,908	92 [10]
	New IT-related business	Development and sales facilities	180	55,347 [561.31]	2,581	58,109	16 [3]
	Corporate	Management facilities	148,206	66,999 [679.48]	2,951	218,157	13 [1]
Tokyo Office (Chuo-ku, Tokyo)	Global Data Intelligence business	Sales facilities	-	-	1,059	1,059	7 [-]
	Entertainment-related business	Development facilities	62	-	475	537	15 [3]
	New IT-related business	Development and sales facilities	-	-	1,040	1,040	20 [-]
	Corporate	Management facilities	15,366	-	4,788	20,155	3 [-]
Land in Kitanagoya-shi (Kitanagoya-shi, Aichi) (Note 4)	Entertainment-related business	Manufacturing facilities	-	252,897 [7,946.75]	-	252,897	-

(Notes) 1. The book value refers to the amount before deducting unrealized profit on intercompany transactions.
2. The number of temporary employees is presented separately in square brackets.
3. The Company leases part of the buildings of its Headquarters and Tokyo Office.
4. Land in Kitanagoya-shi is leased to E-Dream Corporation, our domestic subsidiary.
5. In addition to the above, the Company owns software (book value: ¥176,486 million) and software in progress (book value: ¥9,532 million).

(2) Domestic subsidiary

As of March 31, 2024

Company name	Office name (Location)	Segment name	Description of facilities	Book value (Thousands of yen)				Number of employees [Persons]
				Buildings and structures	Land [Area in m^2]	Other	Total	
E-Dream Corporation	Headquarters (Kitanagoya-shi, Aichi)	Entertainment-related business	Manufacturing facilities	233,892	267,929 [1,555.97]	29,361	531,183	37 [61]

(Notes) 1. The number of temporary employees is presented separately in square brackets.
2. The land recorded in the book value of E-dream Corporation is the amount related to the leasehold portion of the Company's land in Kitanagoya-shi.

(3) Overseas subsidiaries

As of March 31, 2024

Company name	Office name (Location)	Segment name	Description of facilities	Book value (Thousands of yen)				Number of employees [Persons]
				Buildings and structures	Land [Area in m^2]	Other	Total	
EKTech Holdings Sdn. Bhd.	Selangor, Malaysia	New IT-related business	Sales facilities	-	-	-	-	- [-]
EKTech Communications Sdn. Bhd.	Selangor, Malaysia	New IT-related business	Development and sales facilities	127	-	79,767	79,895	15 [-]
EKTech Systems Engineering Sdn. Bhd.	Selangor, Malaysia	New IT-related business	Development and sales facilities	-	-	1,044	1,044	24 [10]
EKTech Eureka MSC Sdn. Bhd.	Selangor, Malaysia	New IT-related business	Development and sales facilities	-	-	200	200	16 [-]

(Note) 1. The number of temporary employees is presented separately in square brackets.

3. Plans for Facility Introduction, Retirement, etc.

(1) Major facility introduction, etc.

There are no plans for the introduction of major facilities.

(2) Major facility retirement, etc.

There are no plans for the retirement of major facilities, except for the retirement of facilities for routine renewal.

IV. Information on the Filing Company

1. Information on the Company's Shares

(1) Total number of shares, etc.

1) Total number of shares

Class	Total number of shares authorized to be issued (Shares)
Common share	48,000,000
Total	48,000,000

2) Issued shares

Class	As of the end of the current fiscal year (Shares) (March 31, 2024)	As of the filing date (Shares) (June 26, 2024)	Stock exchange on which the Company is listed	Description
Common share	24,007,728	24,007,728	Standard Market of the Tokyo Stock Exchange	One unit of stock constitutes 100 shares.
Total	24,007,728	24,007,728	-	-

(Note) The number of shares issued as of the filing date does not include the number of shares issued upon the exercise of share acquisition rights between June 1, 2024 and the filing date of this Annual Securities Report.

(2) Status of the share acquisition rights

1) Details of stock option plans

a. Special resolution at the General Meeting of Shareholders held on June 25, 2014

(Category and number of those who are entitled to the plan: 99 employees and 4 Directors of subsidiaries)

Fifth share acquisition rights (Issued on August 29, 2014)	As of the end of the current fiscal year (March 31, 2024)	As of the end of the previous month of the filing date (May 31, 2024)
Number of share acquisition rights	121	71
Class of shares to be issued upon the exercise of share acquisition rights	Common share	Same as on the left
Number of shares to be issued upon the exercise of share acquisition rights (Shares)	12,100	7,100
Amount of payment upon the exercise of share acquisition rights (Yen)	1,347 per share (Note 2)	Same as on the left
Exercise period of share acquisition rights	From August 30, 2016 to June 24, 2024	Same as on the left
Issue price and amount to be incorporated into capital when shares are issued upon the exercise of share acquisition rights (Yen)	Issue price: 1,347 Amount to be incorporated into the capital: 674	Same as on the left
Conditions for the exercise of share acquisition rights	(Note 1, 2)	Same as on the left
Matters relating to transfer of share acquisition rights	(Note 1)	Same as on the left
Matters relating to the granting of share acquisition rights in connection with corporate reorganization	-	-

(Notes) 1. The conditions for exercising the stock options and matters relating to the transfer of share acquisition rights, etc. are as follows:

(1) The persons who received the allotment of the share acquisition rights (hereinafter referred to as the “Share Acquisition Rights Holders”) shall be in the position of the Company’s Director, Audit and Supervisory Board Member, etc., or employee, or the Company’s subsidiary’s Director or employee at the time of exercising the share acquisition rights. This shall not apply, however, if they have retired due to expiration of the term of office, mandatory retirement age, or other justifiable reasons.

(2) In the event that a Share Acquisition Rights Holder dies, inheritance shall not be permitted.

(3) The transfer of share acquisition rights shall require the approval of the Board of Directors.

(4) Other conditions shall be as stipulated in the agreement concluded between the Company and the Share Acquisition Rights Holders.

2. If the Company conducts a stock split or a reverse split after the issuance of share acquisition rights, the exercise price shall be adjusted according to the following formula at the time when each stock split or reverse split becomes effective, and any fraction of less than ¥1 resulting from the adjustment shall be rounded up.

$$\text{Post-adjustment exercise price} = \text{Pre-adjustment exercise price} \times \frac{1}{\text{Ratio of stock split or reverse split}}$$

If the Company issues shares or disposes treasury shares at a price lower than the market value after the issuance of share acquisition rights, the exercise price shall be adjusted according to the following formula, and any fraction of less than ¥1 resulting from the adjustment shall be rounded up.

$$\text{Post-adjustment exercise price} = \text{Pre-adjustment exercise price} \times \frac{\text{Number of outstanding shares} + \dfrac{\text{Number of newly issued shares} \times \text{Amount of payment per share}}{\text{Market value per share}}}{\text{Number of outstanding shares} + \text{Number of newly issued shares}}$$

b. Resolution at the meeting of the Board of Directors held on January 19, 2015

(Category and number of those who are entitled to the plan: 6 employees of subsidiaries)

Sixth share acquisition rights (Issued on February 5, 2015)	As of the end of the current fiscal year (March 31, 2024)	As of the end of the previous month of the filing date (May 31, 2024)
Number of share acquisition rights	150	150
Class of shares to be issued upon the exercise of share acquisition rights	Common share	Same as on the left
Number of shares to be issued upon the exercise of share acquisition rights (Shares)	15,000	15,000
Amount of payment upon the exercise of share acquisition rights (Yen)	1,950 per share (Note 2)	Same as on the left
Exercise period of share acquisition rights	From June 25, 2017 to June 24, 2024	Same as on the left
Issue price and amount to be incorporated into capital when shares are issued upon the exercise of share acquisition rights (Yen)	Issue price: 1,950 Amount to be incorporated into the capital: 975	Same as on the left
Conditions for the exercise of share acquisition rights	(Note 1, 2)	Same as on the left
Matters relating to transfer of share acquisition rights	(Note 1)	Same as on the left
Matters relating to the granting of share acquisition rights in connection with corporate reorganization	-	-

(Notes) 1. The conditions for exercising the stock options and matters relating to the transfer of share acquisition rights, etc. are as follows:

(1) The persons who received the allotment of the share acquisition rights (hereinafter referred to as the "Share Acquisition Rights Holders") shall be in the position of the Company's Director, Audit and Supervisory Board Member, etc., or employee, or the Company's subsidiary's Director or employee at the time of exercising the share acquisition rights. This shall not apply, however, if they have retired due to expiration of the term of office, mandatory retirement age, or other justifiable reasons.

(2) In the event that a Share Acquisition Rights Holder dies, inheritance shall not be permitted.

(3) The transfer of share acquisition rights shall require the approval of the Board of Directors.

(4) Other conditions shall be as stipulated in the agreement concluded between the Company and the Share Acquisition Rights Holders.

2. If there are unavoidable reasons that require the adjustment of the exercise price, the exercise price shall be adjusted to a reasonable extent through the resolution of the Board of Directors.

c. Resolution at the meeting of the Board of Directors held on September 17, 2021

(Category and number of those who are entitled to the plan: 6 Directors, 3 Audit and Supervisory Committee Members, and 192 employees)

Ninth share acquisition rights (Issued on September 24, 2021)	As of the end of the current fiscal year (March 31, 2024)	As of the end of the previous month of the filing date (May 31, 2024)
Number of share acquisition rights	4,577	4,577
Class of shares to be issued upon the exercise of share acquisition rights	Common share	Same as on the left
Number of shares to be issued upon the exercise of share acquisition rights (Shares)	45,770	45,770
Amount of payment upon the exercise of share acquisition rights (Yen)	3,249 per share (Note 3)	Same as on the left
Exercise period of share acquisition rights	From September 25, 2023 to June 23, 2031	Same as on the left
Issue price and amount to be incorporated into capital when shares are issued upon the exercise of share acquisition rights (Yen)	Issue price: 3,249 Amount to be incorporated into the capital: 1,624.5	Same as on the left
Conditions for the exercise of share acquisition rights	(Note 1, 2)	Same as on the left
Matters relating to transfer of share acquisition rights	(Note 1)	Same as on the left
Matters relating to the granting of share acquisition rights in connection with corporate reorganization	-	-

(Notes) 1. The conditions for exercising the stock options and matters relating to the transfer of share acquisition rights, etc. are as follows:

(1) The persons who received the allotment of the share acquisition rights (hereinafter referred to as the “Share Acquisition Rights Holders”) shall be in the position of the Company’s Director, Audit and Supervisory Committee Member, etc., or employee, or the Company’s subsidiary’s Director or employee at the time of exercising the share acquisition rights. This shall not apply, however, if they have retired due to expiration of the term of office, mandatory retirement age, or other justifiable reasons.

(2) The heir(s) of a Share Acquisition Rights Holder shall not be permitted to exercise the share acquisition rights.

(3) The Share Acquisition Rights Holders may exercise their rights for part or all of the number of shares allotted to them. However, less than one unit of share acquisition rights may not be exercised.

(4) Other conditions shall be as stipulated in the agreement concluded between the Company and the Share Acquisition Rights Holders.

(5) The transfer of share acquisition rights shall require the approval of the Board of Directors.

2. The number of shares underlying one unit of the share acquisition rights is ten shares.
If the Company conducts a stock split or a reverse split after the issuance of share acquisition rights, the number of underlying shares shall be adjusted according to the following formula and any fraction of less than one share resulting from the adjustment shall be rounded down.

Post-adjustment number of underlying shares = Pre-adjustment number of underlying shares × Ratio of stock split or reverse split

3. If the Company conducts a stock split or a reverse split after the issuance of share acquisition rights, the exercise price shall be adjusted according to the following formula at the time when each stock split or reverse split becomes effective, and any fraction of less than ¥1 resulting from the adjustment shall be rounded up.

$$\text{Post-adjustment exercise price} = \text{Pre-adjustment exercise price} \times \frac{1}{\text{Ratio of stock split or reverse split}}$$

If the Company issues shares or disposes treasury shares at a price lower than the market value after the issuance of share acquisition rights, the exercise price shall be adjusted according to the following formula, and any fraction of less than ¥1 resulting from the adjustment shall be rounded up.

$$\text{Post-adjustment exercise price} = \text{Pre-adjustment exercise price} \times \frac{\text{Number of outstanding shares} + \dfrac{\text{Number of newly issued shares} \times \text{Amount of payment per share}}{\text{Market value per share}}}{\text{Number of outstanding shares} + \text{Number of newly issued shares}}$$

2) Rights plans

Not applicable.

3) Other share acquisition rights

Not applicable.

(3) Status in the exercise of bonds with share acquisition rights with exercise price amendment

Not applicable.

(4) Changes in the total number of shares issued, the amount of capital stock, and others

Date	Change in total number of shares issued (Shares)	Balance of total number of shares issued (Shares)	Changes in capital stock (Thousands of yen)	Balance of capital stock (Thousands of yen)	Changes in legal capital surplus (Thousands of yen)	Balance of legal capital surplus (Thousands of yen)
April 1, 2019 to March 31, 2020 (Note 1)	42,100	22,627,400	7,406	1,016,786	7,406	1,030,253
April 1, 2020 to March 31, 2021 (Note 2)	1,333,728	23,961,128	1,046,052	2,062,839	1,046,052	2,076,306
April 1, 2021 to March 31, 2022 (Note 1)	31,200	23,992,328	23,353	2,086,192	23,353	2,099,659
April 1, 2022 to March 31, 2023 (Note 1)	6,500	23,998,828	3,493	2,089,685	3,493	2,103,152
April 1, 2023 to March 31, 2024 (Note 1)	8,900	24,007,728	7,921	2,097,606	7,921	2,111,073

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

2. Increased due to the exercise of share acquisition rights and the rights over the first unsecured convertible bond.

(5) Shareholding by shareholder category

As of March 31, 2024

Classification	Status of shares (One unit of stock: 100 shares)								Status of shares below one unit (Shares)
	Government and local municipalities	Financial institutions	Financial instruments business operator	Other corporations	Foreign corporations, etc.		Individual investors and other	Total	
					Other than individuals	Individual investors			
Number of shareholders (Persons)	-	5	18	26	122	7	1,541	1,719	-
Number of shares held (Unit)	-	3,555	2,848	54,872	119,445	55	59,259	240,034	4,328
Ratio of shares held (%)	-	1.48	1.19	22.86	49.76	0.02	24.69	100.00	-

(Note) 1,769,277 shares of treasury shares include 17,692 units in the “Individual investors and other” box and 77 shares in the “Status of shares below one unit” box.

(6) Major shareholders

As of March 31, 2024

Name	Address	Number of shares held (Shares)	Percentage of shares held to the total number of shares issued (excluding treasury shares) (%)
Tokai Engineering Co. Ltd.	26-2, Aza Ishizaka, Hiroji-cho, Showa-ku, Nagoya-shi	4,267,600	19.2
OASIS INVESTMENTS II MASTER FUND LTD. (Standing proxy: Citibank, N.A., Tokyo Branch)	MAPLES CORPORATE SERVICES LTD, PO BOX 309, UGLAND HOUSE SOUTH CHURCH STREET, GEORGE TOWN, GRAND CAYMAN KY1-1104, CAYMAN ISLANDS (27-30, Shinjuku 6-chome, Shinjuku-ku, Tokyo)	3,261,543	14.7
OASIS JAPAN STRATEGIC FUND LTD. (Standing proxy: Citibank, N.A., Tokyo Branch)	MAPLES CORPORATE SERVICES LTD, PO BOX 309, UGLAND HOUSE SOUTH CHURCH STREET, GEORGE TOWN, GRAND CAYMAN KY1-1104, CAYMAN ISLANDS (27-30, Shinjuku 6-chome, Shinjuku-ku, Tokyo)	1,249,428	5.6
FUJISHOJI CO., LTD.	1-4, Uchihonmachi 1-chome, Chuo-ku, Osaka-shi	940,000	4.2
INTERACTIVE BROKERS LLC (Standing proxy: Interactive Brokers Securities Japan Inc.)	ONE PICKWICK PLAZA GREENWICH, CONNECTICUT 06830 USA (2-5, Kasumigaseki 3-chome, Chiyoda-ku, Tokyo)	809,200	3.6
Michie Utsumi	Showa-ku, Nagoya-shi	680,000	3.1
Yasue Watanabe	Tempaku-ku, Nagoya-shi	680,000	3.1
CEPLUX- THE INDEPENDENT UCITS PLATFORM 2 (Standing proxy: Citibank, N.A., Tokyo Branch)	31, Z.A. BOURMICHT, L-8070, BERTRANGE, LUXEMBOURG (27-30, Shinjuku 6-chome, Shinjuku-ku, Tokyo)	581,000	2.6
BANK JULIUS BAER AND CO., LTD. (Standing proxy: MUFG Bank, Ltd.)	BAHNHOFSTRASSE 36,P.O.BOX 8010, CH-8001 ZURICH, SWITZERLAND (Transaction Service Division, 7-1 Marunouchi 2-chome, Chiyoda-ku, Tokyo)	541,625	2.4
GOLDMAN SACHS INTERNATIONAL (Standing proxy: Goldman Sachs Japan Co., Ltd.)	PLUMTREE COURT, 25 SHOE LANE, LONDON EC4A 4AU, U.K. (Roppongi Hills Mori Tower, 10-1 Roppongi 6-chome, Minato-ku, Tokyo)	453,800	2.0
Total	-	13,464,196	60.5

(7) Status of voting rights

1) Issued shares

As of March 31, 2024

Classification	Number of shares (Shares)	Number of voting rights (Units)	Details
Shares without voting rights	-	-	-
Shares with limited voting rights (treasury shares, etc.)	-	-	-
Shares with limited voting rights (others)	-	-	-
Shares with full voting rights (treasury shares, etc.)	(Treasury shares) Common shares 1,769,200	-	-
Shares with full voting rights (others)	Common shares 22,234,200	222,342	-
Shares below one unit	Common shares 4,328	-	-
Total number of shares issued	24,007,728	-	-
Total voting rights held by all shareholders	-	222,342	-

2) Treasury shares, etc.

As of March 31, 2024

Shareholder	Address of shareholder	Number of shares held under own name (Shares)	Number of shares held under the names of others (Shares)	Total (Shares)	Percentage of shares held to the total number of shares issued (%)
(Treasury shares) SUNCORPORATION	250 Asahi, Kochino-cho, Konan-shi, Aichi	1,769,200	-	1,769,200	7.36
Total	-	1,769,200	-	1,769,200	7.36

2. Status of Acquisition of Treasury Shares, etc.

[Class of shares, etc.] Acquisition of common share pursuant to Article 155, Item 3 and Article 155, Item 7 of the Companies Act

(1) Status of acquisition of treasury shares resolved at shareholders' meeting

Not applicable.

(2) Status of acquisition of treasury shares resolved at the meetings of the Board of Directors

Classification	Number of shares (Shares)	Total amount (Thousands of yen)
Resolution of the Board of Directors (November 14, 2022) (Acquisition period: November 15, 2022 to November 14, 2023)	1,500,000	3,750,000
Treasury shares acquired before the current fiscal year	1,065,100	2,328,799
Treasury shares acquired during the current fiscal year	434,900	903,099
Total number and total value of remaining authorized shares under resolution	-	-
Unexercised portion as of the end of the current fiscal year (%)	-	-
Treasury shares acquired during the current period	-	-
Unexercised portion as of the filing date (%)	-	-

(Note) The number of treasury shares acquired during the current period does not include the number of shares acquired from June 1, 2024 to the filing date of this Annual Securities Report.

(3) Details of the acquisition not based on the resolutions of shareholders' meetings or the meetings of the Board of Directors

Classification	Number of shares (Shares)	Total amount (Thousands of yen)
Treasury shares acquired during the current fiscal year (Purchase of shares below one unit)	46	97,888
Treasury shares acquired during the current period	47	169,435

(Note) The number of treasury shares acquired during the current period does not include the number of shares under one unit purchased from June 1, 2024 to the filing date of this Annual Securities Report.

(4) Status of the disposition and holding of acquired treasury shares

Classification	Current fiscal year		Current period	
	Number of shares (Shares)	Total amount disposed (Thousands of yen)	Number of shares (Shares)	Total amount disposed (Thousands of yen)
Acquired treasury shares for which subscribers were solicited	-	-	-	-
Acquired treasury shares that were disposed of	-	-	-	-
Acquired treasury shares transferred due to merger, share exchange, share issuance, or corporate division	-	-	-	-
Other (Exercise of share acquisition rights)	24,950	51,379	5,000	10,296
Other (Post-grant type share awards)	7,106	14,633	-	-
Number of treasury shares held	1,769,277	-	1,764,324	-

(Note) The number of treasury shares held during the current period does not include the number of shares that were acquired or disposed of from June 1, 2024 to the filing date of this Annual Securities Report.

3. Dividend Policy

The Company's basic policy on dividends is to return profits to shareholders to enhance its corporate value over the medium to long term while striving to strike balance between dividend payout and financial security/retained earnings. In considering the level of dividend payout, the Company also takes into account trends in its free cash flow over the medium to long term to drive business expansion for the future and consolidate management foundation, and looks at business performance, such as trends in profits, and future business outlook.

The amount of dividends of surplus for the current fiscal year are as follows:

Date of resolution	Total amount of dividends (Thousands of yen)	Dividend per share (Yen)
June 25, 2024 Resolution at the Ordinary General Meeting of Shareholders	889,538	40

4. Corporate Governance

(1) Overview of Corporate Governance

1) Basic policy on corporate governance

The Company strives to establish sound corporate governance by conducting business operations based on transparent management and speedy and appropriate management decisions, observing laws, regulations, social norms, etc., and conducting fair corporate activities.

2) Overview of corporate governance system and reasons for adopting the system

a. Overview of corporate governance system

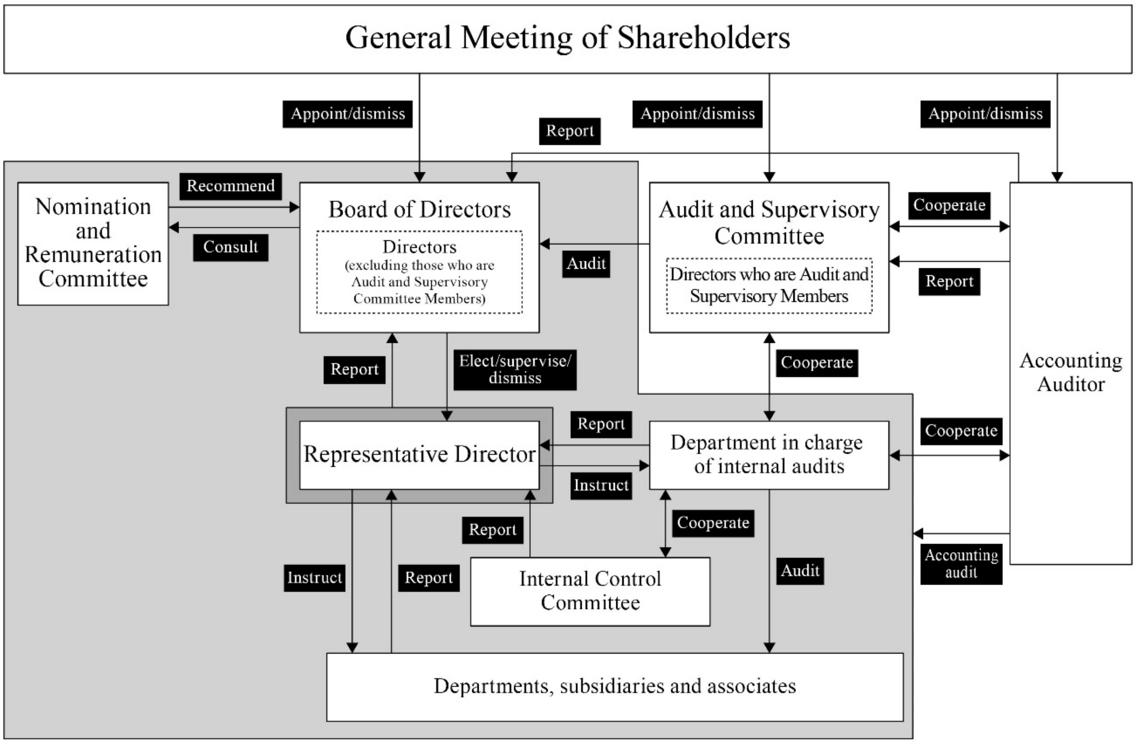
The Board of Directors consists of six Directors who are not Audit and Supervisory Committee Members (including two Outside Directors) and three Directors who are Audit and Supervisory Committee Members (including two Outside Directors). In principle, the Board of Directors meets monthly. The Company has stipulated in its Articles of Incorporation that decision-making concerning the execution of important operations can be delegated to Executive Directors, and has introduced an executive officer system in order to establish a flexible management system by delegating the authority to execute operations. The Company thus has adopted a system that enables the Board of Directors to make timely decisions and strengthen supervision of those who execute operations.

The Audit and Supervisory Committee consists of three Directors who are Audit and Supervisory Committee Members (including two Outside Directors). The Audit and Supervisory Committee Members attend the meetings of the Board of Directors, and the full-time Audit and Supervisory Committee Member attends other important meetings. The selected Audit and Supervisory Committee Members conduct audits utilizing the internal control system and other systems in corporation with a department in charge of internal audits while receiving reports on matters concerning the execution of duties from the Directors, etc., examining the status of operations and assets, and reporting the results of these activities to the Audit and Supervisory Committee as necessary. The Audit and Supervisory Committee supervises and audits the execution of duties by the Directors, etc.

The Nomination and Remuneration Committee consists of three Directors who are Nomination and Remuneration Committee Members (including two Outside Directors). The Nomination and Remuneration Committee, which is an advisory body to the President, has been established to secure transparency and fairness in the process of nominating candidates for Directors and selecting Representative Directors, Directors with special titles, etc., as well as to secure a forum for discussion for Outside Directors who are Audit and Supervisory Committee Members and to ensure that they obtain sufficient information to form an opinion on the nomination of Directors, etc. When submitting a proposal regarding the nomination of Directors to the Board of Directors, the Company ensures that it receives and adequately reflects the recommendation of the Committee.

The Company has four Outside Directors, who supervise, audit, advise and make recommendations from an objective and neutral standpoint, and play a role in ensuring the adequacy and appropriateness of decision-making of the Board of Directors on the execution of business operations of the Company and the Board’s own execution of duties.

[Business management organization]



b. Reasons for adopting the corporate governance system

The Company has adopted the Company with Audit and Supervisory Committee system in order to separate business execution and supervision, strengthen the audit and supervisory functions of the Board of Directors, and accelerate the decision-making and execution of duties of the Board of Directors.

3) Other matters related to corporate governance

a. Situation of development of internal control system

1. System to ensure that the execution of duties by Directors and employees complies with laws and regulations and the Articles of Incorporation

1) Directors and employees shall conduct lawful and fair business activities that satisfy social demands in accordance with the Director Regulations and the Employee Work Rules.

2) The Company shall establish Compliance Rules and appoint a Director in charge of compliance to ensure compliance with laws, regulations, internal rules, etc. in conducting business activities.

3) The Company shall identify laws and regulations that apply to the Company's business, develop a foundation to comply with legal requirements, and provide training and education as needed.

4) A department in charge of internal audits that directly reports to the Audit and Supervisory Committee shall audit the status of compliance and report its findings to the Board of Directors and the Audit and Supervisory Committee.

5) In order to prevent violations of laws and regulations, the Articles of Incorporation, internal rules, etc., the Company shall introduce an internal reporting system. In the event that a violation occurs, the Company shall promptly receive the relevant information and take appropriate actions.

6) The Company shall resolutely eliminate and block anti-social forces and organizations, and the General Affairs Department shall deal with such forces in close cooperation with external specialized agencies such as the police.

2. System for storage and management of information related to the execution of duties by Directors

- The Company shall store and manage information related to decision-making at the meetings of the Board of Directors, Management Committee meetings and other important meetings, information related to important decisions made by the President and Representative Director, Executive Officers and others, and information related to financial and other management operations, risks, and compliance in accordance with laws and regulations, the Articles of Incorporation, internal rules, etc.

3. Regulations and other systems related to the management of the risk of loss

- Based on the Risk Management Rules, the Company shall strive to minimize losses by preventing the materialization of risks and taking appropriate measures to address the risks that have materialized.

4. System to ensure the efficient execution of duties by Directors

1) The Company shall introduce an executive officer system to realize timely and highly efficient corporate management and clarify the respective roles of Directors (excluding Directors who are Audit and Supervisory Committee Members) and Executive Officers.

2) The Company shall establish the Board of Directors Rules to have it make decisions on important management matters at the Board of Directors' meetings held, in principle, once a month in accordance with relevant laws and regulations, the business judgement rule, the due care of a prudent manager, etc., and periodically report the status of the execution of duties, etc.

3) The responsibilities and authority for the execution of business shall be stipulated in the Regulations on the Division of Duties and the Regulations on Administrative Authority.

4) The Management Committee, which consists of Directors and Executive Officers, deliberates on the execution of important business operations in order to ensure that diversified viewpoints are incorporated in the discussion.

5) Matters concerning the operation of the Board of Directors shall be stipulated in the Board of Directors Rules, and basic matters concerning Directors shall be stipulated in the Director Regulations.

5. Other system to ensure the appropriateness of business operations in the corporate group consisting of the Company and its subsidiaries (hereinafter referred to as the "Group")

A. System for reporting to the Company on matters relating to the execution of duties by the Directors, Executive Officers, employees who execute business operations, persons who are to perform duties under Article 598, paragraph

1 of the Companies Act, and other persons equivalent thereto (referred to as “Directors, etc.” in C. and D.) of subsidiaries.

1) In accordance with the Subsidiary/Associate Management Rules established by the Company, the Company shall require its subsidiaries to submit monthly budget control tables, quarterly financial results documents, and related materials as necessary in order to accurately understand the details of the management of subsidiaries.

2) The Company shall require its subsidiaries to hold meetings of the Board of Directors in which the Company’s Directors participate, in principle, quarterly and to report to the Company their business performance, financial position and other important information.

B. Regulations and other systems concerning the management of risk of loss of subsidiaries

1) Based on the Company’s Risk Management Rules, the Company shall require its subsidiaries to minimize losses by preventing the materialization of risks and taking appropriate measures against the risks that have materialized.

2) The Company shall require its subsidiaries to establish a system to report incidents that could cause significant damage to the Group, such as violations of laws and regulations, to the department in charge of the subsidiary concerned, as soon as they are discovered.

C. System to ensure the efficient execution of duties by Directors of subsidiaries

1) While respecting the autonomy and independence of the management of subsidiaries, the Company shall require subsidiaries to formulate basic policies and rules necessary for the execution of business operations in order to contribute to the appropriate and efficient management of subsidiaries.

2) The Company shall require its subsidiaries to make decisions on important management matters at meetings of the Board of Directors in which the Company’s Directors participate, in principle, quarterly in accordance with relevant laws and regulations, the business judgement rule, the due care of a prudent manager, etc., and to periodically report the status of the execution of duties, etc.

D. System to ensure that the execution of duties by Directors and employees of subsidiaries complies with laws and regulations and the Articles of Incorporation

1) The Company shall require its subsidiaries to establish a system in which their Directors, etc. and employees engage in legitimate and fair business activities that satisfy social demands based on the basic policies formulated by the subsidiaries.

2) The Company shall require its subsidiaries to be evaluated by Audit and Supervisory Committee Members appointed by the Committee and a department in charge of internal audits in order to confirm the compliance with laws and regulations and the establishment and operation of internal control systems.

3) The Company shall require its subsidiaries to introduce and utilize the internal reporting system in order to promptly detect any violation of laws and regulations or other compliance-related problems and take remedial actions.

6. Matters concerning employee(s) who assist the duties of the Audit and Supervisory Committee

- The employee(s) of a department in charge of internal audits shall assist the duties of the Audit and Supervisory Committee as staff who assist the duties of the Audit and Supervisory Committee (hereinafter referred to as “Audit Support Staff”).

7. Matters concerning the independence of the employee(s) described in the preceding item from Directors (excluding Directors who are Audit and Supervisory Committee Members)

1) The Audit Support Staff shall follow the instructions and orders of the Audit and Supervisory Committee and its members appointed by the Committee.

2) The prior consent of the Audit and Supervisory Committee is required for decisions on matters pertaining to the appointment of the Audit Support Staff.

8. Matters to ensure the effectiveness of instructions from the Audit and Supervisory Committee to employees who assist the execution of duties by the Audit and Supervisory Committee

- Directors (excluding Directors who are Audit and Supervisory Committee Members) and employees shall cooperate in the development of the audit environment so that the work of the Audit Support Staff who are expected to support the duties of the Audit and Supervisory Committee can be carried out smoothly.

9. Other systems related to reporting to the Audit and Supervisory Committee of the Company

A. Systems for Directors (excluding Directors who are Audit and Supervisory Committee Members) and employees of the Company to report to the Audit and Supervisory Committee of the Company

1) Directors (excluding Directors who are Audit and Supervisory Committee Members) and employees shall immediately report to the Audit and Supervisory Committee if an event that may cause significant damage to the Company occurs.

2) Audit and Supervisory Committee Members appointed by the Committee shall attend meetings of the Board of Directors and other important meetings in order to understand important decision-making processes and the status of business execution.

3) Audit and Supervisory Committee Members appointed by the Committee may inspect important documents related to the execution of business, such as key approval request documents, and request explanations from Directors (excluding Directors who are Audit and Supervisory Committee Members) or employees as necessary.

B. Systems for reporting to the Company's Audit and Supervisory Committee by Directors, Audit and Supervisory Board Members, Executive Officers, employees who execute business operations, persons who are to perform duties under Article 598, paragraph 1 of the Companies Act, and other persons equivalent thereto (referred to as "Directors, etc." in this section) and employees of the Company's subsidiaries, or persons who have received reports from such persons

1) Directors, etc. and employees of subsidiaries shall make appropriate reports promptly when requested by an Audit and Supervisory Committee Members appointed by the Committee of the Company to report on matters related to business execution.

2) Directors, etc. and employees of subsidiaries shall immediately report incidents that could cause significant damage to the Group, such as the violations of laws and regulations, to the department in charge of the relevant subsidiaries as soon as they detect such incidents, and the department in charge shall report them to the Audit and Supervisory Committee.

3) The department in charge of the Company's subsidiaries and the department in charge of internal audits shall periodically report the current status of internal control audits, compliance, risk management, etc. of the subsidiaries to the Company's Audit and Supervisory Committee.

10. Systems to ensure that a person who has made a report to the Audit and Supervisory Committee of the Company will not be treated disadvantageously due to such report

- The Company shall clearly state in the Operational Rules for Internal Reporting System that it is prohibited to treat any Director, Audit and Supervisory Board Member or employee of the Group who has made a report to the Audit and Supervisory Committee of the Company unfavorably on the grounds of such report.

11. Matters related to the policy on advance payment of expenses arising from the execution of duties by the Audit and Supervisory Committee Members of the Company

- When an Audit and Supervisory Committee Member of the Company makes a request to the Company for advance payment of expenses, etc. in relation to the execution of his / her duties, the Accounting Department shall deliberate on the request and promptly treat the expenses or debts as necessary unless it is proven that the expenses or debts pertaining to the request are not necessary for the execution of the duties of the Audit and Supervisory Committee Member in question.

12. Other systems to ensure effective audits by the Audit and Supervisory Committee of the Company

- Representative Directors and the Audit and Supervisory Committee shall hold regular meetings to exchange opinions.
- The Company shall develop a system to ensure that audits by the Audit and Supervisory Committee are conducted effectively, such as holding liaison meetings between the Audit and Supervisory Committee and the Accounting Auditor/a department in charge of internal audits in response to requests from the Audit and Supervisory Committee, and ensuring the attendance of Audit and Supervisory Committee Members at various meetings.

13. Basic stance on the elimination of anti-social forces and the establishment of the relevant system

A. Basic stance on the elimination of anti-social forces

1) The Company shall not provide benefits to anti-social forces nor be involved in any way with anti-social forces.

2) The Company's employees (all persons who work for the Company) shall demonstrate an attitude of not allowing unjust intervention by anti-social forces and eliminating them in order to achieve social justice and win the trust of customers, the market, and society.

B. Systems to eliminate anti-social forces

- In order to deal with anti-social forces, the Company shall state that it strives to eliminate anti-social forces in the Compliance Rules and the Rules on Handling of Anti-Social Forces, and shall ensure that all employees are fully aware of the Company's determination so that they can consistently deal with anti-social forces under the supervision of the Director in charge of compliance. As an organization, the Company deals with anti-social forces under the supervision of the Director in charge of compliance, the head of the General Affairs Department, the head of the Legal Department and legal advisors, by seeking guidance from the police and other external organizations.

b. Situation of development of a risk management system

In order to appropriately deal with various risks faced in business activities, each department makes use of its own expertise and experience, and the Company strives to control risks based on internal rules, such as by receiving advice from legal advisors and consulting tax accountants as necessary.

In addition, legal matters are managed by the Legal Department, and all of the important contracts, etc. are confirmed by legal advisors in principle to avoid unexpected risks.

c. Management of subsidiaries

The Company's Accounting Department receives monthly reports from the Company's subsidiaries on their financial position and important matters in accordance with the Subsidiary/Associate Management Rules.

The Company's Directors in charge of the Company's subsidiaries participate in meetings of the Board of Directors, etc. held by the subsidiaries in question, receive reports on their management status and important matters, and report them to the Company's Board of Directors.

The department in charge of internal audits conducts internal control audits of the Company's subsidiaries every year, and reports its findings to the President and Representative Director, the Board of Directors, and the Audit and Supervisory Committee.

d. Overview of the limited liability agreement

Pursuant to Article 427, paragraph 1 of the Companies Act, the Company has entered into agreements with Directors (excluding Executive Directors, etc.) to limit their liability for damages under Article 423, paragraph 1 of the Companies Act. The maximum amount of liability based on such agreement shall be the amount stipulated in Article 425, paragraph 1 of the Companies Act. This limited liability is applicable only when a Director has acted in good faith and without gross negligence in the execution of his/her duties that caused the liability.

e. Directors and Officers (D&O) liability insurance contract

The Company has concluded a D&O liability insurance contract with an insurance company as prescribed in Article 430-3, paragraph 1 of the Companies Act, under which the insurance company compensates for damages and litigation costs incurred by the insured due to a claim for damages resulting from an act (including inaction) performed by the insured in relation to his/her duties as an officer of the Company. The insurance premium is borne by the Company in full. The Company has taken measures to ensure the appropriateness of the execution of duties of officers, etc. by excluding the damage incurred by officers themselves who have committed criminal acts, such as bribery, or intentional illegal acts from the scope of the insurance.

f. Number of Directors

The Company's Articles of Incorporation stipulate that the number of Directors (excluding Directors who are Audit and Supervisory Committee Members) shall be eight or less and the number of Directors who are Audit and Supervisory Committee Members shall be four or less.

G. Requirements for the resolution of the appointment of Directors

The Company's Articles of Incorporation stipulate that a resolution to elect Directors shall be adopted by a majority of the voting rights of the shareholders present at the General Meeting of Shareholders, where shareholders holding one third or more of the voting rights of the shareholders who are entitled to exercise voting rights are present.

The Company's Articles of Incorporation also stipulate that the election of Directors shall not be by cumulative voting.

h. Matters to be resolved at the General Meeting of Shareholders but may be resolved by the Board of Directors

1. Purchase of treasury shares

The Company's Articles of Incorporation stipulate that, pursuant to Article 165, paragraph 2 of the Companies Act, the Company may acquire treasury shares by resolution of the Board of Directors to enable the Company to execute its capital policy in a flexible manner.

2. Dividends of surplus

The Company's Articles of Incorporation stipulate that the Company may pay dividends of surplus (interim dividends) pursuant to Article 454, paragraph 5 of the Companies Act by resolution of the Board of Directors, with September 30 of each year being designated as the record date, in order to enable flexible return of profits to shareholders.

3. Directors' exemption from liability

The Company's Articles of Incorporation stipulate that the Company may, by resolution of the Board of Directors, exempt Directors (including ex-Directors) from liability under Article 423, paragraph 1 of the Companies Act to the extent permitted by laws and regulations, provided they have acted in good faith and without gross negligence.

In addition, the Company's Articles of Incorporation stipulate that the Company may enter into agreements with Directors (excluding Executive Directors, etc.) that enable the Company to assume their liabilities under Article 423, paragraph 1 of the Companies Act up to the amount stipulated by laws and regulations if the Directors have acted in good faith and without gross negligence.

i. Requirement for special resolution at the General Meeting of Shareholders

With the aim of ensuring the smooth operation of the General Meeting of Shareholders by relaxing the quorum for special resolutions at the General Meeting of Shareholders, the Company's Articles of Incorporation stipulate that resolutions pursuant to the provisions of Article 309, paragraph 2 of the Companies Act may be passed when shareholders holding one third or more of the voting rights of shareholders who are entitled to exercise voting rights are present at the General Meeting of Shareholders with two-thirds or more of the voting rights of such shareholders are voted to agree.

j. Activities of the Board of Directors of the filing company, the Nomination and Remuneration Committee of the company with nominating and other committees, committees voluntarily established by the filing company in relation to corporate governance, and other similar bodies in the most recent fiscal year

1. The Board of Directors

- The Board of Directors, in accordance with the internal rules on matters to be submitted to and reported to the Board of Directors, resolves matters stipulated by laws and regulations and the Articles of Incorporation, in addition to the basic policy on the Company's management, important matters related to the execution of business operations, and matters authorized by resolution of the General Meeting of Shareholders, and receives reports on matters stipulated by laws and regulations and the status of the execution of important business operations.
- Meetings of the Board of Directors are held once a month in principle and ad-hoc meetings are held as needed. A total of 20 meetings were held in the fiscal year ended March 31, 2023.
- The Company has established the Nomination and Remuneration Committee and the Corporate Restructuring Office as an advisory body to the Board of Directors. The majority of the members of the Nomination and Remuneration Committee are Outside Directors.

- At the time of filing of this report, the Board of Directors consists of the following nine members:

Name	Full-time / Outside	Attendance at the meetings of the Board of Directors for the fiscal year ended March 31, 2024 (20 times in total)	Status of concurrent posts such as the Nomination and Remuneration Committee
Ryusuke Utsumi	Full-time	16 times	Nomination and Remuneration Committee
Yoshimi Kimura	Full-time	16 times	
Yonatan Domnitz	Full-time	16 times	
Yakov Zlicha	Full-time	16 times	
Akira Iwata	Outside	16 times	Nomination and Remuneration Committee
Lisa Hammitt	Outside	1 time	
Yasushi Muto	Full-time	16 times	
Tomonori Shinkai	Outside	16 times	
Takashi Matsui	Outside	16 times	Nomination and Remuneration Committee

(Note) With regard to Ms. Lisa Hammitt, the status after her appointment as Outside Director on June 25, 2024 is stated.

2. Status of the Nomination and Remuneration Committee

The Company has established the Nomination and Remuneration Committee as an advisory body to the Board of Directors. The composition of the Nomination and Remuneration Committee at the time of the filing of this report is as follows:

Chairman: Akira Iwata

Member: Ryusuke Utsumi

Member: Takashi Matsui

The majority of the members of the Nomination and Remuneration Committee are Outside Directors, which enhances the transparency and objectivity of the decision-making process for the nomination and remuneration of the Company’s Directors and ensures fairness.

3. Skill matrix of each Director

The Company believes that it is important to identify appropriate skills for its Board of Directors to ensure that it may adequately consider M&A for new businesses and business restructuring taking into consideration the Company’s business characteristics and management environment. In addition, as an operating company that conducts multiple businesses, the Company’s basic policy is to appoint Directors who possess expertise in each business, corporate management, financial accounting, legal affairs and risk management, and global knowledge in a balanced manner in order to ensure the supervision of business execution and robust decision-making on important matters.

Name	Position and responsibilities	Skill									
		Corporate management	Financial accounting	Legal affairs and risk management	Global knowledge	Business (Entertainment)	Business (Global DI)	Business (IT)	M&A	Marketing / Sales	Human resources
Ryusuke Utsumi	President and Representative Director	□		□		□	□	□	□	□	□
Yoshimi Kimura	Senior Managing Director and Representative Director	□	□		□			□	□		□
Yonatan Domnitz	Director	□	□		□		□	□	□		
Yakov Zlicha	Director	□		□	□		□	□	□	□	
Akira Iwata	Director	□					□	□			
Lisa Hammitt	Director	□			□		□	□	□	□	
Yasushi Muto	Director Audit and Supervisory Committee Member		□	□		□	□	□			
Tomonori Shinkai	Director Audit and Supervisory Committee Member	□	□						□		
Takashi Matsui	Director Audit and Supervisory Committee Member	□		□					□		

(2) Directors and Audit and Supervisory Committee Members

1) List of Directors and Audit and Supervisory Committee Members

Male: 8 Female: 1 (Percentage of female Directors and Audit and Supervisory Committee Members: 11.1%)

Title or position	Name	Date of birth	Brief personal history		Term of office	Number of shares held (Shares)
President and Representative Director	Ryusuke Utsumi	October 8, 1965	Mar. 2008 Jun. 2009 Jun. 2012 Oct. 2018 Apr. 2019 Apr. 2020 Apr. 2020 Apr. 2020 Jul. 2020 Feb. 2021 Jun. 2021 Aug. 2021 Feb. 2023	Incubation Manager, Aichi Venture House of Chubu Association for Management Information Technology Manager, Industrial Support Department, Chubu Aerospace Technology Center Joined SUNCORPORATION General Manager, Internal Control Office General Manager, Internal Audit Office Director of SUNCORPORATION Director, Cellebrite DI Ltd. Director, E-Dream Corporation (to present) Director, SUNTAC Corporation Chairman, Cellebrite DI Ltd. President and Representative Director of SUNCORPORATION (to present) Director, Cellebrite DI Ltd. (to present) Chairman, EKTech Holding Sdn. Bhd. (to present)	(Note 3)	3,900

Title or position	Name	Date of birth	Brief personal history		Term of office	Number of shares held (Shares)
Senior Managing Director and Representative Director	Yoshimi Kimura	April 3, 1948	Oct. 1972 Sep. 1978 Feb. 1980 Sep. 1984 Oct. 1989 Nov. 1994 Sep. 1997 Sep. 2004 Sep. 2006 Dec. 2006 Sep. 2008 Sep. 2014 Mar. 2016 Jul. 2018 Jun. 2019 Jun. 2021	Pete Mauik Mitchell Accounting Firm (now KPMG) George Takahashi Accounting Office Mackin Industries President and Consultant, System Pro USA Showa Ota & Co. (now Ernst & Young ShinNihon LLC) General Manager, Internal Audit Office, Goodman Co. Managing Director and General Manager of Administration Division, Goodman Co. Managing Director, General Manager of Overseas Business Management Division and General Manager of Administration Division, Goodman Co. Chairman, Avantech Vascular, Inc. Controller, Light Lab Imaging, Inc. Full-time Auditor, Goodman Corporation Auditor, Greens Inc. Director and Audit Committee Member of the same company Consultant for SUNCORPORATION President and Representative Director of SUNCORPORATION Senior Managing Director and Representative Director of SUNCORPORATION (to present)	(Note 3)	7,600
Director	Yonatan Domnitz	April 21, 1981	Aug. 2006 Aug. 2009 Jan. 2010 Aug. 2012 Apr. 2020 Apr. 2020	Forensic Accountant, RGL Forensics Accountants and Consultants, London From ICAEW (Institute of Chartered Accountants in England and Wales) Accredited by the Association of Chartered Certified Accountants (ACA) forensic accountant, C. Lewis & Company LLP (London and Hong Kong) Director and Strategic Analyst, Oasis Management Company Ltd. (to present) Director of SUNCORPORATION (to present) Director, Cellebrite DI Ltd. (to present)	(Note 3)	700

Official title or position	Name	Date of birth	Brief personal history		Term of office	Number of shares held (Shares)
Director	Yakov Zlicha	October 4, 1966	Sep. 1994 Jan. 1996 Jul. 1999 Nov. 2002 Jul. 2004 Jun. 2007 Jun. 2012 Nov. 2015 Apr. 2020 Jul. 2020	Clerkship, Hamburger, Evron Law Firm (Israel) Lawyer, Sadot Law Firm (Israel) (Member of the Israeli Bar Association since November 1995) Tokyo correspondent, Maariv Daily Newspaper (Israel) Business Development Manager, Japan Israel Investment Corporation, Ltd. Business Development Consultant, Zlicha Consulting, Inc. (to present) OEM Sales Manager, Mentor Graphics Japan K.K. (acquired Valor Computerized Systems Japan) Director of Business Development, Screenovate Technologies Ltd. (Israel) Representative Director and Country Manager, Incredibuild Japan K.K. Outside Director of SUNCORPORATION Director of SUNCORPORATION (to present)	(Note 3)	1,700
Director	Akira Iwata	November 30, 1950	Apr. 1985 Apr. 1993 Apr. 1997 Nov. 2002 Jan. 2004 Apr. 2004 Apr. 2016 Apr. 2016 Apr. 2020	Associate Professor, Department of Computer Science and Engineering, Nagoya Institute of Technology Professor, Department of Electrical and Computer Engineering, Nagoya Institute of Technology Chairman, Department of Electrical and Computer Engineering, Nagoya Institute of Technology Vice President, Nagoya Institute of Technology Professor, Graduate School of Engineering, Nagoya Institute of Technology Professor, Graduate School of Engineering, Nagoya Institute of Technology General Manager, Intellectual Property Management Department, Techno Innovation Center (concurrent position) Professor Emeritus, Nagoya Institute of Technology (to present) Representative Director, Encephalon Corporation, a startup company and a national university corporation from Nagoya Institute of Technology (to present) Outside Director of SUNCORPORATION (to present)	(Note 3)	1,500

Official title or position	Name	Date of birth	Brief personal history		Term of office	Number of shares held (Shares)
Director	Lisa Hammitt	November 13, 1962	Aug. 1998	Chief Executive Officer, Black Pearl Software	(Note 3)	-
			Jul. 2003	WW Strategy Lead, Artificial Intelligence and Analytics, IBM		
			May 2010	Director, Corporate Strategy and Development, Cloud Services Business Unit, Hewlett Packard		
			Sep. 2011	Vice President, Community Cloud, Salesforce.com		
			June. 2015	Vice President, Watson Cloud Services, IBM		
			Dec. 2017	Global Vice President, Data and Artificial Intelligence, Visa		
			Feb. 2019	Independent Board Member, Clear Channel Outdoor (to present)		
			Dec. 2019	Senior Advisor, Brighton Park Capital (to present)		
			Mar. 2020	Independent Board Member, Glassbox		
			Jan. 2022	Chairwoman of the Board of Directors, Intelsat (to present)		
			Jan. 2023	Independent Board Member, QuSecure (to present)		
			Feb. 2023	Independent Board Member, Auterion GS (to present)		
			Oct. 2023	Independent Board Director, Solliance (to present)		
			Jan. 2024	Board Advisor, Asignio (to present)		
			Feb. 2024	Board Advisor, The Mandatum Foundation (to present)		
			Jun. 2024	Outside Director of SUNCORPORATION (to present)		

Official title or position	Name	Date of birth	Brief personal history		Term of office	Number of shares held (Shares)
Director (Audit and Supervisory Committee Member)	Yasushi Muto	May 5, 1963	Nov. 1992 Mar. 2010 Oct. 2013 Jul. 2016 Oct. 2018 Apr. 2019 Apr. 2020 Jun. 2020	Joined SUNCORPORATION General Manager, Product Management Dept. Executive Officer, General Manager of Product Management Dept. General Manager, Internal Control Office General Manager, Internal Audit Office General Manager, Product Management Dept. Corporate Auditor, E-Dream Corporation (to present) Director of SUNCORPORATION (Audit and Supervisory Committee Member) (to present)	(Note 4)	10,000
Director (Audit and Supervisory Committee Member)	Tomonori Shinkai	October 22, 1968	Oct. 1994 Apr. 1998 Nov. 2003 Jun. 2007 Jul. 2019 Jun. 2020 Jun. 2022 Jun. 2024	Joined Cosmos & Co. Registered as a Certified Public Accountant Employee, Cosmos & Co. Representative Partner, Cosmos & Co. Supervisory Representative Partner, Cosmos & Co. (to present) Outside Auditor, Pacific Industrial Co. Ltd Outside Director of SUNCORPORATION (Audit and Supervisory Committee Member) (to present) Outside Board Member (Audit and Supervisory Committee Member), Pacific Industrial Co. Ltd	(Note 4)	900
Director (Audit and Supervisory Committee Member)	Takashi Matsui	November 1, 1976	Dec. 2008 Dec. 2008 Jan. 2012 Apr. 2013 Sep. 2015 Jan. 2019 Nov. 2019 Dec. 2020 Apr. 2022 Jun. 2022	Registered as a lawyer Joined Kawakami & Hara Law Office (now Olympia Law Office) Established Matsui Law Office (to present) Steering Committee Member of Nagoya Branch, Japan Intellectual Property Arbitration Center (to present) Part-time Lecturer (Copyright Law), Nanzan University Law School Lecturer at the Japan Patent Attorneys Association for Specific Infringement Litigation Representation Selection Committee Member, Okazaki City Regional Electricity Retail Business Partner Outside Director and Audit Committee Member, Goodspeed Corporation (to present) Member, Nagoya City Administrative Complaint Review Board (to present) Outside Director of SUNCORPORATION (Audit and Supervisory Committee Member) (to present)	(Note 4)	500
Total						26,800

(Notes) 1. Mr. Akira Iwata, Ms. Lisa Hammitt, Mr. Tomonori Shinkai and Mr. Takashi Matsui are Outside Directors.

2. The Company has notified the Tokyo Stock Exchange that it has appointed Mr. Akira Iwata, Mr. Tomonori Shinkai and Mr. Takashi Matsui as Independent Directors.

3. The term of office of Directors (excluding Directors who are Audit and Supervisory Committee Members) is one year (until the conclusion of the Ordinary General Meeting of Shareholders for the last fiscal year that ends within one year after their election).

4. The term of office of Directors who are Audit and Supervisory Committee Members is two years (until the conclusion of the Ordinary General Meeting of Shareholders for the last fiscal year that ends within two years after their election).

5. The structure of the Audit and Supervisory Committee is as follows:
Chairman: Yasuji Muto Member: Tomonori Shinkai Member: Takashi Matsui

6. The Company has introduced an executive officer system in order to strengthen its business execution capabilities and clarify the responsibilities of each business unit.
The Company has appointed one Executive Director, namely, Terakura Keiichi, General Manager of the Corporate Restructuring Office and General Manager of the Legal & Intellectual Property Department.

2) Outside Directors

The Company has appointed four Outside Directors.

The Company has appointed Mr. Akira Iwata as Outside Director as he has advanced technical expertise in the fields of artificial intelligence (AI), neural networks, deep learning, and information security, as well as extensive consulting experience in the planning, development, and manufacturing of IoT sensor systems that would enable him to contribute to the growth and development of the Group and monitor/supervise the execution of duties of Directors. He holds 1,500 shares of the Company's stock. There are no other personal, capital, or important business relationships or other interests between the Company and Mr. Iwata.

The Company has appointed Ms. Lisa Hammitt as Outside Director as she has a wealth of experience and a proven track record in achieving growth and success in a number of businesses over many years in senior management positions leading technology companies and consumer software divisions which would enable her to strengthen the function of the Board of Director.

The Company has appointed Mr. Tomonori Shinkai and Mr. Takashi Matsui as Outside Directors as they have expert knowledge as a certified public accountant and as an attorney at law, and are expected to strengthen the functions of the Board of Directors and supervise and audit business execution by Directors, etc. as Audit and Supervisory Committee Members.

The Company has not established any independence criteria or policies for the appointment of Outside Directors. However, the Company has designated Outside Directors as Independent Directors as it judged that they do not conflict with any of the independence criteria set forth by the Tokyo Stock Exchange (Guidelines for Listing Management III 5. (3) - 2) and that there is no risk of a conflict of interest with general shareholders.

3) Mutual cooperation between supervision or audits by Outside Directors and internal audits, audits by the Audit and Supervisory Committee, and accounting audits, and relationship with a department in charge of internal audits

Outside Directors (two of whom are Directors and Audit and Supervisory Committee Members) supervise the execution of business operations by receiving reports on the findings of internal audits and audits by the Accounting Auditor at the meetings of the Board of Directors.

The Company has established the Internal Audit Office as a department in charge of internal audits and conducts internal audits centering on operational audits. Audit findings are reported to the President and Representative Director, and are also reported to the Board of Directors as necessary. In addition, the relevant departments are requested to take actions for improvement to address problems that are found during audits and the status of improvement is monitored. The status of these internal audits is also reported to the Audit and Supervisory Committee consisting of Directors and Audit and Supervisory Committee Members as needed, and information on the audit findings is shared.

The Audit and Supervisory Committee and the Accounting Auditor cooperate organically at three stages (1. Formulation of an audit plan, 2. Audit implementation process, 3. Formation of an audit opinion) and mutually complement through interactive exchange of information on audit findings. As stated above, the Audit and Supervisory Committee, the Internal Audit Office and the Accounting Auditor maintain mutual cooperation and strive to improve the quality and efficiency of audits.

(3) Status of Audits

1) Status of Audits by the Audit and Supervisory Committee

The Company's Audit and Supervisory Committee consists of one Director who is a full-time Member of Audit and Supervisory Committee (full-time Audit and Supervisory Committee Member) and two Audit and Supervisory Committee Members who are Independent Outside Directors (Outside Audit and Supervisory Committee Members). Mr. Tomonori Shinkai, who is an Outside Audit and Supervisory Committee Member, has expertise and extensive experience as a certified public accountant, and Mr. Takashi Matsui, who is also an Outside Audit and Supervisory Committee Member, has expertise and extensive experience as an attorney.

In accordance with the audit policy and allocation of duties determined by the Audit and Supervisory Committee, the Audit and Supervisory Committee, in cooperation with the department in charge of internal audits, which supports the Audit and Supervisory Committee as staff, attended important meetings, etc. to confirm the process and details of decision-making, received reports on matters related to the execution of duties from Directors and employees, etc., requested explanations as necessary, inspected the contents of major approval documents and other important documents related to the execution of duties, and investigated the status of business operations and assets at the headquarters and major offices. With respect to subsidiaries, the Company's Board of Directors received periodic reports on the status of business from the Director in charge, and requested explanations as necessary. Furthermore, the Audit and Supervisory Committee received reports on the findings of audits of subsidiaries from the department in charge of internal audits, and requested explanations as necessary.

During the current fiscal year, the Company's Audit and Supervisory Committee holds regular meetings once a month and extraordinary meetings as necessary. The attendance of each Audit and Supervisory Committee Member is as follows:

Name	Number of meetings held	Number of meetings attended	Attendance rate
Yasushi Muto	14	14	100%
Tomonori Shinkai	14	14	100%
Takashi Matsui	14	14	100%

The main audit items for the current fiscal year are as follows:

(Audit items)

1. Audit of the execution of duties by Executive Directors
2. Audit of reports by Directors to the Board of Directors, etc. and decision-making by the Board of Directors
3. Audit of the establishment and operation of the system to ensure the appropriate business operations (internal control system)
4. Audit of the status of the Company's assets and management system thereof
5. Audit of statutory disclosure information, etc.
6. Audit of business reporting, etc.
7. Audit of the business operations and assets of subsidiaries, etc.
8. Audit of the appropriateness of policies, methods and results of accounting audits by the Accounting Auditor
9. Audit of accounting documents

2) Internal Audits

Internal audits are carried out by a department in charge of internal audits (one staff) that directly reports to the Audit and Supervisory Committee under the guidance of the Audit and Supervisory Committee and the President (internal audits related to the financial statements). In cooperation with the Audit and Supervisory Committee and the Accounting Auditor, the department in charge of internal audits evaluates the level of compliance and efficiency of business operations to execute them flexibly from the viewpoint of compliance and risk management, and reports its findings to the Board of Directors and the Audit and Supervisory Committee to ensure internal control and internal checks.

3) Status of Accounting Audits

a. Name of the audit firm

Frontier Audit Corporation

b. Number of consecutive years of auditing

2 years

c. Certified Public Accountants engaged in the accounting audits

Yukio Fujii

Daisuke Hongo

d. Composition of assistants for accounting audits

The composition of assistants for accounting audits is determined based on the selection criteria of the audit firm. Specifically, nine Certified Public Accountants supported the accounting audits.

e. Policy and reasons for the selection of audit firm

With regard to the appointment and reappointment of the Accounting Auditor, the Company comprehensively evaluates the candidate proposed by the executive departments by referring to the "Practical Guidelines for Audit and Supervisory

Board Members on Evaluation of and Formulation of Selection Standards for Accounting Auditors," published by the Japan Audit and Supervisory Board Members Association, and other guidelines, to reach a decision.

f. Evaluation of the audit firm by the Audit and Supervisory Committee

Based on the "Practical Guidelines for Audit and Supervisory Board Members on Evaluation of and Formulation of Selection Standards for Accounting Auditors," published by the Japan Audit and Supervisory Board Members Association, the Company receives reports from the Accounting Auditor on audit plans, the implementation status of audits, systems to ensure that duties are performed properly, quality control standards for audits, etc., and examines and comprehensively evaluates them.

g. Change in audit firm

An audit firm that carried out the accounting audits of the Company was changed as stated below:

The 51st term (Consolidated/Non-consolidated): KPMG AZSA LLC

The 52nd term (Consolidated/Non-consolidated): Frontier Audit Corporation

The relevant description in the Company's Extraordinary Report is as follows:

The name of the Certified Public Accountant, etc. conducting audits who are subject to the change:

The name of the Certified Public Accountant, etc. to be selected

Frontier Audit Corporation

The name of the certified public accountant, etc. to be retired

KPMG AZSA LLC

Date of change:

June 23, 2022

Date on which the selected Certified Public Accountants, etc. became the Certified Public Accountants etc. conducting audits:

July 30, 2007

Matters relating to opinions in the audit reports, etc. for the past three years that were prepared by the selected Certified Public Accountants, etc. conducting audits:

Not applicable.

Reasons and background of the determination of the change:

The contractual term of KPMG AZSA LLC, the Company's previous Accounting Auditor, was expired at the conclusion of the 51st General Meeting of Shareholders held on June 23, 2022. While the Company believes that KPMG AZSA LLC has established an adequate system with which accounting audits are conducted appropriately and reasonably, the Company decided to change its Accounting Auditor to Frontier Audit Corporation by comprehensively considering the relevant factors, including the fact that KPMG AZSA LLC has continued conducting the audits of the Company for a long period of time as well as balance between the audits that commensurate with the business scale of the Company and audit fees. The Company chose Frontier Audit Corporation as its new Accounting Auditor as it judged that the audit firm concerned has capacities to properly conduct audits with its expertise, independence and quality management system that are required of audit firms and was expected to conduct audits from new perspectives that fit the business scale of the Company.

Opinions on aforementioned reasons and background:

Opinion of retired Certified Public Accountants, etc. conducted audits:

The Company obtained that it has no particular opinion.

Opinion of the Audit and Supervisory Committee:

It judged that they are reasonable.

4) Details of Audit Fees

a. Details of fees for Certified Public Accountants, etc. who conducted audits

Classification	Previous fiscal year		Current fiscal year	
	Audit fees (Thousands of yen)	Non-audit fees (Thousands of yen)	Audit fees (Thousands of yen)	Non-audit fees (Thousands of yen)
The Filing company	47,000	-	43,000	-
Consolidated subsidiaries	-	-	-	-
Total	47,000	-	43,000	-

(Notes) 1. Services other than audits stipulated in Article 2, paragraph 1 of the Certified Public Accountants Act are not entrusted.

2. In addition to the above, the Company paid additional fees of ¥2,402 million to KPMG AZSA LLC, the previous Accounting Auditor, in relation to audits carried out in the fiscal year ended March 31, 2022.

3. In addition to the above, the Company paid additional fees of ¥2 million to Frontier Audit Corporation in relation to audits carried out in the previous fiscal year.

b. Fees paid to organizations that belong to the same network as the certified public accountants, etc. who conducted audits

Not applicable.

c. Description of other important audit fees

Not applicable.

d. Policy for determining the audit fees

The Company determines the amount of audit fees paid to the audit firm after examining the details of the audit plan of the Accounting Auditor, its execution of duties in the previous fiscal year, the basis for calculating the estimated fees, etc., by obtaining necessary documents and reports from the relevant departments and the Accounting Auditor.

e. Reasons why the Audit and Supervisory Committee gave consent to the fees for the Accounting Auditor

The Audit and Supervisory Committee has given its consent to the fees, etc. of the Accounting Auditor pursuant to Article 399, paragraph 1 of the Companies Act after examining the details of the audit plan and the basis for the calculation of the estimated fees, etc. submitted by the Accounting Auditor, based on trends in audit time and fees, the comparison between the audit plan and the audit results in previous fiscal years, the reports from the Board of Directors and relevant internal departments, and the explanations from the Accounting Auditor.

(4) Remuneration for Directors

1) Matters pertaining to the policy on the determination of the amount of remuneration for Directors or the calculation method thereof

a. Matters related to the determination of the amount of remuneration for Directors and the calculation method thereof

The Company is a company with the Audit and Supervisory Committee, and the Board of Directors determines the policy on remuneration, etc. for Directors (excluding Directors who are Audit and Supervisory Committee Members; the same applies hereinafter) (hereinafter referred to as the “Remuneration Policy”).

The Remuneration Policy as of the filing date was established by the resolution of the Board of Directors under the Group’s Medium-Term Management Plan 2022-2024, and the details are as follows:

1. Basic policy

The remuneration of the Company’s Directors shall be designed to effectively function as a medium- to long-term incentive for the continuous growth of business performance and the sustainable improvement of corporate value while promoting value sharing with shareholders. In addition, as a basic policy, Directors’ remuneration shall enable the Company to recruit and retain talent who are able to achieve aforementioned objectives and be at an appropriate level that is commensurate with the roles and responsibilities expected of each Director.

Specifically, it shall consist of fixed remuneration and post-grant type share awards. The post-grant type share awards shall consist of a restricted stock unit (hereinafter referred to as “RSU”) that does not require a certain level of business performance should be met and a performance share unit (hereinafter referred to as “PSU”) that requires a certain level of business performance should be met. However, PSUs will not be granted to Outside Directors.

2. Policy on the determination of the amount of basic remuneration

The basic remuneration of the Company’s Directors shall be fixed monthly remuneration (monetary remuneration). The Representative Director prepares a draft remuneration plan according to each position and the Nomination and Remuneration Committee, in which Independent Outside Directors account for a majority, makes decisions. The basic remuneration is paid on a designated date every month.

3. Policy on the determination of the content and amount/unit of non-monetary remuneration and the calculation method thereof

The non-monetary remuneration, etc. is post-grant type share awards with the aim of achieving sustainable growth of the Company’s corporate value and promoting value sharing with shareholders.

The post-grant type share award system is a system under which the Company’s common shares are granted in a predetermined number or by a predetermined calculation method after a designated period has passed since the grant of the rights, on the condition that certain conditions are met. It consists of a RSU that does not require a certain level of business performance should be met and a PSU that requires a certain level of business performance should be met.

After the expiration of the vesting period, the RSU enables that the base number of the Company's common shares are issued as determined on the grant date, on the condition that the RSU holder continues to be the Company's Director or occupy a certain position as determined by the resolution of the Company's Board of Directors from the grant date through the expiration date of the vesting period.

The vesting period shall be one year from the grant date for one third of the RSUs granted, two years from the grant date for one third, and three years from the grant date for remaining one third.

With regard to the PSU, Directors engaged in business execution will receive the common shares of the Company, the number of which is calculated by multiplying the base share amount specified on the grant date by the coefficient determined in accordance with the degree of achievement against the performance targets specified in the Medium-term Management Plan, on the condition that they are continuously the Company's Directors or have a certain status determined by resolution of the Company's Board of Directors from the grant date through the expiration date of the period (three consecutive fiscal years) covered by the Medium-Term Management Plan to which the grant date belongs.

b. Details of the resolution of the General Meeting of Shareholders on remuneration of Directors

At the 45th Ordinary General Meeting of Shareholders held on June 23, 2016, it was resolved that the amount of annual monetary remuneration for Directors should be no more than ¥200 million. At the conclusion of the Ordinary General Meeting of Shareholders concerned, the number of Directors who are not Audit and Supervisory Committee Members was five.

In addition, at the 51st Ordinary General Meeting of Shareholders held on June 23, 2022, it was resolved to revise the amount of remuneration of Directors (excluding Directors who are Audit and Supervisory Committee Members) in accordance with the introduction of the post-grant type share award system to grant a RSU that does not require a certain level of business performance should be met and a PSU that requires a certain level of business performance should be met. At the conclusion of the Ordinary General Meeting of Shareholders concerned, the number of Directors who are not Audit and Supervisory Committee Members was six.

At the 45th Ordinary General Meeting of Shareholders held on June 23, 2016, it was resolved that the amount of annual monetary remuneration for Directors who are Audit and Supervisory Committee Members should not exceed ¥25 million. At the conclusion of the 45th Ordinary General Meeting of Shareholders, the number of Directors who are Audit and Supervisory Committee Members was three.

c. Overview of the body and procedures for determining the policy on the amount of Directors' remuneration or the calculation method thereof

The Board of Directors, which is responsible for determining the Remuneration Policy for Directors, has entrusted the drafting of the basic remuneration, etc. for each Director to Ryusuke Utsumi, Representative Director. The reason for the entrustment is that the Company has judged that the Representative Director is suitable for evaluating each individual Director while taking into consideration the overall performance of the Company. The Nomination and Remuneration Committee, in which Independent Outside Directors account for a majority, determines the remuneration based on the draft.

In addition, the base amount of remuneration for each position, the specific details and amounts granted of the RSU and PSU, and other important matters concerning the remuneration of individual Directors who are not Audit and Supervisory Committee Members are decided based on the remuneration levels of companies with a business scale similar to the Company, in a way that the higher the position, the higher the weight of non-monetary remuneration.

At the meeting of the Board of Directors held in June 2023, the details of the remuneration of individual Directors for the current fiscal year were determined.

2) Total amount of remuneration, etc. by Director Category and by type of remuneration, etc., and number of applicable Directors

Director Category	Total amount of remuneration (Thousands of yen)	Total amount of remuneration by type (Thousands of yen)		Number of applicable Directors (Persons)
		Monetary remuneration	Non-monetary remuneration, etc.	
		Basic remuneration		
Directors (excluding Audit and Supervisory Committee Members) (excluding Outside Directors)	91,921	83,472	8,448	4
Directors (who are Audit and Supervisory Committee Members) (excluding Outside Directors)	15,240	15,240	-	1
Outside Directors	26,855	24,937	1,918	4

(Notes) 1. The amount of remuneration, etc. for Directors does not include employee salaries paid to Directors who serve concurrently as employees.

2. The amount of remuneration, etc. for Directors (excluding Directors who are Audit and Supervisory Committee Members) is determined by the Board of Directors within the limit approved by the resolution of the General Meeting of Shareholders, taking into consideration business performance and other factors. The amount of remuneration, etc. for Directors who are Audit and Supervisory Committee Members is determined through discussion among the Directors who are Audit and Supervisory Committee Members within the limit decided by the resolution of the General Meeting of Shareholders.

3. The total amount of non-monetary remuneration, etc. for Directors (excluding Audit and Supervisory Committee Members) only consists of RSUs.

3) Total remuneration paid to each Officer

Not stated because there is no Officer whose overall consolidated remuneration is ¥100 million or more.

(5) Status of securities held by the Company

1) Criteria for and basic stance of classification of investment securities

The Company classifies investment shares into two categories: investment shares held for pure investment purposes, which is held to gain profits through fluctuations in the value of shares or the receipt of dividends; and investment shares held for purposes other than pure investment (cross-shareholdings).

2) Investment securities held for purposes other than pure investment

a. Method of verifying the rationality of shareholding policy and shareholding, and details of verification carried out by the Board of Directors, etc. regarding the appropriateness of the holding of individual issues

Once a year, the Board of Directors verifies the rationality of the shareholding purpose and the related profits and benefits of holding each issue of strategic shareholdings, and determines the appropriateness of holding such shares by comparing it with the case of not holding them.

b. Number of issues and amount recorded on balance sheet

	Number of issues (Issues)	Total amount recorded on balance sheet (Thousands of yen)
Non-listed securities	9	153,200
Securities other than the above	3	403,888

c. Information on the number of shares, the amount recorded on the balance sheet, etc. of specified investment shares and deemed holdings of shares by issue

Specified investment shares

Issues	Current fiscal year	Previous fiscal year	Purpose of shareholding, overview of business alliance, etc., quantitative effects of shareholding and reasons for the increase in the number of shares (Note)	Holding of the Company's stock
	Number of shares (Shares)	Number of shares (Shares)		
	Amount recorded on balance sheet (Thousands of yen)	Amount recorded on balance sheet (Thousands of yen)		
FUJISHOJI CO., LTD.	290,800	290,800	(Purpose of shareholding) To strengthen business-to-business transactions in the entertainment field. (Overview of business alliance, etc.) To improve capabilities to plan and develop game machines in the entertainment field. (Quantitative effects of shareholding) (Note)	Yes
	394,906	440,271		
The Ogaki Kyoritsu Bank, Ltd.	2,500	2,500	(Purpose of shareholding) To strengthen relationships in financial transactions aiming at stable financing, etc. (Quantitative effects of shareholding) (Note)	No
	5,457	4,465		
Mizuho Financial Group, Inc.	1,157	1,157	(Purpose of shareholding) To strengthen relationships in financial transactions aiming at stable financing, etc. (Quantitative effects of shareholding) (Note)	No
	3,524	2,172		

(Note) Since it is difficult to describe the quantitative effects of shareholding of specified investment shares, the Company describes the method for verifying the rationality of the shareholding: Every fiscal year, the Company verifies the importance of individual cross-shareholdings, and as a result of the verification carried out on March 31, 2024, the Company confirms that all of its current cross-shareholdings are held for the purpose that is in line with its shareholding policy.

3) Investment securities held for pure investment purposes

Not applicable.

V Financial Information

1. Basis of preparation of consolidated financial statements and financial statements

(1) The consolidated financial statements of the Company are prepared in accordance with the “Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements” (Ministry of Finance Order No. 28 of October 30, 1976; hereinafter “the Regulation on Consolidated Financial Statements”).

(2) The Financial statements of the Company are prepared in accordance with the “Regulation on Terminology, Forms, and Preparation Methods of Financial Statements” (Ministry of Finance Order No. 59 of November 27, 1963; hereinafter “the Regulation on Financial Statements”).

Falling into the category of a special company submitting financial statements, the Company prepares financial statements in accordance with Article 127 of the Regulation on Financial Statements.

2. Note on independent audit

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, the Company’s consolidated financial statements for the fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024) and its financial statements for the fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024) were audited by Frontier Audit Corporation.

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

In order to properly understand and respond to the impact of details or modifications of accounting standards on the Company, we have been a member of the Financial Accounting Standards Foundation. We are actively seeking to gather information by, for example, taking part in training courses and seminars held by the said foundation, audit corporations or other institutions that have professional information, thus striving to ensure appropriateness of consolidated financial statements, etc.

1. Consolidated Financial Statements

(1) Consolidated Financial Statements

1) Consolidated Balance Sheet

(Thousands of yen)

	Previous fiscal year (As of March 31, 2023)	Current fiscal year (As of March 31, 2024)
Assets		
Current assets		
Cash and deposits	3,138,716	1,732,014
Money held in trust	10,900,000	14,200,000
Notes and accounts receivable - trade	*1 2,550,051	*1, 4 1,812,896
Accounts receivable	3,892,155	86,655
Finished goods	265,381	744,912
Work in process	394,134	447,404
Raw materials	2,055,861	3,711,585
Other	639,898	714,601
Allowance for doubtful accounts	(597)	(499)
Total current assets	23,835,600	23,449,570
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	454,691	425,550
Land	*3 949,043	*3 949,043
Other, net	225,009	205,416
Total property, plant and equipment	*5 1,628,744	*5 1,580,010
Intangible assets		
Goodwill	510,007	457,630
Other	274,529	229,538
Total intangible assets	784,537	687,169
Investments and other assets		
Investment securities	11,646,475	20,663,685
Shares of subsidiaries and associates	*2 3,468,520	*2 1,000
Other	426,543	457,012
Allowance for doubtful accounts	(23,040)	-
Total investments and other assets	15,518,498	21,121,697
Total non-current assets	17,931,780	23,388,877
Total assets	41,767,380	46,838,448

(Thousands of yen)

	Previous fiscal year (As of March 31, 2023)	Current fiscal year (As of March 31, 2024)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,411,060	*4 1,989,206
Short-term borrowings	*6 161,395	*6 1,095,392
Current portion of long-term borrowings	43,778	37,445
Accrued expenses	290,385	246,421
Accounts payable	1,355	23,353
Income taxes payable	2,904	361,112
Advances received	45,559	63,373
Contract liabilities	782,468	891,842
Provision for bonuses	197,175	149,664
Other	88,737	47,199
Total current liabilities	4,024,821	4,905,012
Non-current liabilities		
Long-term borrowings	249,111	257,366
Deferred tax liabilities	2,398,498	4,372,346
Deferred tax liabilities for land revaluation	*3 9,920	*3 9,920
Retirement benefit liability	10,428	10,741
Other	60,794	23,670
Total non-current liabilities	2,728,752	4,674,045
Total liabilities	6,753,574	9,579,057
Net assets		
Shareholders' equity		
Share capital	2,089,685	2,097,606
Capital surplus	3,317,507	3,316,731
Retained earnings	30,773,457	26,543,187
Treasury shares	(2,806,314)	(3,643,498)
Total shareholders' equity	33,374,335	28,314,026
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,964,829	9,269,293
Deferred gains or losses on hedges	(24,755)	-
Revaluation reserve for land	*3 (434,203)	*3 (434,203)
Foreign currency translation adjustment	(972,154)	8,197
Total accumulated other comprehensive income	1,533,715	8,843,288
Share award rights	27,013	24,012
Share acquisition rights	78,741	78,064
Total net assets	35,013,806	37,259,391
Total liabilities and net assets	41,767,380	46,838,448

2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

Consolidated Statement of Income

(Thousands of yen)

	Previous fiscal year (From April 1, 2022 to March 31, 2023)	Current fiscal year (From April 1, 2023 to March 31, 2024)
Net sales	*1 37,449,092	*1 10,045,586
Cost of sales	11,911,774	7,081,786
Gross profit	25,537,317	2,963,799
Selling, general and administrative expenses	*2, 3 27,248,380	*2, 3 2,650,998
Operating profit (loss)	(1,711,062)	312,801
Non-operating income		
Interest and dividend income	439,221	113,250
Foreign exchange gains	2,895,450	-
Gain on valuation of derivatives	12,107,269	-
Share of profit of entities accounted for using equity method	471,222	-
Interest on tax refund	-	20,607
Other	17,238	15,641
Total non-operating income	15,930,403	149,499
Non-operating expenses		
Interest expenses	15,207	9,686
Foreign exchange losses	-	29,672
Share of loss of entities accounted for using equity method	-	4,498,420
Commission for purchase of treasury shares	5,679	22,704
Other	23,787	16,327
Total non-operating expenses	44,674	4,576,810
Ordinary profit (loss)	14,174,666	(4,114,510)
Extraordinary income		
Gain on sale of non-current assets	*4 2,361	*4 0
Gain on reversal of share acquisition rights	198	1,417
Other	-	376
Total extraordinary income	2,560	1,794
Extraordinary losses		
Loss on sale of non-current assets	*5 4,033	*5 229
Loss on sale of shares of subsidiaries	85,491	-
Loss on valuation of shares of subsidiaries	56,789	0
Loss on liquidation of subsidiaries	-	6,165
Impairment losses	*6 70,230	-
Other	287	440
Total extraordinary losses	216,833	6,836
Profit (loss) before income taxes	13,960,393	(4,119,551)
Income taxes - current	114,678	376,748
Income taxes - deferred	345,366	(718,678)
Total income taxes	460,044	(341,930)
Profit (loss)	13,500,349	(3,777,621)
Profit attributable to non-controlling interests	6,621,961	-
Profit (loss) attributable to owners of parent	6,878,387	(3,777,621)

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	Previous fiscal year (From April 1, 2022 to March 31, 2023)	Current fiscal year (From April 1, 2023 to March 31, 2024)
Profit (loss)	13,500,349	(3,777,621)
Other comprehensive income		
Valuation difference on available-for-sale securities	2,849,420	6,271,474
Deferred gains or losses on hedges	(293,886)	-
Foreign currency translation adjustment	(2,517,685)	8,197
Share of other comprehensive income of entities accounted for using equity method	(27,860)	1,029,900
Total other comprehensive income	* 9,988	* 7,309,572
Comprehensive income	13,510,337	3,531,951
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,886,460	3,531,951
Comprehensive income attributable to non-controlling interests	5,623,876	-

3) Consolidated Statement of Changes in Equity

Previous fiscal year (From April 1, 2022 to March 31, 2023)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,086,192	15,864,377	5,978,044	(63,321)	23,865,292
Changes during period					
Issuance of new shares - exercise of share acquisition rights	3,493	3,493			6,986
Changes in foreign subsidiaries and affiliated companies' interests in its subsidiaries		(3,524,995)			(3,524,995)
Dividends of surplus			(478,821)		(478,821)
Profit (loss) attributable to owners of parent			6,878,387		6,878,387
Change of scope of consolidation and equity method		(9,025,368)	18,395,846		9,370,478
Purchase of treasury shares				(2,742,992)	(2,742,992)
Net changes during period in items other than shareholders' equity					-
Total changes during period	3,493	(12,546,870)	24,795,412	(2,742,992)	9,509,042
Balance at end of period	2,089,685	3,317,507	30,773,457	(2,806,314)	33,374,335

	Accumulated other comprehensive income					Share award rights	Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	69,385	66,331	(434,203)	810,825	512,338	-	2,662,650	27,040,281
Changes during period								
Issuance of new shares - exercise of share acquisition rights								6,986
Changes in foreign subsidiaries and affiliated companies' interests in its subsidiaries								(3,524,995)
Dividends of surplus								(478,821)
Profit (loss) attributable to owners of parent								6,878,387
Change of scope of consolidation and equity method								9,370,478
Purchase of treasury shares								(2,742,992)
Net changes during period in items other than shareholders' equity	2,895,444	(91,086)	-	(1,782,979)	1,021,377	27,013	(2,583,909)	(1,535,517)
Total changes during period	2,895,444	(91,086)	-	(1,782,979)	1,021,377	27,013	(2,583,909)	7,973,524
Balance at end of period	2,964,829	(24,755)	(434,203)	(972,154)	1,533,715	27,013	78,741	35,013,806

Current fiscal year (From April 1, 2023 to March 31, 2024)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,089,685	3,317,507	30,773,457	(2,806,314)	33,374,335
Changes during period					
Issuance of new shares - exercise of share acquisition rights	7,921	7,921			15,842
Dividends of surplus			(452,648)		(452,648)
Profit (loss) attributable to owners of parent			(3,777,621)		(3,777,621)
Purchase of treasury shares				(903,325)	(903,325)
Disposal of treasury shares		(8,696)		66,141	57,444
Net changes during period in items other than shareholders' equity					-
Total changes during period	7,921	(775)	(4,230,269)	(837,184)	(5,060,309)
Balance at end of period	2,097,606	3,316,731	26,543,187	(3,643,498)	28,314,026

	Accumulated other comprehensive income					Share award rights	Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	2,964,829	(24,755)	(434,203)	(972,154)	1,533,715	27,013	78,741	35,013,806
Changes during period								
Issuance of new shares - exercise of share acquisition rights								15,842
Dividends of surplus								(452,648)
Profit (loss) attributable to owners of parent								(3,777,621)
Purchase of treasury shares								(903,325)
Disposal of treasury shares								57,444
Net changes during period in items other than shareholders' equity	6,304,464	24,755	-	980,352	7,309,572	(3,001)	(676)	7,305,894
Total changes during period	6,304,464	24,755	-	980,352	7,309,572	(3,001)	(676)	2,245,584
Balance at end of period	9,269,293	-	(434,203)	8,197	8,843,288	24,012	78,064	37,259,391

4) Consolidated Statement of Cash Flows

(Thousands of yen)

	Previous fiscal year (From April 1, 2022 to March 31, 2023)	Current fiscal year (From April 1, 2023 to March 31, 2024)
Cash flows from operating activities		
Profit (loss) before income taxes	13,960,393	(4,119,551)
Depreciation	1,117,472	247,236
Amortization of goodwill	416,259	52,376
Share-based payment expenses	1,378,737	26,165
Increase (decrease) in allowance for doubtful accounts	94,883	(98)
Increase (decrease) in provision for bonuses	(70,261)	(48,659)
Increase (decrease) in retirement benefit liability	(24,785)	312
Interest and dividend income	(439,221)	(113,250)
Interest expenses	15,207	9,686
Foreign exchange losses (gains)	(185,184)	(21,678)
Loss (gain) on valuation of derivatives	(12,107,269)	-
Loss (gain) on valuation of shares of subsidiaries	56,789	-
Loss (gain) on sale of shares of subsidiaries	85,491	-
Impairment losses	70,230	-
Gain on reversal of share acquisition rights	(198)	(1,417)
Share of loss (profit) of entities accounted for using equity method	(471,222)	4,498,420
Decrease (increase) in trade receivables	(3,623,090)	741,085
Decrease (increase) in inventories	(1,730,892)	(2,188,368)
Increase (decrease) in trade payables	412,232	(423,478)
Decrease (increase) in prepaid expenses	-	(140,014)
Decrease (increase) in accounts receivable - other	(3,917,619)	(37,114)
Increase (decrease) in contract liabilities	2,407,464	109,253
Increase (decrease) in accrued expenses	(943,894)	52,659
Other, net	1,389,500	(71,399)
Subtotal	(2,108,979)	(1,427,832)
Interest and dividends received	487,292	113,250
Interest paid	(15,207)	(9,686)
Income taxes paid	(11,881,717)	(9,963)
Income taxes refund	-	3,844,031
Net cash provided by (used in) operating activities	(13,518,612)	2,509,798

(Thousands of yen)

	Previous fiscal year (From April 1, 2022 to March 31, 2023)	Current fiscal year (From April 1, 2023 to March 31, 2024)
Cash flows from investing activities		
Net decrease (increase) in time deposits	2,425,126	(29,696)
Proceeds from cancellation of money held in trust	-	700,000
Investments in money held in trust	(10,900,000)	(4,000,000)
Purchase of securities	(11,513,472)	-
Proceeds from redemption of securities	3,387,623	-
Purchase of investment securities	(6,832,038)	-
Proceeds from sale and redemption of investment securities	-	46,635
Purchase of property, plant and equipment	(909,524)	(119,410)
Purchase of intangible assets	(138,524)	(168,877)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	*2 (750,876)	-
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	*3 70,016	-
Other, net	30,370	8,677
Net cash provided by (used in) investing activities	(25,131,298)	(3,562,671)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(3,339,104)	991,301
Repayments of long-term borrowings	(19,669)	(57,186)
Proceeds from exercise of employee share options	5,374	45,691
Purchase of treasury shares	(2,742,992)	(903,325)
Proceeds from share issuance to non-controlling shareholders	1,600,480	-
Proceeds from sale of shares of subsidiaries not resulting in change in scope of consolidation	30,514,644	-
Dividends paid	(478,821)	(452,648)
Other, net	34,312	(9,037)
Net cash provided by (used in) financing activities	25,574,225	(385,206)
Effect of exchange rate change on cash and cash equivalents	903,859	23,875
Net increase (decrease) in cash and cash equivalents	(12,171,826)	(1,414,204)
Cash and cash equivalents at beginning of period	27,438,438	2,934,094
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	*4 (12,332,517)	-
Cash and cash equivalents at end of period	*1 2,934,094	*1 1,519,890

[Notes]

(Significant accounting policies for preparation of consolidated financial statements)

1. Scope of consolidation

1) Number of consolidated subsidiaries: 5

Names of the consolidated subsidiaries

E-Dream Co., Ltd

EKTech Holdings Sdn. Bhd.

EKTech Communications Sdn. Bhd.

EKTech Systems Engineering Sdn. Bhd.

EKTech Eureka MSC Sdn. Bhd.

2) Names of key non-consolidated subsidiaries

Non-consolidated subsidiaries

AceReal Co., Ltd.

(Reason for exclusion from the scope of consolidation)

AceReal Co., Ltd. has been excluded from the scope of consolidation since it is a small-sized company and none of its total assets, net sales, and profit or loss (amount corresponding to equity) and retained earnings (amount corresponding to equity) has a material impact on the consolidated financial statements.

Yidi Trading (Shanghai) Co., Ltd., which was the Company's non-consolidated subsidiary, has been excluded from the Company's non-consolidated subsidiaries because of its liquidation, which was completed in the current fiscal year.

2. Application of equity method

1) Associates accounted for using the equity method: 12

Cellebrite DI Ltd.

Cellebrite Inc.

Cellebrite GmbH

Cellebrite Soluções de Inteligencia Digital Ltda

Cellebrite Asia Pacific Pte Ltd.

Cellebrite UK Limited

Cellebrite France SAS

Cellebrite Canada Mobile Data Solutions Ltd.

Cellebrite Australia PTY Limited

Cellebrite Japan Co., Ltd.

Cellebrite Digital Intelligence Solutions Private Limited

Cellebrite Digital Intelligence LP

2) Names of non-consolidated subsidiaries and associates not accounted for using the equity method

AceReal Co., Ltd.

(Reason for not using the equity method)

Regarding the non-consolidated subsidiaries which are not accounted for using the equity method, neither of their profit or loss (amount corresponding to equity) nor their retained earnings (amount corresponding to equity) have a material impact on our consolidated financial statements and are therefore excluded from the scope of application of the equity method.

Yidi Trading (Shanghai) Co., Ltd., which was the Company's non-consolidated subsidiary, has been excluded from non-consolidated subsidiaries not accounted for using the equity method because of its liquidation, which was completed in the current fiscal year.

3) Of the associates accounted for using the equity method, for those whose closing dates differ from the consolidated closing date, the financial statements for their relevant fiscal years are used.

3. Changes in the scope of consolidation and the scope of application of the equity method

1) Changes in the scope of consolidation

Not applicable.

2) Changes in the scope of application of the equity method

Exclusion

Decreased by 1 company due to completed liquidation:

Cellebrite Saferworld, Inc.

Decreased by 1 company due to absorption-type merger:

BlackBag Technologies, Inc.

4. Fiscal year of consolidated subsidiaries

Of the Company's consolidated subsidiaries, the following companies close their book on December 31: EKTech Holdings Sdn. Bhd, EKTech Communications Sdn. Bhd, EKTech Systems Engineering Sdn. Bhd, and EKTech Eureka MSC Sdn. Bhd. In preparing the consolidated financial statements, the Company uses the financial statements as of the said closing date. However, for significant inconsistencies in accounting records of transactions between consolidated companies resulting from the difference between their closing dates and the consolidated closing date, it makes adjustments required for consolidation. The closing dates of the other consolidated subsidiaries coincide with the consolidated closing date.

5.Accounting policies

(1) Valuation standards and methodology for material assets

1) Securities

Available-for-sale securities

Other than shares without market price

Stated at market value (any valuation difference being reported directly as a component of shareholders' equity and the cost of any securities sold being computed by the moving average method).

Shares, etc. without market price

Stated at cost using the moving-average method.

Held-to-maturity debt securities: Amortized cost method (straight-line method).

2) Derivatives

Stated at market value.

3) Money held in trust for investment purposes

Stated at market value.

4) Inventories

Finished goods

The Company and its domestic consolidated subsidiaries mainly adopt the cost method based on the gross average method (the consolidated balance sheet value is based on a method of reducing the book value due to a decline in profitability). Its overseas consolidated subsidiaries use the lower of cost or market method, with cost being determined principally by the first-in, first-out method.

Work in process

Expenses for product development on a contract basis and application development

Stated at cost determined by the specific identification method.

Work in process other than the above

Stated at cost determined by the gross average method.

Raw materials

The Company adopts the cost method based on the moving average method. Its domestic consolidated subsidiaries mainly use the cost method based on the gross average method.

(2) Depreciation and amortization methods for significant depreciable assets

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

The Company and its domestic consolidated subsidiaries use the declining-balance method. However, the straight-line method is applied to buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998, and facilities attached to buildings and structures acquired on or after April 1, 2016.

Its overseas consolidated subsidiaries mainly use the straight-line method.

The major useful lives are as follows.

Buildings and structures: 10 to 50 years.

2) Intangible assets (excluding leased assets and goodwill)

Software for internal use

The straight-line method is used based on the internally usable period (5 years).

Software for sale

The straight-line method is used based on the expected sales revenue (quantity) or the expected effective period (within 3 years).

Intangible assets other than the above

The straight-line method is used.

3) Leased assets

Leased assets related to finance lease transactions that do not transfer ownership

The straight-line method is used with the lease period as the useful life and the residual value as zero.

(3) Accounting standards for significant allowances and provisions

1) Allowance for doubtful accounts

In order to prepare for losses due to bad debts, the Company records an estimated uncollectible amount in consideration of collectibility.

2) Provision for bonuses

In order to prepare for the payment of employee bonuses, the estimated amount of payment is recorded.

3) Provision for bonuses for directors (and other officers)

In order to prepare for the payment of bonuses for directors (and other officers), estimated amount of payment in the current fiscal year is recorded.

(4) Accounting method for retirement benefits

For the calculation of retirement benefit liability and retirement benefit expenses, the Company's domestic consolidated subsidiaries apply a simplified method that uses a method in which the amount required for voluntary termination at the end of the fiscal year for retirement benefits is treated as retirement benefit obligations.

(5) Standards for translation of significant assets or liabilities denominated in foreign currencies into Japanese currency

All monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the spot exchange rates in effect at the closing date, and the resulting translation gains or losses are recognized in the consolidated statements of income. The assets, liabilities, revenues and expenses of the Company's overseas subsidiaries are translated into Japanese yen at the spot exchange rates in effect at the closing date of the overseas subsidiaries, and the resulting translation gains or losses are included in the foreign currency translation adjustments under net assets.

(6) Significant hedge accounting methods

1) Method of hedge accounting

Deferred hedge accounting method is applied.

2) Hedging instruments and hedged items

(Hedging instruments) Forward exchange contracts (Hedged items) Foreign currency-denominated forecasted transactions

3) Hedging policy

The Company enters into forward exchange contracts for the purpose of avoiding future exchange rate fluctuation risks associated with foreign currency transactions.

4) Method of evaluating the effectiveness of hedging

During the period from the inception of the hedge to the determination of its effectiveness, the Company compares the market fluctuations of the hedged item and the market fluctuations of the hedging instrument, and make judgement using a ratio analysis based on the amount of fluctuations of both. The assessment of hedging effectiveness is omitted if the significant conditions of the hedging instruments and the hedged items are the same and it can be assumed that market fluctuations can be completely offset.

(7) Standards for the recognition of significant revenues and expenses

The details of the main performance obligations in the main business relating to revenue from contracts with customers of the Company and its consolidated subsidiaries and the normal timing of fulfilling such performance obligations (normal timing of revenue recognition) are as follows.

1) Revenue recognition related to sale of goods

In the sale of goods, the Company manufactures and sells digital forensics equipment, entertainment-related equipment, M2M communication equipment, etc., and recognizes the services provided by the Group in these areas as performance obligations. In the sale of goods, revenue is recognized at the time of delivery because the control over the goods is transferred to the customer at the time of delivery.

2) Revenue recognition related to development

In the development sales in the entertainment business, services to provide software developed based on orders received from customers are recognized as performance obligations. Revenue from development sales is recognized at the time of acceptance by the customer because the control over the software is transferred to the customer at the time of acceptance by the customer.

3) Revenue recognition related to license sales

In license sales, the Company sells licenses for analytic software, etc. related to digital forensics equipment, and the Company recognizes the services provided by the Group in relation to these as performance obligations.

A software license provides customers with either the right to use the Group's software for an unlimited period of time or the right to use the Company's software for a limited period of time.

Revenue from license sales is recognized when the control over the software license is transferred to the customer and the term of the license agreement begins.

4) Revenue recognition related to maintenance services and software updates

The Company provides maintenance services for digital forensics equipment and M2M communication equipment and other equipment in use by customers. In addition, the Global Data Intelligence business provides software updates and technical support services, and the Company recognizes the services it provides in relation to these as performance obligations.

These maintenance services and software updates, etc. are transactions that satisfy performance obligations over a certain period of time because services are continuously provided to customers during the contract period, and revenue is recognized in accordance with the lapse of the period.

(8) Amortization method and amortization period of goodwill

Goodwill is amortized on a straight-line basis over a reasonable number of years within 20 years based on judgement on a case-by-case basis.

(9) Scope of cash and cash equivalents in the consolidated statements of cash flows

The scope includes cash on hand, deposits that can be withdrawn at any time, and short-term investments with maturities of three months or less from the date of acquisition that can be easily converted into cash and are subject to an insignificant risk of changes in value.

(Significant accounting estimates)

Previous fiscal year (From April 1, 2022 to March 31, 2023)

(Valuation of investment securities held by the Company to which the price adjustment clause applies)

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

As the price adjustment clause, investment securities classified as Level 3 are ¥4,304,673 thousand, and the market value is calculated using inputs that cannot be observed in the market, so there is uncertainty in estimates.

2 Information that contributes to an understanding of the content of significant accounting estimates pertaining to the identified items

1) Calculation method

Since there is no quoted market price for the price adjustment clause, the market value is calculated using valuation techniques such as Monte Carlo simulation according to the type of transaction and the period until maturity. Since it uses important unobservable inputs, it is classified as Level 3 market value.

2) Major assumptions

Major assumptions are the inputs used in the mark-to-market valuation model. They include inputs that are observable directly or indirectly in the market, such as interest rates and the market value of securities, as well as inputs that are not observable in the market, including material estimates such as volatility, time to maturity and expected dividend yield.

3) Impact on the consolidated financial statements for the following fiscal year

The market value of financial instruments may increase or decrease due to changes in inputs that are major assumptions, due to market changes, etc.

Current fiscal year (From April 1, 2023 to March 31, 2024)

(Valuation of investment securities held by the Company to which the price adjustment clause applies)

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

As the price adjustment clause, investment securities classified as Level 3 are ¥12,918,819 thousand, and the market value is calculated using inputs that cannot be observed in the market, so there is uncertainty in estimates.

2. Information that contributes to an understanding of the content of significant accounting estimates pertaining to the identified items

1) Calculation method

Since there is no quoted market price for the price adjustment clause, the market value is calculated using valuation techniques such as Monte Carlo simulation according to the type of transaction and the period until maturity. Since it uses important unobservable inputs, it is classified as Level 3 market value.

2) Major assumptions

Major assumptions are the inputs used in the mark-to-market valuation model. They include inputs that are observable directly or indirectly in the market, such as interest rates and the market value of securities, as well as inputs that are not observable in the market, including material estimates such as volatility, time to maturity and expected dividend yield.

3) Impact on the consolidated financial statements for the following fiscal year

The market value of financial instruments may increase or decrease due to changes in inputs that are major assumptions, due to market changes, etc.

(New accounting standards not yet applied)

- Accounting Standard for Current Income Taxes, etc. (ASBJ Statement No. 27, October 28, 2022)
- Accounting Standard for Presentation of Comprehensive income (ASBJ Statement No. 25, October 28, 2022)
- Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022)

(1) Overview

These accounting standards and guidance provide for the classification of income taxes when they are imposed on other comprehensive income and for the treatment of tax effects related to the sale of shares in subsidiaries when the corporate group tax system is applied.

(2) Scheduled date of application

Application is scheduled from the beginning of the fiscal year ending March 31, 2025.

(3) The impact of the application of the accounting standards, etc.

The effect of applying the Accounting Standard for Current Income Taxes and others to the consolidated financial statements is currently under evaluation.

(Changes in presentation)

(Consolidated balance sheet)

"Securities" in "Current assets," which was presented separately in the previous fiscal year, has been included in "Other" in the current fiscal year because the amount has become insignificant.

As a result, ¥45,043 thousand, which was presented as "Securities" under "Current assets" in the consolidated balance sheet for the previous fiscal year, has been reclassified as ¥639,898 thousand in "Other."

"Deferred tax assets" in "Investments and other assets," which was presented separately in the previous fiscal year, has been included in "Other" in the current fiscal year because the amount has become insignificant.

As a result, ¥196 thousand, which was presented as "Deferred tax assets" under "Investments and other assets" in the consolidated balance sheet for the previous fiscal year, has been reclassified as ¥426,543 thousand in "Other."

(Consolidated statement of income)

"Loss on retirement of non-current assets," which was presented separately in the previous fiscal year under "Extraordinary losses" is included in "Other" in the current fiscal year because the amount has become insignificant.

As a result, ¥287 thousand presented as "Loss on retirement of non-current assets" under "Extraordinary losses" in the consolidated statement of income for the previous fiscal year has been reclassified as ¥287 thousand in "Other."

(Consolidated statement of cash flows)

"Proceeds from sale of property, plant and equipment" in "Cash flows from investing activities," which was presented separately in the previous fiscal year, has been included in "Other, net" in the current fiscal year because the amount has become insignificant.

As a result, ¥2,361 thousand presented as "Proceeds from sales of property, plant and equipment" under "Cash flows from investing activities" and ¥28,008 thousand in "Other, net" in the consolidated statements of cash flows for the previous fiscal year, have been reclassified as ¥30,370 thousand in "Other, net."

“Proceeds from long-term borrowings” in “Cash flows from financing activities,” which was presented separately in the previous fiscal year, has been included in “Other, net” in the current fiscal year because the amount has become insignificant.

As a result, ¥20,000 thousand presented as "Proceeds from long-term borrowings" under "Cash flows from financing activities" and ¥14,312 thousand in "Other, net" in the consolidated statements of cash flows for the previous fiscal year, have been reclassified as ¥34,312 thousand in "Other, net."

(Additional Information)

(Debt instruments in Cellebrite)

Cellebrite, which is the Company’s associate accounted for using equity method, assessed certain restricted shares and warrant liabilities, both of which it inherited from TWC Tech Holding II Corp. (hereafter, “TWC Corp.”), at fair value and recognized them as liabilities based on the price adjustment clause in the merger agreement signed on August 30, 2021 when it was listed on the NASDAQ market in the United States of America.

The Company therefore reported share of loss (profit) of entities accounted for using equity method as a result of changes in fair value of the liabilities due to the fluctuation of Cellebrite’s share price, etc. as non-operating income/expenses.

(1) Price adjustment clause based on the merger agreement

As consideration adjustment after the closing of the transaction, if Cellebrite’s volume weighted average price (VWAP) exceeds USD 12.5, USD 15 and USD 17.5 for 20 days out of any 30 days within five years from the closing date, every time each condition is satisfied, respectively, Cellebrite will issue 5,000,000 shares (up to 15,000,000 shares) for the shareholders at the time of closing, including the Company, according to their holding ratios. Also, if change of control which is defined in the merger agreement takes place in the same period, 15,000,000 shares will be issued at the timing of occurrence of the event.

(2) Restricted shares

Cellebrite has inherited restricted shares for TWC Corp.’s sponsors. If Cellebrite’s volume weighted average price (VWAP) exceeds USD 12.5 and USD 15 for 20 days out of any 30 days within seven years from the closing date, rights on 3,000,000 shares will be vested, respectively. When it exceeds USD 30, rights on 1,500,000 shares will be vested. Also, if change of control which is defined in the merger agreement takes place in the same period, 7,500,000 shares will be issued at the timing of occurrence of the event.

(3) Warrant liabilities

Cellebrite has inherited the warrant liabilities (publicly offered warrant liability and privately offered warrant liability) issued by TWC Corp. in the merger agreement with the latter. Holders of the warrant liabilities have rights to purchase shares of Cellebrite at the price of USD 11.5 per share on and after September 29, 2021. The warrant liabilities will expire upon either of five years after the closing date, redemption by Cellebrite based on certain requirements, or Cellebrite's liquidation.

(Accounting treatment for income tax and local income tax or accounting treatment for tax effect accounting related thereto)

The Company and some of its domestic consolidated subsidiaries adopt the group tax sharing system from the current fiscal year. In addition, in accordance with the Practical Solution on the Accounting and Disclosure under the Group Tax Sharing System (ASBJ PITF No. 42, August 12, 2021), it carries out accounting treatment and disclosure of income taxes and local income taxes, or tax effect accounting related thereto.

(Notes to Consolidated Balance Sheet)

*1 Among notes and accounts receivable - trade, the amount of receivables arising from contracts with customers is as follows.

	Previous fiscal year (As of March 31, 2023)	Current fiscal year (As of March 31, 2024)
Notes receivable - trade	46,773 thousand yen	40,521 thousand yen
Accounts receivable - trade	2,503,278 thousand yen	1,772,375 thousand yen

*2 Investments in non-consolidated subsidiaries and associates are as follows.

	Previous fiscal year (As of March 31, 2023)	Current fiscal year (As of March 31, 2024)
Shares of subsidiaries and associates	3,468,520 thousand yen	1,000 thousand yen

*3 In accordance with the Act on Revaluation of Land (Act No. 34 promulgated on March 31, 1998) and the Act for Partial Revision of the Act on Revaluation of Land (Act No. 19 promulgated on March 31, 2001), land for business use was revalued. Regarding the revaluation difference, the amount equivalent to deferred tax assets pertaining to the revaluation loss was not deducted, and the amount equivalent to deferred tax liabilities pertaining to the revaluation gain was deducted and recorded as revaluation reserve for land in the net assets section.

Method of revaluation: Calculated by making a reasonable adjustment to the value calculated by the method announced for the calculation of land value tax prescribed in Article 16 of the Land Value Tax Act as prescribed in Article 2, Item 4 of the Order for Enforcement of the Act on Revaluation of Land (Cabinet Order No. 119 promulgated on March 31, 1998).

Date of revaluation: March 31, 2001

	Previous fiscal year (As of March 31, 2023)	Current fiscal year (As of March 31, 2024)
The difference between the market value at the end of the period of the revalued land for business use and the book value after the revaluation;	(119,813) thousand yen	(119,813) thousand yen

*4 For the accounting treatment of notes maturing on the last day of a fiscal year, the last day of the current fiscal year fell on a holiday for financial institutions. The Company, however, treated them as having been settled on the maturity date. The amounts of matured notes on the last day of the current fiscal year are as follows:

	Previous fiscal year (As of March 31, 2023)	Current fiscal year (As of March 31, 2024)
Notes receivable - trade	— thousand yen	358 thousand yen
Notes payable - trade	— thousand yen	90,432 thousand yen

*5 Accumulated depreciation of property, plant and equipment is as follows.

	Previous fiscal year (As of March 31, 2023)	Current fiscal year (As of March 31, 2024)
Accumulated depreciation of property, plant and equipment	2,859,355 thousand yen	3,927,337 thousand yen

*6 The Company and its consolidated subsidiaries have entered into overdraft agreements with 11 banks with which they do business in order to efficiently procure working capital.

The balance of unexecuted borrowings based on these agreements at the end of the fiscal year is as follows.

	Previous fiscal year (As of March 31, 2023)	Current fiscal year (As of March 31, 2024)
Total amount of overdraft agreements	7,300,000 thousand yen	7,800,000 thousand yen
Outstanding borrowings	60,000 thousand yen	1,060,000 thousand yen
Net amount	7,240,000 thousand yen	6,740,000 thousand yen

(Notes to Consolidated Statement of Income)

*1 Revenue from contracts with customers

Revenue from contracts with customers and other revenue are not shown separately under net sales. The amount of revenue from contracts with customers is stated in Notes (Revenue recognition) 1. Information on the breakdown of revenue from contracts with customers of the consolidated financial statements.

*2 Major items and amounts of selling, general and administrative expenses are as follows.

	Previous fiscal year (From April 1, 2022 to March 31, 2023)	Current fiscal year (From April 1, 2023 to March 31, 2024)
Salaries, allowances and bonuses	8,123,301 thousand yen	597,019 thousand yen
Provision for bonuses	54,007 thousand yen	46,405 thousand yen
Provision for directors' bonuses (and other officers)	— thousand yen	1,000 thousand yen
Retirement benefit expenses	552,186 thousand yen	18,166 thousand yen
Allowance for doubtful accounts	115,808 thousand yen	3,193 thousand yen
Research and development expenses	9,780,683 thousand yen	1,019,111 thousand yen
Amortization of goodwill	416,259 thousand yen	52,376 thousand yen

*3 Total research and development expenses included in general and administrative expenses

	Previous fiscal year (From April 1, 2022 to March 31, 2023)	Current fiscal year (From April 1, 2023 to March 31, 2024)
Research and development expenses included in general and administrative expenses	9,780,683 thousand yen	1,019,111 thousand yen

*4 Details of gain on sale of non-current assets are as follows:

	Previous fiscal year (From April 1, 2022 to March 31, 2023)	Current fiscal year (From April 1, 2023 to March 31, 2024)
Other (property, plant and equipment)	2,361 thousand yen	0 thousand yen
Total	2,361 thousand yen	0 thousand yen

*5 Details of loss on sale of non-current assets are as follows:

	Previous fiscal year (From April 1, 2022 to March 31, 2023)	Current fiscal year (From April 1, 2023 to March 31, 2024)
Other (property, plant and equipment)	4,033 thousand yen	229 thousand yen
Total	4,033 thousand yen	229 thousand yen

*6 Impairment losses

Previous fiscal year (From April 1, 2022 to March 31, 2023)

In the current fiscal year, the Group recorded impairment losses on the following asset group.

Location	Usage	Type
Nagoya Headquarters (Nakamura-ku, Aichi Prefecture)	Office	Buildings and structures, other

In recognizing impairment losses, the Group uses reportable segments as the basis for grouping.

Due to the decision to relocate the headquarters in the current fiscal year, the buildings and structures of the headquarters are no longer expected to be used in the future. Therefore, the book value has been reduced to the recoverable value, and the amount of the reduction has been recorded as an extraordinary loss. The breakdown is ¥38,477 thousand for buildings and structures, ¥208 thousand for other (property, plant and equipment), and ¥31,545 thousand for restoration costs. The recoverable amount is measured by the net selling price and is assessed as zero.

Current fiscal year (From April 1, 2023 to March 31, 2024)

Not applicable.

(Notes to Consolidated Statement of Comprehensive Income)

* Reclassification adjustment and tax effect on other comprehensive income

	Previous fiscal year (From April 1, 2022 to March 31, 2023)		Current fiscal year (From April 1, 2023 to March 31, 2024)	
Valuation difference on available-for-sale securities				
Amount arising during the year	1,637,711	thousand yen	8,962,961	thousand yen
Reclassification adjustment	2,518,252	thousand yen	(376)	thousand yen
Before tax effect adjustments	4,155,963	thousand yen	8,962,584	thousand yen
Amount of tax effect	(1,306,543)	thousand yen	(2,691,109)	thousand yen
Valuation difference on available-for-sale securities	2,849,420	thousand yen	6,271,474	thousand yen
Deferred gains or losses on hedges				
Amount arising during the year	(333,961)	thousand yen	—	thousand yen
Before tax effect adjustments	(333,961)	thousand yen	—	thousand yen
Amount of tax effect	40,075	thousand yen	—	thousand yen
Deferred gains or losses on hedges	(293,886)	thousand yen	—	thousand yen
Foreign currency translation adjustment				
Amount arising during the year	(2,918,080)	thousand yen	8,197	thousand yen
Reclassification adjustment	400,395	thousand yen	—	thousand yen
Foreign currency translation adjustment	(2,517,685)	thousand yen	8,197	thousand yen
Share of other comprehensive income of entities accounted for using equity method				
Amount arising during the year	(27,860)	thousand yen	1,029,900	thousand yen
Total other comprehensive income	9,988	thousand yen	7,309,572	thousand yen

(Notes to Consolidated Statement of Changes in Equity)

Previous fiscal year (From April 1, 2022 to March 31, 2023)

1. Matters concerning issued shares

Class of shares	Beginning of the current fiscal year	Increase	Decrease	End of the current fiscal year
Common shares (Shares)	23,992,328	6,500	-	23,998,828

(Outline of the causes of changes)

The increase of 6,500 shares in issued shares was due to the exercise of stock options.

2. Matters concerning treasury shares

Class of shares	Beginning of the current fiscal year	Increase	Decrease	End of the current fiscal year
Common shares (Shares)	51,262	1,315,125	-	1,366,387

(Outline of the causes of changes)

The increase of 1,315,125 shares in treasury shares is due to the purchase of 25 shares less than one unit and the acquisition of 1,315,100 shares in accordance with the resolution of the Board of Directors.

3. Matters concerning share acquisition rights

Classification	Breakdown	Type of shares to be issued	Number of shares to be issued (Shares)				Balance at the end of the current fiscal year (Thousands of yen)
			Beginning of the current fiscal year	Increase	Decrease	End of the current fiscal year	
The filing company	The 5th series of share acquisition rights as stock options	-	-	-	-	-	20,351
	The 6th series of share acquisition rights as stock options	-	-	-	-	-	9,480
	The 9th series of share acquisition rights as stock options	-	-	-	-	-	48,910
Total			-	-	-	-	78,741

4. Matters concerning dividends

(1) Dividends paid

Resolution	Class of shares	Total amount of dividends (Thousands of yen)	Dividend per share (Yen)	Record date	Effective date
June 23, 2022 Ordinary General Meeting of Shareholders	Common shares	478,821	20	March 31, 2022	June 24, 2022

(2) Dividends whose record date is in the current fiscal year and whose effective date is in the following fiscal year

Resolution	Class of shares	Sources of dividend	Total amount of dividends (Thousands of yen)	Dividend per share (Yen)	Record date	Effective date
June 22, 2023 Ordinary General Meeting of Shareholders	Common shares	Retained earnings	452,648	20	March 31, 2023	June 23, 2023

Current fiscal year (From April 1, 2023 to March 31, 2024)

1. Matters concerning issued shares

Class of shares	Beginning of the current fiscal year	Increase	Decrease	End of the current fiscal year
Common shares (Shares)	23,998,828	8,900	-	24,007,728

(Outline of the causes of changes)

The increase of 8,900 shares of issued shares was due to the exercise of stock options.

2. Matters concerning treasury shares

Class of shares	Beginning of the current fiscal year	Increase	Decrease	End of the current fiscal year
Common shares (Shares)	1,366,387	434,946	32,056	1,769,277

(Outline of the causes of changes)

The increase of 434,946 shares of treasury shares is due to the purchase of 46 shares less than one unit and the acquisition of 434,900 shares of treasury shares based on the resolution of the Board of Directors. The decrease of 32,056 shares in treasury shares resulted from the exercise of stock options (24,950 shares) and the disposal of treasury shares as restricted stock unit (RSU) (7,106 shares).

3. Matters concerning share acquisition rights

Classification	Breakdown	Type of shares to be issued	Number of shares to be issued (Shares)				Balance at the end of the current fiscal year (Thousands of yen)
			Beginning of the current fiscal year	Increase	Decrease	End of the current fiscal year	
The filing company	The 5th series of share acquisition rights as stock options	-	-	-	-	-	5,239
	The 6th series of share acquisition rights as stock options	-	-	-	-	-	9,480
	The 9th series of share acquisition rights as stock options	-	-	-	-	-	63,345
Total			-	-	-	-	78,064

4. Matters concerning dividends

(1) Dividends paid

Resolution	Class of shares	Total amount of dividends (Thousands of yen)	Dividend per share (Yen)	Record date	Effective date
June 22, 2023 Ordinary General Meeting of Shareholders	Common shares	452,648	20	March 31, 2023	June 23, 2023

(2) Dividends whose record date is in the current fiscal year and whose effective date is in the following fiscal year

Resolution	Class of shares	Sources of dividend	Total amount of dividends (Thousands of yen)	Dividend per share (Yen)	Record date	Effective date
June 25, 2024 Ordinary General Meeting of Shareholders	Common shares	Retained earnings	889,538	40	March 31, 2024	June 26, 2024

(Notes to Consolidated Statement of Cash Flows)

*1 Relationship between the balance of cash and cash equivalents at the end of the period and the amounts in the items presented on the consolidated balance sheet

	Previous fiscal year (From April 1, 2022 to March 31, 2023)		Current fiscal year (From April 1, 2023 to March 31, 2024)	
Cash and deposits	3,138,716	thousand yen	1,732,014	thousand yen
Deposits ("Other" under current assets)	—	thousand yen	22,194	thousand yen
Time deposits with maturities of more than three months	(204,621)	thousand yen	(234,318)	thousand yen
Cash and cash equivalents	2,934,094	thousand yen	1,519,890	thousand yen

*2 Description of assets and liabilities of companies that became consolidated subsidiaries through acquisition of shares

Previous fiscal year (From April 1, 2022 to March 31, 2023)

Breakdown of major assets and liabilities at the time of the acquisition of EKTech Holdings Sdn. Bhd. and the relationship with the expenditure for the acquisition of shares are as follows.

Current assets	409,205 thousand yen
Non-current assets	96,080 thousand yen
Goodwill	540,196 thousand yen
Current liabilities	(140,211) thousand yen
Non-current liabilities	(61,254) thousand yen
Acquisition cost of shares	844,015 thousand yen
Cash and cash equivalents	(93,139) thousand yen
Net payments for acquisitions	750,876 thousand yen

Current fiscal year (From April 1, 2023 to March 31, 2024)

Not applicable.

*3 Description of assets and liabilities of companies that are no longer consolidated subsidiaries due to the sale of shares

Previous fiscal year (From April 1, 2022 to March 31, 2023)

Breakdown of major assets and liabilities at the time of the sale of shares in Bacsoft, Ltd. and the relationship with proceeds from the sale of shares are as follows.

Current assets	57,372 thousand yen
Non-current assets	2,180 thousand yen
Current liabilities	(88,132) thousand yen
Increase in retained earnings due to exclusion from consolidation	290,704 thousand yen
Foreign currency translation adjustment	(132,073) thousand yen
Other	63,523 thousand yen
Loss on sale of shares	(85,491) thousand yen
Proceeds from sale of shares	108,081 thousand yen
Unearned portion of the proceeds	(18,053) thousand yen
Foreign exchange losses	(12,457) thousand yen
Cash and cash equivalents	(7,553) thousand yen
Net proceeds from sales	70,016 thousand yen

Current fiscal year (From April 1, 2023 to March 31, 2024)

Not applicable.

*4 Breakdown of major assets and liabilities of companies that are no longer consolidated subsidiaries due to a decrease in the equity ratio

Previous fiscal year (From April 1, 2022 to March 31, 2023)

Cellebrite DI Ltd., which had been a consolidated subsidiary of the Company, was excluded from the scope of consolidation from the current fiscal year because the Company's shareholding ratio decreased due to the exercise of stock options by employees of the company. The breakdown of the decrease in major assets and liabilities due to the exclusion from the scope of consolidation is as follows.

Current assets	38,084,663 thousand yen
Non-current assets	12,196,679 thousand yen
Total assets	50,281,342 thousand yen
Current liabilities	32,694,946 thousand yen
Non-current liabilities	9,690,370 thousand yen
Total liabilities	42,385,317 thousand yen

The decrease in cash and cash equivalents due to the exclusion from the scope of consolidation is included in "Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation."

Current fiscal year (From April 1, 2023 to March 31, 2024)

Not applicable.

(Notes to Lease transactions)

Not applicable.

(Notes to Financial Instruments)

1. Matters concerning the status of financial instruments

(1) Policy for financial instruments

The Group's fund management is limited to short-term deposits, etc., and temporary surplus funds are managed with highly safe financial assets. Short-term working capital is provided by bank loans. The Company uses derivatives to avoid exchange rate fluctuation risks associated with operating liabilities denominated in foreign currencies and does not engage in speculative transactions.

(2) Details of financial instruments and their risks, and risk management system

Notes and accounts receivable - trade, which are trade receivables, are exposed to the credit risk of customers, etc. In order to mitigate these risks, the Company manages due dates and balances for each customer in accordance with the credit management regulations. As of the end of the current fiscal year, 60.8% of trade receivables were from specific major customers. Notes and accounts receivable - trade, which are trade receivables, are due within one year.

Notes and accounts payable- trade, which are trade payables, are due within one year.

As for securities, the Company strives to reduce credit risk by mainly dealing with public and corporate bonds with high ratings in accordance with the fund management regulations,

Borrowings are mainly used to finance operating transactions.

Although operating liabilities and borrowings are exposed to liquidity risk, they are managed by methods such as the timely preparation of funding plans by the Group companies.

The execution and management of derivative transactions are carried out by the Accounting Department with the approval of the person in charge of final decision-making in accordance with internal rules that specify transaction authority and transaction limit amounts.

2. Matters concerning market values, etc. of financial instruments

The amount recorded on the consolidated balance sheet, the market value and the difference between them are as follows.

Previous fiscal year (As of March 31, 2023)

(Thousands of yen)

	Amount recorded on the consolidated balance sheet	Market value	Difference
Securities	45,043	45,043	-
Investment securities (*2)	11,492,274	11,492,274	-
Shares of subsidiaries and associates	3,468,520	77,739,844	74,271,324
Total assets	15,005,838	89,277,162	74,271,324
Long-term borrowings (including the current portion of long-term borrowings)	292,889	284,848	(8,040)
Total liabilities	292,889	284,848	(8,040)

(*1) Notes on cash are omitted, and notes on deposits, money held in trust, notes and accounts receivable - trade, accounts receivable - other, notes and accounts payable - trade, accounts payable, income taxes payable, and short-term borrowings are omitted because their market values approximate their book values as they are settled in a short period of time.

(*2) Shares, etc. without market price are not included in Investment securities. The amounts of these financial instruments recorded in the consolidated balance sheets are as follows.

Classification	Current fiscal year (Thousands of yen)
Unlisted shares	154,200

Current fiscal year (As of March 31, 2024)

(Thousands of yen)

	Amount recorded on the consolidated balance sheet	Market value	Difference
Investment securities (*2)	20,510,485	20,510,485	-
Shares of subsidiaries and associates (*2)	0	160,376,911	160,376,911
Total assets	20,510,485	180,887,396	160,376,911
Long-term borrowings (including the current portion of long-term borrowings)	294,811	274,594	(20,217)
Total liabilities	294,811	274,594	(20,217)

(*1) Notes on cash are omitted, and notes on deposits, money held in trust, notes and accounts receivable - trade, accounts receivable - other, notes and accounts payable - trade, accounts payable, income taxes payable, and short-term borrowings are omitted because their market values approximate their book values as they are settled in a short period of time.

(*2) Shares, etc. without market price are not included in Investment securities and shares of subsidiaries and associates. The amounts of these financial instruments recorded in the consolidated balance sheets are as follows.

Classification	Current fiscal year (Thousands of yen)
Unlisted shares	154,200

(Note) 1. Redemption schedule for monetary claims and securities with maturity dates after the consolidated closing date

Previous fiscal year (As of March 31, 2023)

(Thousands of yen)

	Up to 1 year	Over 1 year up to 5 years	Over 5 years up to 10 years	Over 10 years
Cash and deposits	3,138,716	-	-	-
Money held in trust	10,900,000	-	-	-
Notes and accounts receivable - trade	2,550,051	-	-	-
Accounts receivable	3,892,155	-	-	-
Total	20,480,922	-	-	-

Current fiscal year (As of March 31, 2024)

(Thousands of yen)

	Up to 1 year	Over 1 year up to 5 years	Over 5 years up to 10 years	Over 10 years
Cash and deposits	1,732,014	-	-	-
Money held in trust	14,200,000	-	-	-
Notes and accounts receivable - trade	1,812,896	-	-	-
Accounts receivable	86,655	-	-	-
Total	17,831,566	-	-	-

2. Repayment schedule for long-term borrowings and other interest-bearing liabilities after the consolidated closing date

Previous fiscal year (As of March 31, 2023)

(Thousands of yen)

	Up to 1 year	Over 1 year up to 2 years	Over 2 years up to 3 years	Over 3 years up to 4 years	Over 4 years up to 5 years	Over 5years
Short-term borrowings	161,395	-	-	-	-	-
Long-term borrowings	43,778	32,711	36,504	36,504	36,504	106,888

Current fiscal year (As of March 31, 2024)

(Thousands of yen)

	Up to 1 year	Over 1 year up to 2 years	Over 2 years up to 3 years	Over 3 years up to 4 years	Over 4 years up to 5 years	Over 5years
Short-term borrowings	1,095,392	-	-	-	-	-
Long-term borrowings	37,445	43,962	45,255	45,255	45,255	77,636

3. Matters concerning the breakdown by level of market values of financial instruments

The market value of financial instruments is classified into the following three levels according to the observability and importance of the inputs used to calculate the market value.

Level 1 market value: Of the observable inputs to the fair value measurement, the market value calculated using quoted prices for the assets or liabilities subject to the fair value measurement that are formed in active markets.

Level 2 market value: Of the observable inputs related to market value, market value calculated using inputs related to the calculation of market value other than inputs related to Level 1.

Level 3 market value: Market value calculated using inputs related to unobservable market value.

If more than one input that has a significant impact on the calculation of market value is used, the market value is classified into the lowest priority level in the calculation of market value among the levels to which those inputs belong.

(1) Financial instruments recorded on the consolidated balance sheet at market value

Previous fiscal year (As of March 31, 2023)

(Thousands of yen)

Classification	Market value			
	Level 1	Level 2	Level 3	Total
Securities				
Available-for-sale securities				
Other	-	45,043	-	45,043
Investment securities				
Available-for-sale securities				
Shares	460,033	-	-	460,033
Investment trusts	-	6,727,568	-	6,727,568
Other	-	-	4,304,673	4,304,673
Total assets	460,033	6,772,612	4,304,673	11,537,318

Current fiscal year (As of March 31, 2024)

(Thousands of yen)

Classification	Market value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Shares	420,138	-	-	420,138
Investment trusts	-	7,171,527	-	7,171,527
Other	-	-	12,918,819	12,918,819
Total assets	420,138	7,171,527	12,918,819	20,510,485

(2) Financial instruments other than those recorded on the consolidated balance sheet at market value

Previous fiscal year (As of March 31, 2023)

(Thousands of yen)

Classification	Market value			
	Level 1	Level 2	Level 3	Total
Shares of subsidiaries and associates	77,739,844	-	-	77,739,844
Total assets	77,739,844	-	-	77,739,844
Long-term borrowings (including the current portion of long-term borrowings)	-	284,848	-	284,848
Total liabilities	-	284,848	-	284,848

Current fiscal year (As of March 31, 2024)

(Thousands of yen)

Classification	Market value			
	Level 1	Level 2	Level 3	Total
Shares of subsidiaries and associates	160,376,911	-	-	160,376,911
Total assets	160,376,911	-	-	160,376,911
Long-term borrowings (including the current portion of long-term borrowings)	-	274,594	-	274,594
Total liabilities	-	274,594	-	274,594

(Note) 1 Explanation of valuation techniques used in the calculation of market value and inputs to the calculation of market value

Assets

Securities

Among securities, held-to-maturity debt securities and other under available-for-sale securities are calculated based on the prices presented by the financial institutions with which the Company does business, and are classified as Level 2 market value.

Investment securities

Among investment securities, the market value of shares is based on the price at the exchange, and since they are traded in active markets, their market value is classified as Level 1 market value. Although the market value of investment trusts is assessed using the net asset value, the frequency of transactions in the market is low, and the market value is not recognized as a quoted price in an active market. Therefore, the market value is classified as Level 2 market value. Since there is no quoted price for the rights granted under the price adjustment clause, the market value is calculated using valuation techniques such as Monte Carlo simulation according to the type of transaction and the period until maturity and is classified as Level 3 market value.

Liabilities

Long-term borrowings

The market value of long-term borrowings is calculated based on the present value of the total amount of principal and interest discounted at an interest rate obtained by adding a credit spread to an appropriate index such as the yield of government bonds, and the market value is classified as Level 2 market value.

Debt instruments

Among the warrant liabilities, publicly offered warrant liabilities for which an unadjusted quoted price in an active market can be used are classified as Level 1 market value. Since there are no quoted prices for restricted shares, the price adjustment clause, and privately placed warrant liabilities among warrant liabilities, the market value is calculated using valuation techniques such as Monte Carlo simulation according to the type of transaction and the period until maturity. Since it uses important unobservable inputs, it is classified as Level 3 market value.

Derivative transactions

Forward exchange contracts are classified as Level 2 market value, which is calculated based on the price presented by the financial institutions with which the Company does business.

2 Information on level 3 market value of financial assets and financial liabilities recorded on the consolidated balance sheet at market value

(1) Quantitative information on significant unobservable inputs

Previous fiscal year (As of March 31, 2023)

Classification	Valuation technique	Significant unobservable input	Range of input
Investment securities			
Price adjustment clause	Monte Carlo simulation	Share price volatility	51.2%
		Expected dividend yield	0.0%
		Expected remaining period	3.42 years

Current fiscal year (As of March 31, 2024)

Classification	Valuation technique	Significant unobservable input	Range of input
Investment securities			
Price adjustment clause	Monte Carlo simulation	Share price volatility	47.5%
		Expected dividend yield	0.0%
		Expected remaining period	2.41 years

(2) Reconciliation of beginning balance to ending balance, valuation gain or loss recognized in profit or loss for the current period

Previous fiscal year (From April 1, 2022 to March 31, 2023)

(Thousands of yen)

	Balance at beginning of period	Profit or loss or other comprehensive income for the current fiscal year		Acquisition and settlement		Excluded from consolidation	Balance at end of period	Loss (gain) on valuation of the financial liabilities held as of the consolidated balance sheet date out of the amount recorded in the profit or loss for the current fiscal year
		Recorded in profit or loss (*1)	Recorded in other comprehensive income (*2)	Acquisition	Settlement			
Investment securities Available-for- sale securities	-	-	4,304,673	-	-	0	4,304,673	-
Total assets	-	-	4,304,673	-	-	0	4,304,673	-
Liability financial instruments	10,340,059	5,950,910	-	-	-	4,389,149	-	-
Total liabilities	10,340,059	5,950,910	-	-	-	4,389,149	-	-

(*1) Included in gain on valuation of derivatives on the consolidated statement of income.

(*2) Included in valuation difference on available-for-sale securities under other comprehensive income on the consolidated statement of comprehensive income.

Current fiscal year (From April 1, 2023 to March 31, 2024)

(Thousands of yen)

	Balance at beginning of period	Profit or loss or other comprehensive income for the current fiscal year		Acquisition and settlement		Balance at end of period	Loss (gain) on valuation of the financial liabilities held as of the consolidated balance sheet date out of the amount recorded in the profit or loss for the current fiscal year
		Recorded in profit or loss	Recorded in other comprehensive income (*1)	Acquisition	Settlement		
Investment securities Available-for-sale securities	4,304,673	-	8,614,146	-	-	12,918,819	-
Total assets	4,304,673	-	8,614,146	-	-	12,918,819	-

(*1) Included in valuation difference on available-for-sale securities under other comprehensive income on the consolidated statement of comprehensive income.

3. Explanation of the mark-to-market valuation process

The fair value of Level 3 financial instruments is measured in accordance with the Group's policies and procedures for calculating market value and procedures for using the mark-to-market valuation model. The fair value is measured using valuation techniques and inputs that most appropriately reflect the nature, characteristics and risks of the financial instruments subject to valuation.

4. Explanation on the impact of changes in significant unobservable inputs on market value

Important unobservable inputs to the fair value measurement of financial instruments classified as Level 3 that are measured at fair value on a recurring basis are share price volatility, expected dividend yield and expected remaining period. As for the share price volatility and the expected remaining period, the fair value increases when they increase. On the other hand, the fair value decreases when the projected dividend yield increases.

(Notes to Securities)

1. Held-to-maturity securities

Not applicable.

2. Available for sale securities

(Thousands of yen)

Classification	Class	Amount recorded on the consolidated balance sheet (Thousands of yen)	Acquisition cost	Difference
Securities whose amount recorded on the consolidated balance sheet exceeds their acquisition cost	(1) Shares	455,568	195,569	259,998
	(2) Investment trusts	2,992,626	2,974,864	17,762
	(3) Other	4,304,673	-	4,304,673
	Subtotal	7,752,867	3,170,433	4,582,434
Securities whose amount recorded on the consolidated balance sheet does not exceed their acquisition cost	(1) Shares	4,465	5,437	(972)
	(2) Investment trusts	3,734,942	4,000,000	(265,057)
	Subtotal	3,739,407	4,005,437	(266,030)
Total		11,492,274	7,175,871	4,316,403

(Note) Acquisition cost in the table represents book value after impairment.

Unlisted shares (whose consolidated balance sheet value is ¥154,200 thousand) are not included in available-for-sale securities in the above table because they fall under the category of shares with no market price.

Current fiscal year (As of March 31, 2024)

(Thousands of yen)

Classification	Class	Amount recorded on the consolidated balance sheet (Thousands of yen)	Acquisition cost	Difference
Securities whose amount recorded on the consolidated balance sheet exceeds their acquisition cost	(1) Shares	420,138	201,007	219,130
	(2) Investment trusts	6,222,373	6,030,490	191,883
	(3) Other	12,918,819	-	12,918,819
	Subtotal	19,561,331	6,231,497	13,329,834
Securities whose amount recorded on the consolidated balance sheet does not exceed their acquisition cost	(1) Investment trusts	949,153	1,000,000	(50,846)
	Subtotal	949,153	1,000,000	(50,846)
Total		20,510,485	7,231,497	13,278,988

(Note) Acquisition cost in the table represents book value after impairment.

Unlisted shares (whose consolidated balance sheet value is ¥153,200 thousand) are not included in available-for-sale securities in the above table because they fall under the category of shares with no market price.

(Notes to Derivative Transactions)

1 Derivative transactions to which hedge accounting is not applied

Not applicable.

2. Derivative transactions to which hedge accounting is applied

Currency-related

Previous fiscal year (As of March 31, 2023)

Information is omitted due to a lack of materiality.

Current fiscal year (As of March 31, 2024)

Not applicable.

(Notes to Retirement Benefits)

1. Outline of the retirement benefit plan adopted

The Company and its consolidated subsidiaries have adopted a defined contribution pension plan as a defined contribution plan. In addition, some consolidated subsidiaries have established an in-house lump-sum retirement allowance plan as a defined benefit plan based on the Retirement Allowance Regulations. Certain consolidated subsidiaries also use the Smaller Enterprise Retirement Allowance Mutual Aid System.

For the defined benefit corporate pension plan and the lump-sum retirement benefit plan held by consolidated subsidiaries, the retirement benefit liability and retirement benefit expenses are calculated using the simplified method.

2. Defined benefit plans

(1) Reconciliations of beginning and ending balances of retirement benefit liability under the plan to which the simplified method is applied

(Thousands of yen)

	Previous fiscal year (From April 1, 2022 to March 31, 2023)	Current fiscal year (From April 1, 2023 to March 31, 2024)
Beginning balance of retirement benefit liability	51,061	10,428
Retirement benefit expenses	3,906	2,258
Retirement benefits paid	(16,469)	(825)
Contributions to the plan	(1,048)	(1,120)
Decrease due to exclusion from consolidation	(27,022)	-
Ending balance of retirement benefit liability	10,428	10,741

(2) Reconciliation between the year-end balance of retirement benefit obligations and the retirement benefit liability recorded on the consolidated balance sheet

(Thousands of yen)

	Previous fiscal year (From April 1, 2022 to March 31, 2023)	Current fiscal year (From April 1, 2023 to March 31, 2024)
Retirement benefit obligations	18,450	19,562
Estimated amount of benefits under the Smaller Enterprise Retirement Allowance Mutual Aid System	(8,021)	(8,820)
Net liabilities and assets recorded on the consolidated balance sheets	10,428	10,741
Retirement benefit liability	10,428	10,741
Net liabilities and assets recorded on the consolidated balance sheets	10,428	10,741

(3) Retirement benefit expenses

Retirement benefit expenses calculated using the simplified method: Previous fiscal year: ¥3,906 thousand; Current fiscal year: ¥2,258 thousand

3. Defined contribution plan

The required contribution amount to the defined contribution plan of the Company and its consolidated subsidiaries is ¥1,278,768 thousand for the previous fiscal year and ¥51,791 thousand for the current fiscal year.

(Notes to Stock Options, etc.)

1. Amount recorded as expenses pertaining to stock options and account title

	Previous fiscal year (From April 1, 2022 to March 31, 2023)	Current fiscal year (From April 1, 2023 to March 31, 2024
Cost of sales	136,178 thousand yen	1,429 thousand yen
Selling, general and administrative expenses	1,359,899 thousand yen	14,015 thousand yen

2. Amount recorded as profit due to expiration caused by non-exercise of rights

	Previous fiscal year (From April 1, 2022 to March 31, 2023)	Current fiscal year (From April 1, 2023 to March 31, 2024
Gain on reversal of share acquisition rights	198 thousand yen	1,417 thousand yen

3. Details and size of stock options and changes in them

(1) Details of stock options

a. The filing company

	5th share acquisition rights	6th share acquisition rights	9th share acquisition rights
Category and number of grantees (Persons)	Employees 99 Subsidiaries' directors 4	Subsidiaries' employees 6	Directors 9 Employees 192
Number of stock options by class of shares (Note)	Common share: 293,500 shares	Common share: 45,000 shares	Common share: 49,730 shares
Date of grant	August 29, 2014	February 5, 2015	September 24, 2021
Vesting condition	Grantees must be the Company's or its subsidiaries' directors, Audit and Supervisory Committee Members, or employees at the time of exercising the rights. This shall not apply, however, if they have retired due to expiration of the term of office, mandatory retirement age, or other justifiable reasons.	Same as on the left	Same as on the left
Applicable service period	Not applicable.	Same as on the left	Same as on the left
Exercise period	From August 30, 2016 to June 24, 2024	From June 25, 2017 to June 24, 2024	From September 25, 2023 to June 23, 2031

(Note) Figures are converted to the number of shares.

(2) Size of stock options and changes in them

Stock options that existed in the current fiscal year (ended March 31, 2024) are applicable. The number of stock options is converted to the number of shares.

1) Number of stock options

a. The filing company

	5th share acquisition rights	6th share acquisition rights	9th share acquisition rights
Before vesting (Shares)			
End of previous fiscal year	-	-	47,120
Grant	-	-	-
Lapse	-	-	620
Vesting	-	-	46,500
Unvested balance	-	-	-
After vesting (Shares)			
End of previous fiscal year	47,000	15,000	-
Vesting	-	-	46,500
Exercise	33,800	-	50
Lapse	1,100	-	680
Unexercised balance	12,100	15,000	45,770

2) Unit price information

a. The filing company

	5th share acquisition rights	6th share acquisition rights	9th share acquisition rights
Exercise price (Yen)	1,347	1,950	3,249
Average share price at the time of exercise (Yen)	2,774.41	-	2,214.38
Fair unit value on the grant date (Yen)	433	632	1,384

4. Method of estimating the fair unit value of stock options granted in the current fiscal year

Not applicable.

5. Method of estimating the number of vested stock options

Since it is difficult to reasonably estimate the number of lapses in the future, the Company has adopted a method that reflects only the actual number of lapses.

6. Of the transactions to deliver shares without consideration as remuneration, etc. for directors, details and the size of post-delivery type share remuneration and the status of its fluctuations

(1) Details of the post-delivery type remuneration

	2022 post-delivery type [Restricted Stock Unit (RSU)]	2022 post-delivery type [Performance Share Unit (PSU)]
Category and number of grantees (Persons)	The Company's directors (excluding Audit and Supervisory Committee Members): 6	The Company's directors (excluding Audit and Supervisory Committee Members): 6
Number of granted shares by class of shares	Common share: 17,300 shares	Common share: 48,900 shares
Date of grant	June 23, 2022	June 23, 2022
Vesting condition	For all directors, to continuously hold the status of the Company's directors or a certain status as determined by resolution of the Company's Board of Directors from the grant date to the expiration date of the vesting period, etc.	For directors engaged in business execution among the eligible directors, to achieve performance targets defined in the Medium-Term Management Plan, on condition that they are continuously the Company's directors or have a certain status determined by resolution of the Company's Board of Directors from the date of grant of the rights until the expiration date of the period (three consecutive fiscal years) covered by the Medium-Term Management Plan to which the date of grant of the rights belongs.
Applicable service period	June 23, 2022-June 22, 2025	June 23, 2022-June 22, 2025

(2) Size of the post-delivery type and its fluctuation status

The following tables are for the post-delivery share-based renumeration for which the number of unvested shares existed in the current fiscal year (ended March 31, 2024) or the number of unissued shares after vesting existed at the end of the current fiscal year (ended March 31, 2024).

1) Amount recorded as expenses and account title

	2022 post-delivery type [Restricted Stock Unit (RSU)]	2022 post-delivery type [Performance Share Unit (PSU)]
Share-based remuneration expenses under general and administrative expenses (Thousand yen)	8,099	-

2) Number of shares

	2022 post-delivery type [Restricted Stock Unit (RSU)]	2022 post-delivery type [Performance Share Unit (PSU)]
End of previous fiscal year (Shares)	17,300	48,900
Grant (Shares)	-	-
Lapse (Shares)	-	-
Vesting (Shares)	5,772	-
Unvested balance (Shares)	11,528	48,900
Balance of unissued shares after vesting (Shares)	-	-

3) Unit value information

	2022 post-delivery type [Restricted Stock Unit (RSU)]	2022 post-delivery type [Performance Share Unit (PSU)]
Fair unit value on the grant date (Yen)	1,603	1,603

7. Method of estimating fair unit value

The Company adopts an objective and reasonable share price, such as the average closing price of the Company's common share on the Tokyo Stock Exchange during the preceding one-month period from the day immediately preceding the date of the Ordinary General Meeting of Shareholders in the year of grant.

8. Method of estimating the number of vested shares

Since it is difficult to reasonably estimate the number of forfeitures in the future for the post-delivery type, the Company has adopted a method that reflects only the actual number of forfeitures.

(Tax Effect Accounting)

1. Major components that caused deferred tax assets and deferred tax liabilities

	Previous fiscal year (As of March 31, 2023)		Current fiscal year (As of March 31, 2024)	
Deferred tax assets				
Research and development expenses	156,106	thousand yen	238,719	thousand yen
Investment securities	74,002	thousand yen	74,002	thousand yen
Shares of subsidiaries and associates	284,016	thousand yen	266,013	thousand yen
Provision for bonuses	60,460	thousand yen	45,567	thousand yen
Tax loss carryforwards (Note 3)	173,988	thousand yen	186,130	thousand yen
Loss on valuation of inventories	39,542	thousand yen	31,422	thousand yen
Other	60,201	thousand yen	102,402	thousand yen
Subtotal of deferred tax assets	848,317	thousand yen	944,258	thousand yen
Valuation allowance for tax loss carryforwards (Note 2)	(173,988)	thousand yen	(180,056)	thousand yen
Valuation allowance for total deductible temporary differences	(663,769)	thousand yen	(531,055)	thousand yen
Subtotal of valuation allowance (Note 2)	(837,757)	thousand yen	(711,112)	thousand yen
Total deferred tax assets	10,560	thousand yen	233,146	thousand yen
Deferred tax liabilities				
Valuation difference due to full fair value method	90,024	thousand yen	96,952	thousand yen
Retained earnings of subsidiaries and associates	781,563	thousand yen	481,744	Thousand yen
Valuation difference on available-for-sale securities	1,318,584	thousand yen	4,009,694	thousand yen
Enterprise tax receivable	186,487	thousand yen	-	Thousand yen
Other	32,202	thousand yen	15,804	Thousand yen
Total deferred tax liabilities	2,408,862	thousand yen	4,604,195	thousand yen
Net deferred tax liabilities	(2,398,301)	thousand yen	(4,371,049)	thousand yen
Deferred tax assets for land revaluation	139,750	thousand yen	139,750	thousand yen
Valuation allowance	(139,750)	thousand yen	(139,750)	thousand yen
Deferred tax liabilities for land revaluation	(9,920)	thousand yen	(9,920)	thousand yen
Net deferred tax liabilities for land revaluation	(9,920)	thousand yen	(9,920)	thousand yen

(Note) 1. In the current fiscal year, the Company finalized the provisional accounting treatment for the business combination, and the respective numbers for the previous fiscal year reflect the details of the finalization of the provisional accounting treatment.

2. Valuation allowance has decreased by ¥126,645 thousand. This was mainly due to a decrease of ¥56,968 thousand in the valuation allowance for provision for bonuses, a decrease of ¥38,976 thousand in the valuation allowance for loss on valuation of inventories, and a decrease of ¥29,398 thousand in the valuation allowance for research and development expenses.

3. Tax loss carryforwards and deferred tax assets by expiration date

Previous fiscal year (As of March 31, 2023)

	Up to 1 year (Thousands of yen)	Over 1 year up to 2 years (Thousands of yen)	Over 2 years up to 3 years (Thousands of yen)	Over 3 years up to 4 years (Thousands of yen)	Over 4 years up to 5 years (Thousands of yen)	Over 5years (Thousands of yen)	Total (Thousands of yen)
Tax loss carryforwards (a)	-	-	29,999	15,134	-	128,854	173,988
Valuation allowance	-	-	(29,999)	(15,134)	-	(128,854)	(173,988)
Deferred tax assets	-	-	-	-	-	-	-

(a) Tax loss carryforwards are calculated at the normal effective statutory tax rate.

Current fiscal year (As of March 31, 2024)

	Up to 1 year (Thousands of yen)	Over 1 year up to 2 years (Thousands of yen)	Over 2 years up to 3 years (Thousands of yen)	Over 3 years up to 4 years (Thousands of yen)	Over 4 years up to 5 years (Thousands of yen)	Over 5years (Thousands of yen)	Total (Thousands of yen)
Tax loss carryforwards (a)	-	29,999	15,134	-	43,863	97,132	186,130
Valuation allowance	-	(29,999)	(15,134)	-	(43,863)	(91,059)	(180,056)
Deferred tax assets	-	-	-	-	-	6,073	6,073

(a) Tax loss carryforwards are calculated at the normal effective statutory tax rate.

2. Breakdown of major items that caused important differences between the normal effective statutory tax rate and the actual effective tax rate after the application of tax effect accounting, if any

	Previous fiscal year (As of March 31, 2023)	Current fiscal year (As of March 31, 2024)
Normal effective statutory tax rate	30.6 %	-%
(Adjustment)		
Permanently non-deductible expenses such as entertainment expenses	0.1 %	-%
Change in valuation allowance	(6.4) %	-%
Difference in tax rates of overseas subsidiaries	(5.8) %	-%
Retained earnings of subsidiaries and associates	4.0 %	-%
Share of profit (loss) of entities accounted for using equity method	(1.0) %	-%
Amortization of goodwill	0.7 %	-%
Consolidation adjustment	(18.9) %	-%
Other	0.0 %	-%
Normal effective tax rate after application of tax-effect accounting	3.3 %	-%

(Note) Notes for the current fiscal year are omitted as the loss before income taxes was recorded.

3. Accounting treatment for income tax and local income tax or accounting treatment for tax effect accounting related thereto

The Company and some of its domestic consolidated subsidiaries adopt the group tax sharing system from the current fiscal year. In addition, in accordance with the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (ASBJ PITF No. 42, August 12, 2021), it carries out accounting treatment and disclosure of income taxes and local income taxes, or tax effect accounting related thereto.

(Notes to Business Combinations)

Determination of provisional treatment of business combination

For the business combination with EKTech Holdings Sdn. Bhd., which was carried out on February 2, 2023, a provisional accounting method was applied in the previous fiscal year. The accounting figures were finalized in the current fiscal year.

As a result of the review of the initial allocation of the acquisition cost in line with the finalization of this provisional accounting treatment, the comparative information included in the consolidated financial statements for the current fiscal year reflected the significant review in the initial allocation of the acquisition cost. As a result of the allocation of ¥39,280 thousand to other under intangible assets and ¥9,092 thousand to deferred tax liabilities under non-current liabilities, the provisionally calculated amount of goodwill decreased by ¥30,188 thousand from ¥540,196 thousand to ¥510,007 thousand.

(Notes to Asset Retirement Obligations)

Information is omitted due to a lack of materiality.

(Notes to Revenue Recognition)

1. Information on the breakdown of revenue from contracts with customers

Information on the breakdown of revenue from contracts with customers is provided in Notes (Segment Information, etc.) 3. Disclosure of sales, profit (loss), asset, liability, and other items for each reportable segment and the breakdown of revenue by reportable segment of the consolidated financial statements.

2. Information that serves as a basis for understanding revenue from contracts with customers

(1) Accounting standards for revenue recognition

1) Revenue recognition method (5-step approach)

Revenue is recognized based on the following 5-step approach.

Step 1: Identify a contract with a customer.
Step 2: Identify the performance obligations in the contract.
Step 3: Calculate the transaction price.
Step 4: Allocate the transaction price to the performance obligations in the contract.
Step 5: Recognize revenue when or as the performance obligations are satisfied.

A separate good or service included in a contract with a customer is identified, and performance obligations are identified by this transaction unit.

Transaction prices are measured at the amount of consideration to which the Company expects to be entitled in exchange for the transfer of promised goods or services to customers. The consideration from the customer for the transaction is generally received within one year from the time of the transfer of goods or services to the customer, and does not include any significant financial elements.

If a contract includes multiple performance obligations in the Global Data Intelligence business, the transaction price is allocated to each performance obligation based on the independent sales price.

2) Recognition of revenue from major transactions

a) Global Data Intelligence business

i) Revenue recognition related to sale of goods

In the sale of goods, the Company manufactures and sells digital forensics equipment, etc., and recognizes the services provided by the Group in relation to these as performance obligations.

In the sale of goods, revenue is recognized at the time of delivery because the control over the goods is transferred to the customer at the time of delivery.

ii) Revenue recognition related to license sales

In license sales, the Company sells licenses for analytic software, etc. related to digital forensics equipment, and the Company recognizes the services provided by the Group in relation to these as performance obligations.

A software license provides customers with either the right to use the Group's software for an unlimited period of time or the right to use the Company's software for a limited period of time, which is generally one to three years.

Revenue from license sales is recognized when the control over the software license is transferred to the customer and the term of the license agreement begins.

iii) Revenue recognition related to maintenance services and software updates

The Company provides maintenance services for digital forensics equipment and other equipment in use by customers. In addition, the Company provides software updates and technical support services, and it recognizes the services it provides in relation to these as performance obligations.

These maintenance services and software updates, etc. are transactions that satisfy performance obligations over a certain period of time because services are continuously provided to customers during the contract period, and revenue is recognized in accordance with the lapse of the period.

b) Entertainment-related business

i) Revenue recognition related to sale of goods

In the sale of goods, the Company manufactures and sells entertainment-related equipment, etc., and recognizes the services provided by the Group in relation to these as performance obligations.

In the sale of goods, revenue is recognized at the time of delivery because the control over the goods is transferred to the customer at the time of delivery.

ii) Revenue recognition related to development

In the development sales, services to provide software developed based on orders received from customers are recognized as performance obligations.

Revenue from development sales is recognized at the time of acceptance by the customer because the control over the software is transferred to the customer at the time of acceptance by the customer.

c) New IT-related business

i) Revenue recognition related to sale of goods

In the sale of goods, the Company manufactures and sells M2M communication equipment, etc., and recognizes the services provided by the Group in relation to these as performance obligations.

In the sale of goods, revenue is recognized at the time of delivery because the control over the goods is transferred to the customer at the time of delivery.

ii) Revenue recognition related to development

In the development sales, services to provide software developed based on orders received from customers are recognized as performance obligations.

Revenue from development sales is recognized at the time of acceptance by the customer because the control over the software is transferred to the customer at the time of acceptance by the customer.

iii) Revenue recognition related to maintenance services

In the area of maintenance services, the Company provides maintenance extension services for M2M communication equipment, and recognizes the services provided by the Company in relation to these as performance obligations. The extended service period is 3-5 years.

Maintenance services are transactions that satisfy performance obligations over a certain period of time because services are continuously provided to customers during the contract period, and revenue is recognized in accordance with the lapse of the period.

3. Information on the relationship between the fulfillment of performance obligations based on contracts with customers and cash flows arising from such contracts, and the amount and timing of revenue expected to be recognized in and after the following fiscal year from contracts with customers existing at the end of the current fiscal year

Previous fiscal year (From April 1, 2022 to March 31, 2023)

(1) Balance, etc. of contract assets and contract liabilities

The beginning and ending balances of contract assets and contract liabilities of the Company and its consolidated subsidiaries for the current fiscal year are as follows:

In the consolidated balance sheet, contract assets are included in "Other" under "Current assets" and "Other" under "Non-current assets." In addition, contract liabilities of ¥12,020,435 thousand at the beginning of the period were recorded as revenue for the current fiscal year.

(Thousands of yen)

	Current fiscal year
Contract assets (beginning balance)	985,376
Contract assets (ending balance)	-
Contract liabilities (beginning balance)	18,583,858
Contract liabilities (ending balance)	782,468

(2) The transaction price allocated to the remaining performance obligations;

The aggregate transaction price allocated to the remaining performance obligations and the period in which revenue is expected to be recognized are as follows:

(Thousands of yen)

	Current fiscal year
Within 1 year	368,833
Over 1 year	413,635
Total	782,468

Current fiscal year (From April 1, 2023 to March 31, 2024)

(1) Balance, etc. of contract assets and contract liabilities

The beginning and ending balances of contract assets and contract liabilities of the Company and its consolidated subsidiaries for the current fiscal year are as follows:

In the consolidated balance sheet, contract assets are included in "Other" under "Current assets." In addition, contract liabilities of ¥367,271 thousand at the beginning of the period were recorded as revenue for the current fiscal year.

(Thousands of yen)

	Current fiscal year
Contract assets (beginning balance)	-
Contract assets (ending balance)	81,244
Contract liabilities (beginning balance)	782,468
Contract liabilities (ending balance)	891,842

(2) The transaction price allocated to the remaining performance obligations;

The aggregate transaction price allocated to the remaining performance obligations and the period in which revenue is expected to be recognized are as follows:

(Thousands of yen)

	Current fiscal year
Within 1 year	398,781
Over 1 year	493,060
Total	891,842

(Segment information, etc.)

[Segment information]

1. Description of reportable segments

(1) How to decide reportable segments

Reportable segments of the Group are components withing the Group for which separate financial information is available and are regularly used by the Board of Directors to determine the allocation of management resources and evaluate their business results.

The Group establishes business divisions by product and service in Konan Office regarding the Entertainment-related business and the New IT-related business, and in Cellebrite regarding the Global Data Intelligence business, each of which formulates its own comprehensive strategies for both domestic and overseas markets with respect to its products and services, and operates its business activities.

Therefore, the Group consists of segments by products and services based on business divisions, which constitute three reportable segments; Global Data Intelligence business, Entertainment-related business, and New IT-related business.

(2) Types of products and services of each reportable segment

The Global Data Intelligence business develops, manufactures, and sells mobile data transfer equipment and related services designed for criminal investigation agencies, etc. (Digital Intelligence business).

The Entertainment-related business develops, manufactures and sells game machine-related parts such as control boards, which are mainly sold to game machine manufacturers.

The New IT-related business mainly develops, manufactures, and sells M2M communication equipment and IoT solutions, and develops and sells business support systems for B2B.

(3) Information on changes in reportable segments, etc.

As the corporate performance management segmentation within the Company Group has partially been changed, the name of the reportable segment “Mobile Data Solution business” has been changed to “Global Data Intelligence business” from the current fiscal year. Note that the segment name after the aforementioned change is disclosed in segment information for the previous fiscal year. The change, however, has no impact on the segment information for the current fiscal year.

2. Method of calculating the amounts of net sales, profit (loss), assets and other items for each reportable segment

The accounting methods used for business segments are the same as those described under "Significant accounting policies for preparation of consolidated financial statements."

Reportable segments income figures are based on operating profit. The amounts of transaction with other segments are based on actual market prices.

Provisional accounting treatment pertaining to business combination was finalized for the current fiscal year, and the figures for the previous fiscal year reflect the content of the finalization of the provisional accounting treatment.

3. Disclosure of sales, profit (loss), asset, liability, and other items for each reportable segment and the breakdown of revenue by reportable segment

Previous fiscal year (From April 1, 2022 to March 31, 2023)

(Thousands of yen)

	Global Data Intelligence business	Entertainment-related business	New IT-related business	Total	Adjusted amount (Note 1)	Amounts recorded on the consolidated financial statements (Note 2)
Net sales						
Goods transferred at a point in time	10,959,517	6,231,803	2,011,083	19,202,404	-	19,202,404
Goods transferred over time	18,192,916	-	53,772	18,246,688	-	18,246,688
Revenue from contracts with customers	29,152,434	6,231,803	2,064,855	37,449,092	-	37,449,092
Revenue from external customers	29,152,434	6,231,803	2,064,855	37,449,092	-	37,449,092
Transaction with other segments	-	27,542	-	27,542	(27,542)	-
Total	29,152,434	6,259,345	2,064,855	37,476,634	(27,542)	37,449,092
Segment profit (loss)	(1,525,340)	706,600	138,641	(680,097)	(1,030,965)	(1,711,062)
Segment assets	4,450,457	4,937,267	3,055,038	12,442,764	29,324,616	41,767,380
Other items						
Depreciation	969,215	66,513	70,327	1,106,056	11,416	1,117,472
Amortization of goodwill	416,259	-	-	416,259	-	416,259
Share of profit of entities accounted for using equity method	471,222	-	-	471,222	-	471,222
Investments in entities accounted for using equity method	3,468,520	-	-	3,468,520	-	3,468,520
Increase in property, plant and equipment and intangible assets	785,383	59,289	165,706	1,010,379	37,669	1,048,049

(Note) 1 The main details of the adjustment amount are as follows.

(1) Adjusted amount for segment profit of ¥(1,030,965) thousand includes elimination of intersegment transactions of ¥76 thousand company-wide expenses not allocated to each reportable segment of ¥(1,031,041) thousand. The company-wide expenses mainly consist of general and administrative expenses not attributable to any reportable segment.

(2) Adjusted amount for segment assets of ¥29,324,616 thousand mainly represents surplus operating funds (cash) of the parent company, long-term investment funds (securities and investment securities) and assets relating to its administrative department not allocated to each reportable segment.

(3) Adjusted amount for other items is related to company-wide assets not allocated to each reportable segment, and consists of depreciation and increases in property, plant and equipment and intangible assets.

2 Segment profit (loss) has been adjusted with operating loss on the consolidated statement of income.

Current fiscal year (From April 1, 2023 to March 31, 2024)

(Thousands of yen)

	Global Data Intelligence business	Entertainment-related business	New IT-related business	Total	Adjusted amount (Note 1)	Amounts recorded on the consolidated financial statements (Note 2)
Net sales						
Goods transferred at a point in time	71,036	6,029,195	2,421,649	8,521,881	-	8,521,881
Goods transferred over time	922,997	-	600,707	1,523,704	-	1,523,704
Revenue from contracts with customers	994,033	6,029,195	3,022,357	10,045,586	-	10,045,586
Revenue from external customers	994,033	6,029,195	3,022,357	10,045,586	-	10,045,586
Transactions with other segments	-	22,055	-	22,055	(22,055)	-
Total	994,033	6,051,250	3,022,357	10,067,641	(22,055)	10,045,586
Segment profit	131,566	802,159	230,934	1,164,660	(851,858)	312,801
Segment assets	906,952	6,161,472	3,306,901	10,375,326	36,463,122	46,838,448
Other items						
Depreciation	2,850	73,831	158,946	235,629	11,607	247,236
Amortization of customer-related assets	-	-	9,017	9,017	-	9,017
Amortization of goodwill	-	-	52,376	52,376	-	52,376
Share of loss of entities accounted for using equity method	4,498,420	-	-	4,498,420	-	4,498,420
Investments in entities accounted for using equity method	-	-	-	-	-	-
Increase in property, plant and equipment and intangible assets	2,247	70,554	84,015	156,817	2,990	159,808

(Note) 1 The main details of the adjustment amount are as follows.

(1) Adjusted amount for segment profit of ¥(851,858) thousand includes company-wide expenses not allocated to each reportable segment of ¥(851,858) thousand. The company-wide expenses mainly consist of general and administrative expenses not attributable to any reportable segment.

(2) Adjusted amount for segment assets of ¥36,463,122 thousand mainly represents surplus operating funds (cash) of the parent company, long-term investment funds (investment securities), and assets relating to its administrative department not allocated to each reportable segment.

(3) Adjusted amount for other items is related to company-wide assets not allocated to each reportable segment, and consists of depreciation and the increases in property, plant and equipment and intangible assets.

2 Segment profit has been adjusted with operating profit on the consolidated statement of income.

[Related Information]

Previous fiscal year (From April 1, 2022 to March 31, 2023)

1. Information by product and service

(Thousands of yen)

	Pachinko control board	Mobile data transfer equipment	Digital equipment	Other	Total
Revenue from external customers	4,850,743	29,152,434	2,064,855	1,381,059	37,449,092

2. Regional information

(1) Net sales

(Thousands of yen)

Japan	United States	Europe	State of Israel	Other	Total
9,290,024	13,774,730	6,608,042	4,361,712	3,414,582	37,449,092

(Note) 1 Net sales are classified by country or region based on the location of the customer.

(2) Property, plant and equipment

(Thousands of yen)

Japan	State of Israel	United States	Other	Total
1,532,663	-	-	96,080	1,628,744

3. Information by major customer

(Thousands of yen)

Customer's name	Net sales	Related segment name
FUJISHOJI CO., LTD.	4,973,843	Entertainment-related business

Current fiscal year (From April 1, 2023 to March 31, 2024)

1. Information by product and service

(Thousands of yen)

	Pachinko control board	Mobile data transfer equipment	Digital equipment	Other	Total
Revenue from external customers	4,791,587	994,033	3,022,357	1,237,607	10,045,586

2. Regional information

(1) Net sales

This information is omitted because revenue from external customers in Japan account for more than 90% of net sales in the consolidated statements of income.

(2) Property, plant and equipment

This information is omitted because the amount of property, plant and equipment located in Japan exceeds 90% of the amount of property, plant and equipment on the consolidated balance sheet.

3. Information by major customer

(Thousands of yen)

Customer's name	Net sales	Related segment name
FUJISHOJI CO., LTD.	4,868,505	Entertainment-related business

[Information on impairment losses on non-current assets by reportable segment]

Previous fiscal year (From April 1, 2022 to March 31, 2023)

	Reportable segment				Company-wide and elimination (Note)	Total
	Global Data Intelligence business	Entertainment-related business	New IT-related business	Total		
Impairment losses	-	-	-	-	70,230	70,230

(Note) The amount of" "Company-wide and eliminations" is the amount pertaining to company-wide assets that are not attributable to any segment.

Current fiscal year (From April 1, 2023 to March 31, 2024)

Not applicable.

[Information on amortization of goodwill and the unamortized balance by reportable segment]

Previous fiscal year (From April 1, 2022 to March 31, 2023)

(Thousands of yen)

	Global Data Intelligence business	Entertainment-related business	New IT-related business	Company-wide and elimination	Total
Amortization for the year	416,259	-	-	-	416,259
Balance at end of period	-	-	510,007	-	510,007

(Note) In the current fiscal year, the Company finalized the provisional accounting treatment for the business combination, and the respective numbers for the current fiscal year reflect the details of the finalization of the provisional accounting treatment.

Current fiscal year (From April 1, 2023 to March 31, 2024)

(Thousands of yen)

	Global Data Intelligence business	Entertainment-related business	New IT-related business	Company-wide and elimination	Total
Amortization for the year	-	-	52,376	-	52,376
Balance at end of period	-	-	457,630	-	457,630

[Information on gain on negative goodwill by reportable segment]

Not applicable.

[Related parties]

1. Transactions with related parties

(1) Transactions between the company filing the consolidated financial statements and related parties

Non-consolidated subsidiaries and associates of the company filing the consolidated financial statements

Previous fiscal year (From April 1, 2022 to March 31, 2023)

Type	Name of company, etc.	Location	Share capital or capital contribution (NIS)	Description of business or occupation	Percentage of voting rights holding	Relationship with related parties	Description of transaction	Transaction amount (Thousands of yen)	Account title	Balance at end of period (Thousands of yen)
Associate	Cellebrite DI Ltd.	Petah Tikva, State of Israel	1,345	Global Data Intelligence business	(Holding) Direct 49.5%	Purchase of products Acquisition of rights under the price adjustment clause Concurrent appointment of officers	-	-	Investment securities Valuation difference on available-for-sale securities	4,304,673 (2,987,443) (Note)

Transaction conditions and policy for determining transaction conditions

(Note) Acquisition of rights under the price adjustment clause based on the merger agreement of Cellbrite DI Ltd., which is assessed at market value.

Current fiscal year (From April 1, 2023 to March 31, 2024)

Type	Name of company, etc.	Location	Share capital or capital contribution (NIS)	Description of business or occupation	Percentage of voting rights holding	Relationship with related parties	Description of transaction	Transaction amount (Thousands of yen)	Account title	Balance at end of period (Thousands of yen)
Associate	Cellebrite DI Ltd.	Petah Tikva, State of Israel	1,345	Global Data Intelligence business	(Holding) Direct 47.0%	Purchase of products Acquisition of rights under the price adjustment clause Concurrent appointment of officers	-	-	Investment securities Valuation difference on available-for-sale securities	12,918,819 (8,965,660) (Note)

Transaction conditions and policy for determining transaction conditions

(Note) Acquisition of rights under the price adjustment clause based on the merger agreement of Cellbrite DI Ltd., which is assessed at market value.

Officers and major shareholders (limited to individual shareholders), etc. of the company filing the consolidated financial statements

Previous fiscal year (From April 1, 2022 to March 31, 2023)

Not applicable.

Current fiscal year (From April 1, 2023 to March 31, 2024)

Type	Shareholder	Location	Share capital or capital contribution	Description of occupation or business	Percentage of voting rights holding (held)	Relationship with related parties	Description of transaction	Transaction amount (Thousands of yen)	Account title	Balance at end of period (Thousands of yen)
Officer	Yasushi Muto	-	-	Director Audit and Supervisory Committee Member of the Company	(Held) Direct 0.0%	-	Exercise of stock options (Note)	11,988 (8,000 shares)	-	-

(Note) The exercise of employee stock options during the current fiscal year, which had been issued pursuant to the special resolution of the General Meeting of Shareholders held on June 25, 2014 is shown.

(2) Transactions between the consolidated subsidiaries of the company filing the consolidated financial statements and related parties

Not applicable.

2. Notes to parent company or significant associates

(1) Parent company information

Not applicable.

(2) Condensed financial statements of significant associates

Previous fiscal year (From April 1, 2022 to March 31, 2023)

As of the end of the current fiscal year, the Cellbrite DI Ltd. and its 13 subsidiaries (hereinafter referred to as Cellbrite DI Group) were significant associates. Their condensed financial statements are as follows."

The Cellbrite DI Group is subject to the calculation of share of profit of entities accounted for using equity method and is stated as a combined entity.

(Thousands of yen)

	Current fiscal year
Total current assets	40,242,951
Total non-current assets	13,212,910
Total current liabilities	35,401,845
Total non-current liabilities	9,186,712
Total net assets	8,867,304
Net sales	35,929,631
Profit before income taxes	12,982,751
Profit	12,959,199

Current fiscal year (From April 1, 2023 to March 31, 2024)

As of the end of the current fiscal year, Cellbrite DI Ltd. and its 11 subsidiaries (hereinafter referred to as the Cellbrite DI Group) were significant associates. Their condensed financial statements are as follows.

The Cellbrite DI Group is subject to the calculation of share of profit of entities accounted for using equity method and is stated as a combined entity.

(Thousands of yen)

	Current fiscal year
Total current assets	59,863,890
Total non-current assets	15,715,189
Total current liabilities	35,999,872
Total non-current liabilities	34,726,918
Total net assets	4,852,287
Net sales	46,110,351
(Loss) before income taxes	(10,717,100)
(Loss)	(11,502,413)

(Per share information)

Item	Previous fiscal year (From April 1, 2022 to March 31, 2023)	Current fiscal year (From April 1, 2023 to March 31, 2024
Net assets per share	1,542.39 yen	1,670.86 yen
Basic earnings (losses) per share	292.82 yen	(169.82) yen
Diluted earnings per share	278.46 yen	-

(Note) 1 Diluted earnings per share for the current fiscal year are not shown in the above table because the basic earnings per share were negative despite the existence of dilutive shares.

2 The basis for calculating net assets per share and basic earnings (losses) per share is as follows.

1. Net assets per share

Item	Previous fiscal year (As of March 31, 2023)	Current fiscal year (As of March 31, 2024)
Total net assets (Thousands of yen)	35,013,806	37,259,391
Amount deducted from total net assets (Thousands of yen)	105,755	102,076
[Of which share award rights (Thousands of yen)]	[27,013]	[24,012]
[Of which share acquisition rights (Thousands of yen)]	[78,741]	[78,064]
Amounts of net assets related to common shares at the end of the fiscal year (Thousands of yen)	34,908,051	37,157,314
Number of common shares used to calculate net assets per share at the end of the fiscal year (Thousand shares)	22,632	22,238

2. Basic earnings (losses) per share and diluted net earnings per share

Item	Previous fiscal year (From April 1, 2022 to March 31, 2023)	Current fiscal year (From April 1, 2023 to March 31, 2024
Basic earnings (losses) per share		
Profit (loss) attributable to owners of parent (Thousands of yen)	6,878,387	(3,777,621)
Profit not attributable to common shareholders (Thousands of yen)	-	-
Profit (loss) attributable to owners of parent in relation to common shares (Thousands of yen)	6,878,387	(3,777,621)
Weighted average number of common shares during the fiscal year (Thousand shares)	23,490	22,245
Diluted earnings per share		
Adjustments to profit (loss) attributable to owners of parent (Thousands of yen)	(326,370)	-
[Of which adjustments by dilutive shares of consolidated subsidiaries (Thousands of yen)]	[(326,370)]	[-]
Number of increased common shares (Thousand shares)	38	-
[Of which share award rights (Thousand shares)]	[22]	[-]
[Of which share acquisition rights (Thousand shares)]	[15]	[-]
Details of dilutive shares not included in the calculation of fully diluted earnings per share due to non-dilutive effect.	The Company The 9th share acquisition rights The number of dilutive shares: 47 thousand shares Cellebrite DI Ltd. Price adjustment clause The Number of dilutive shares: 15,000 thousand shares Publicly offered warrant liability The number of dilutive shares: 19,999 thousand shares Privately offered warrant liability The number of dilutive shares: 9,666 thousand shares	The Company The 5th share acquisition rights The number of dilutive shares: 12 thousand shares The 6th share acquisition rights The number of dilutive shares: 15 thousand shares The 9th share acquisition rights The number of dilutive shares: 45 thousand shares

(Significant subsequent events)

Not applicable.

5) Consolidated Supplemental Schedules

[Schedule of Bonds]

Not applicable.

[Schedule of Borrowings]

Classification	Balance at beginning of period (Thousands of yen)	Balance at end of period (Thousands of yen)	Average interest rate (%)	Due date
Short-term borrowings	161,395	1,095,392	0.54	-
Current portion of long-term borrowings	43,778	37,445	0.70	-
Current portion of lease liabilities	12,500	8,635	-	-
Long-term borrowings (Excluding current portion)	249,111	257,366	1.97	April 2025 - February 2033
Lease liabilities (Excluding current portion)	8,041	20,450	-	April 2025 - March 2030
Total	474,825	1,419,290	-	-

(Note) 1 The average interest rate is the weighted average interest rate on the balance of borrowings at end of period.

2 The average interest rate of lease liabilities is not stated because some lease liabilities are recorded in the consolidated balance sheet at the amount before deducting the interest equivalent included in the total lease payment.

3 The amounts of long-term borrowings and lease liabilities (excluding current portion) scheduled to be repaid within five years after the consolidated closing date are as follows.

Classification	Over 1 year up to 2 years (Thousands of yen)	Over 2 years up to 3 years (Thousands of yen)	Over 3 years up to 4 years (Thousands of yen)	Over 4 years up to 5 years (Thousands of yen)
Long-term borrowings	43,962	45,255	45,255	45,255
Lease liabilities	5,852	5,345	3,819	3,513

[Schedule of Asset Retirement Obligations]

Since the amount of asset retirement obligations at the beginning of the current fiscal year and at the end of the current fiscal year is 1% or less of the total amount of liabilities and net assets at the beginning of the current fiscal year and at the end of the current fiscal year, the description is omitted pursuant to the provisions of Article 92-2 of the Regulation for Consolidated Financial Statements.

(2) [Others]

Quarterly information for the current fiscal year

(Cumulative Period)		First quarter (Three months ended June 30, 2023)	Second quarter (Six months ended September 30, 2023)	Third quarter (Nine months ended December 31, 2023)	Current fiscal year (Fiscal year ended March 31, 2024)
Net sales	(Thousands of yen)	2,370,501	4,648,104	7,467,638	10,045,586
Loss before income taxes	(Thousands of yen)	(2,791,671)	(4,450,248)	(4,272,623)	(4,119,551)
Loss attributable to owners of parent	(Thousands of yen)	(2,614,709)	(4,229,062)	(4,145,435)	(3,777,621)
Basic losses per share	(Yen)	(117.08)	(189.88)	(186.29)	(169.82)

(Period of account)		First quarter (From April 1, 2023 to June 30, 2023)	Second quarter (From July 1, 2023 to September 30, 2023)	Third quarter (From October 1, 2023 to December 31, 2023	Fourth quarter (From January 1, 2024 to March 31, 2024)
Basic earnings (losses) per share	(Yen)	(117.08)	(72.67)	3.76	16.55

2. Financial Statements, etc.

(1) Financial Statements

1) Balance Sheet

(Thousands of yen)

	Previous fiscal year (As of March 31, 2023)	Current fiscal year (As of March 31, 2024)
Assets		
Current assets		
Cash and deposits	1,218,240	1,293,188
Money held in trust	10,900,000	14,200,000
Notes receivable - trade	32,339	*2 12,800
Accounts receivable - trade	2,056,963	1,414,469
Finished goods	202,032	665,031
Work in process	389,138	440,453
Raw materials	2,016,833	3,662,185
Advance payments to suppliers	*1 33,184	26,674
Prepaid expenses	433,391	575,231
Accounts receivable - other	*1 3,842,654	*1 66,478
Other	1,484,550	*1 25,176
Allowance for doubtful accounts	(500)	(400)
Total current assets	22,608,829	22,381,291
Non-current assets		
Property, plant and equipment		
Buildings	197,651	185,214
Structures	6,831	6,315
Machinery and equipment	31,677	33,662
Vehicles	77	0
Tools, furniture and fixtures	66,760	50,745
Leased assets	-	10,633
Land	681,114	681,114
Total property, plant and equipment	*3 984,112	*3 967,686
Intangible assets		
Software	117,984	176,486
Software in progress	100,542	9,532
Other	8,040	8,040
Total intangible assets	226,566	194,059
Investments and other assets		
Investment securities	11,632,351	20,647,435
Shares of subsidiaries and associates	1,000,093	1,000,093
Long-term prepaid expenses	281,005	346,580
Guarantee deposits	114,600	102,766
Other	701	410
Total investments and other assets	13,028,751	22,097,285
Total non-current assets	14,239,430	23,259,030
Total assets	36,848,260	45,640,321

(Thousands of yen)

	Previous fiscal year (As of March 31, 2023)	Current fiscal year (As of March 31, 2024)
Liabilities		
Current liabilities		
Notes payable - trade	169,494	*2 125,614
Accounts payable - trade	*1 1,998,532	*1 1,680,764
Short-term borrowings	-	*4 1,000,000
Lease liabilities	-	1,920
Accounts payable - other	47,173	32,001
Accrued expenses	233,380	214,402
Income taxes payable	2,702	360,910
Advances received	31,787	63,373
Contract liabilities	777,994	891,540
Deposits received	10,818	11,203
Provision for bonuses	185,848	137,501
Other	-	9,008
Total current liabilities	3,457,731	4,528,238
Non-current liabilities		
Lease liabilities	-	9,600
Deferred tax liabilities	1,503,717	3,793,469
Deferred tax liabilities for land revaluation	9,920	9,920
Total non-current liabilities	1,513,637	3,812,989
Total liabilities	4,971,369	8,341,228
Net assets		
Shareholders' equity		
Share capital	2,089,685	2,097,606
Capital surplus		
Legal capital surplus	2,103,152	2,111,073
Other capital surplus	182,713	174,016
Total capital surplus	2,285,866	2,285,090
Retained earnings		
Legal retained earnings	154,318	154,318
Other retained earnings		
General reserve	1,210,000	1,210,000
Retained earnings brought forward	26,280,594	26,267,187
Total retained earnings	27,644,913	27,631,505
Treasury shares	(2,806,314)	(3,643,498)
Total shareholders' equity	29,214,151	28,370,704
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	2,991,188	9,260,515
Revaluation reserve for land	(434,203)	(434,203)
Total valuation and translation adjustments	2,556,984	8,826,312
Share award rights	27,013	24,012
Share acquisition rights	78,741	78,064
Total net assets	31,876,890	37,299,093
Total liabilities and net assets	36,848,260	45,640,321

2) Statement of Income

(Thousands of yen)

	Previous fiscal year (From April 1, 2022 to March 31, 2023)	Current fiscal year (From April 1, 2023 to March 31, 2024)
Net sales	*2 8,051,251	*2 8,435,466
Cost of sales	*2 5,506,827	*2 5,762,371
Gross profit	2,544,424	2,673,094
Selling, general and administrative expenses	*1, 2 2,367,210	*1, 2 2,315,322
Operating profit	177,213	357,772
Non-operating income		
Interest and dividend income	320,242	111,791
Foreign exchange gains	2,939,768	-
Rental income from land and buildings	*2 9,536	*2 9,536
Other	*2 6,143	*2 28,225
Total non-operating income	3,275,690	149,552
Non-operating expenses		
Interest expenses	11,942	1,567
Commission for purchase of treasury shares	5,679	22,704
Foreign exchange losses	-	30,639
Other	19,663	18,503
Total non-operating expenses	37,285	73,413
Ordinary profit	3,415,618	433,911
Extraordinary income		
Gain on sale of shares of subsidiaries	108,081	-
Gain on reversal of share acquisition rights	198	1,417
Other	-	377
Total extraordinary income	108,280	1,794
Extraordinary losses		
Loss on retirement of non-current assets	0	139
Loss on sale of non-current assets	-	229
Loss on valuation of membership	-	301
Impairment losses	70,230	-
Total extraordinary losses	70,230	670
Profit before income taxes	3,453,668	435,035
Income taxes - current	58,379	396,174
Income taxes - deferred	182,385	(400,379)
Total income taxes	240,764	(4,205)
Profit	3,212,903	439,241

3) Statement of Changes in Equity

Previous fiscal year (From April 1, 2022 to March 31, 2023)

(Thousands of yen)

	Shareholders' equity							
	Share capital	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings: General reserve	Other retained earnings: Retained earnings brought forward	Total retained earnings
Balance at beginning of period	2,086,192	2,099,659	182,713	2,282,373	154,318	1,210,000	23,546,512	24,910,831
Changes during period								
Issuance of new shares - exercise of share acquisition rights	3,493	3,493		3,493				
Dividends of surplus							(478,821)	(478,821)
Profit							3,212,903	3,212,903
Purchase of treasury shares								
Net changes in items other than shareholders' equity								
Total changes during period	3,493	3,493	-	3,493	-	-	2,734,082	2,734,082
Balance at end of period	2,089,685	2,103,152	182,713	2,285,866	154,318	1,210,000	26,280,594	27,644,913

	Shareholders' equity		Valuation and translation adjustments			Share award rights	Share acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Revaluation reserve for land	Total valuation and translation adjustments			
Balance at beginning of period	(63,321)	29,216,075	3,250,481	(434,203)	2,816,277	-	48,148	32,080,501
Changes during period								
Issuance of new shares - exercise of share acquisition rights		6,986						6,986
Dividends of surplus		(478,821)						(478,821)
Profit		3,212,903						3,212,903
Purchase of treasury shares	(2,742,992)	(2,742,992)						(2,742,992)
Net changes in items other than shareholders' equity			(259,292)	-	(259,292)	27,013	30,593	(201,686)
Total changes during period	(2,742,992)	(1,924)	(259,292)	-	(259,292)	27,013	30,593	(203,610)
Balance at end of period	(2,806,314)	29,214,151	2,991,188	(434,203)	2,556,984	27,013	78,741	31,876,890

Current fiscal year (From April 1, 2023 to March 31, 2024)

(Thousands of yen)

	Shareholders' equity							
		Capital surplus			Retained earnings			
						Other retained earnings		
	Share capital	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	General reserve	Retained earnings brought forward	Total retained earnings
Balance at beginning of period	2,089,685	2,103,152	182,713	2,285,866	154,318	1,210,000	26,280,594	27,644,913
Changes during period								
Issuance of new shares - exercise of share acquisition rights	7,921	7,921		7,921				
Dividends of surplus							(452,648)	(452,648)
Profit							439,241	439,241
Purchase of treasury shares								
Disposal of treasury shares			(8,696)	(8,696)				
Net changes in items other than shareholders' equity								
Total changes during period	7,921	7,921	(8,696)	(775)	-	-	(13,407)	(13,407)
Balance at end of period	2,097,606	2,111,073	174,016	2,285,090	154,318	1,210,000	26,267,187	27,631,505

	Shareholders' equity		Valuation and translation adjustments			Share award rights	Share acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Revaluation reserve for land	Total valuation and translation adjustments			
Balance at beginning of period	(2,806,314)	29,214,151	2,991,188	(434,203)	2,556,984	27,013	78,741	31,876,890
Changes during period								
Issuance of new shares - exercise of share acquisition rights		15,842						15,842
Dividends of surplus		(452,648)						(452,648)
Profit		439,241						439,241
Purchase of treasury shares	(903,325)	(903,325)						(903,325)
Disposal of treasury shares	66,141	57,444						57,444
Net changes in items other than shareholders' equity		-	6,269,327	-	6,269,327	(3,001)	(676)	6,265,649
Total changes during period	(837,184)	(843,446)	6,269,327	-	6,269,327	(3,001)	(676)	5,422,202
Balance at end of period	(3,643,498)	28,370,704	9,260,515	(434,203)	8,826,312	24,012	78,064	37,299,093

[Notes]

(Significant accounting policies)

1. Valuation standards and methodology for securities

(1) Shares of subsidiaries and associates

Stated at cost using the moving-average method.

(2) Available-for-sale securities

Other than shares without market price

Stated at market value (any valuation difference being reported directly as a component of shareholders' equity and the cost of any securities sold being computed by the moving average method).

Shares, etc. without market price

Stated at cost using the moving-average method.

(3) Held-to-maturity debt securities

Amortized cost method (straight-line method)

2. Valuation methods for derivative transactions

Stated at market value.

3. Valuation standards and methodology for inventories

The valuation basis is the cost method (the balance sheet value is based on a method of reducing the book value due to a decline in profitability).

(1) Finished goods: Gross average method

(2) Work in process: Expenses for product development on a contract basis and application development:

Specific identification method

Work in process other than the above

Gross average method

(3) Raw materials: Moving average method

4. Method of depreciation of non-current assets

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

The declining balance method is used.

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

The major useful lives are as follows.

Buildings: 15 to 50 years

Tools, furniture and fixtures: 2 to 6 years

(2) Intangible assets (excluding leased assets)

Software for internal use

The straight-line method is used based on the internally usable period (5 years).

Software for sale

The straight-line method is used based on the expected sales revenue (quantity) or the expected effective period (within 3 years).

Intangible assets other than the above

The straight-line method is used.

(3) Leased assets

Leased assets related to finance lease transactions that do not transfer ownership

The straight-line method is used with the lease period as the useful life and the residual value as zero.

5. Accounting standards for allowances and provisions

(1) Allowance for doubtful accounts

In order to prepare for losses due to bad debts, the Company records estimated uncollectible amount based on the Company's historical credit loss ratio for ordinary receivables, and on a case-by-case basis in consideration of collectability for specific receivables such as doubtful receivables.

(2) Provision for bonuses

In order to prepare for the payment of employee bonuses, the estimated amount of payment is recorded.

(3) Provision for bonuses for directors (and other officers)

In order to prepare for the payment of bonuses for directors (and other officers), estimated amount of payment in the current fiscal year is recorded.

6. Accounting standards for revenues and expenses recognition

(1) Revenue recognition method (5-step approach)

Revenue is recognized based on the following 5-step approach.

Step 1: Identify a contract with a customer.
Step 2: Identify the performance obligations in the contract.
Step 3: Calculate the transaction price.
Step 4: Allocate the transaction price to the performance obligations in the contract.
Step 5: Recognize revenue when or as the performance obligations are satisfied.

A separate good or service included in a contract with a customer is identified, and performance obligations are identified by this transaction unit.

Transaction prices are measured at the amount of consideration to which the Company expects to be entitled in exchange for the transfer of promised goods or services to customers. The consideration from the customer for the transaction is generally received within one year from the time of the transfer of goods or services to the customer, and does not include any significant financial elements.

If a contract includes multiple performance obligations in the Global Data Intelligence business, the transaction price is allocated to each performance obligation based on the independent sales price.

(2) Recognition of revenue from major transactions

1) Global Data Intelligence business

a) Revenue recognition related to sale of goods

In the sale of goods, the Company sells digital forensics equipment, etc., and recognizes the services provided by the Group in relation to these as performance obligations.

In the sale of goods, revenue is recognized at the time of delivery because the control over the goods is transferred to the customer at the time of delivery.

b) Revenue recognition related to license sales

In license sales, the Company sells licenses for analytic software, etc. related to digital forensics equipment, and the Company recognizes the services provided by the Group in relation to these as performance obligations.

A software license provides customers with either the right to use the Group's software for an unlimited period of time or the right to use the Company's software for a limited period of time, which is generally one to three years.

Revenue from license sales is recognized when the control over the software license is transferred to the customer and the term of the license agreement begins.

c) Revenue recognition related to maintenance services and software updates

The Company provides maintenance services for digital forensics equipment and other equipment in use by customers. In addition, the Company provides software updates and technical support services, and it recognizes the services it provides in relation to these as performance obligations.

These maintenance services and software updates, etc. are transactions that satisfy performance obligations over a certain period of time because services are continuously provided to customers during the contract period, and revenue is recognized in accordance with the lapse of the period.

2) Entertainment-related business

a) Revenue recognition related to sale of goods

In the sale of goods, the Company manufactures and sells entertainment-related equipment, etc., and recognizes the services provided by the Group in relation to these as performance obligations.

In the sale of goods, revenue is recognized at the time of delivery because the control over the goods is transferred to the customer at the time of delivery.

b) Revenue recognition related to development

In the development sales, services to provide software developed based on orders received from customers are recognized as performance obligations.

Revenue from development sales is recognized at the time of acceptance by the customer because the control over the software is transferred to the customer at the time of acceptance by the customer.

3) New IT-related business

a) Revenue recognition related to sale of goods

In the sale of goods, the Company manufactures and sells M2M communication equipment, etc., and recognizes the services provided by the Group in relation to theses as performance obligations.

In the sale of goods, revenue is recognized at the time of delivery because the control over the goods is transferred to the customer at the time of delivery.

b) Revenue recognition related to development

In the development sales, services to provide software developed based on orders received from customers are recognized as performance obligations.

Revenue from development sales is recognized at the time of acceptance by the customer because the control over the software is transferred to the customer at the time of acceptance by the customer.

c) Revenue recognition related to maintenance services

In the area of maintenance services, the Company provides maintenance services for M2M communication equipment, and recognizes the services provided by the Company in relation to these as performance obligations. The service period is 3-5 years.

Maintenance services are transactions that satisfy performance obligations over a certain period of time because services are continuously provided to customers during the contract period, and revenue is recognized in accordance with the lapse of the period.

(Significant accounting estimates)

Items for which the amount was recorded in the financial statements for the current fiscal year based on accounting estimates, which may have a significant effect on the financial statements for the following fiscal year, are as follows.

(Valuation of investment securities held by the Company to which the price adjustment clause applies)

1. Amounts recorded in the financial statements for the current fiscal year

As the price adjustment clause, investment securities classified as Level 3 are ¥4,304,673 thousand in the previous fiscal year and ¥12,918,819 thousand in the current fiscal year, and the market value is calculated using inputs that cannot be observed in the market, so there is uncertainty in estimates.

2. Information that contributes to an understanding of the content of significant accounting estimates pertaining to the identified items

1) Calculation method

The calculation method is stated in Notes (Notes to Financial Instruments) 3. Matters concerning the breakdown by level of market values of financial instruments, (Note 1) Explanation of valuation techniques used in the calculation of market value and inputs to the calculation of market value in the consolidated financial statements.

2) Major assumptions

Major assumptions are the inputs used in the mark-to-market valuation model. They include inputs that are observable directly or indirectly in the market, such as interest rates and the market value of securities, as well as inputs that are not observable in the market, including material estimates such as volatility, time to maturity and expected dividend yield.

3) Impact on the financial statements for the following fiscal year

The market value of financial instruments may increase or decrease due to changes in inputs that are major assumptions, due to market changes, etc.

(Additional Information)

(Application of treatment of accounting and disclosure when applying the Group Tax Sharing System)

Since the same content is stated in Notes (Additional Information) of the consolidated financial statements, the description is omitted.

(Notes to Balance Sheet)

*1 Monetary claims and liabilities to subsidiaries and associates

	Previous fiscal year (As of March 31, 2023)	Current fiscal year (As of March 31, 2024)
Short-term monetary claims	3,042 thousand yen	249 thousand yen
Short-term monetary debt	116,793 thousand yen	192,149 thousand yen

*2 For the accounting treatment of notes maturing on the last day of a fiscal year, the last day of the current fiscal year fell on a holiday of financial institutions. The Company, however, treated them as having been settled on the maturity date. The amounts of the notes matured on the last day of the current fiscal year are as follows:

	Previous fiscal year (As of March 31, 2023)	Current fiscal year (As of March 31, 2024)
Notes receivable - trade	— thousand yen	358 thousand yen
Notes payable - trade	— thousand yen	50,989 thousand yen

*3 Accumulated depreciation of property, plant and equipment is as follows.

	Previous fiscal year (As of March 31, 2023)	Current fiscal year (As of March 31, 2024)
Accumulated depreciation of property, plant and equipment	1,645,560 thousand yen	1,675,676 thousand yen

*4 The Company has entered into overdraft agreements with 9 banks with which it does business in order to efficiently procure working capital. The balance of unexecuted borrowings based on these agreements at the end of the fiscal year is as follows.

	Previous fiscal year (As of March 31, 2023)	Current fiscal year (As of March 31, 2024)
Total amount of overdraft agreements	7,200,000 thousand yen	7,700,000 thousand yen
Outstanding borrowings	— thousand yen	1,000,000 thousand yen
Net amount	7,200,000 thousand yen	6,700,000 thousand yen

(Notes to Statement of Income)

*1 The approximate percentage of expenses included in selling expenses was 16.7% in the previous fiscal year and 18.5% in the current fiscal year. The approximate percentage of expenses included in general and administrative expenses was 83.3% in the previous fiscal year and 81.5% in the current fiscal year.

Major expense items and amounts are as follows.

	Previous fiscal year (From April 1, 2022 to March 31, 2023)	Current fiscal year (From April 1, 2023 to March 31, 2024)
Salaries, allowances and bonuses	422,266 thousand yen	430,077 thousand yen
Provision for bonuses	52,052 thousand yen	44,766 thousand yen
Retirement benefit expenses	16,708 thousand yen	18,140 thousand yen

Depreciation	11,907 thousand yen	11,165 thousand yen
Research and development expenses	929,194 thousand yen	1,014,157 thousand yen
Allowance for doubtful accounts	100 thousand yen	(100) thousand yen

*2 Total amount of operating transactions and non-operating transactions with subsidiaries and associates

	Previous fiscal year (From April 1, 2022 to March 31, 2023)	Current fiscal year (From April 1, 2023 to March 31, 2024)
Net sales	13 thousand yen	8,314 thousand yen
Purchase of goods	595,823 thousand yen	739,430 thousand yen
Transactions other than operating transactions	12,644 thousand yen	14,837 thousand yen

(Notes to Securities)

Shares of subsidiaries and associates

Previous fiscal year (As of March 31, 2023)

(Thousands of yen)

Classification	Amount stated on balance sheet	Market value	Difference
Shares of associates	0	77,739,844	77,739,844
Total	0	77,739,844	77,739,844

(Note) Amounts of shares, etc. without market price recorded on the balance sheet that are not included in the above

(Thousands of yen)

Classification	Previous fiscal year (As of March 31, 2023)
Shares of subsidiaries	1,000,093
Total	1,000,093

Current fiscal year (As of March 31, 2024)

(Thousands of yen)

Classification	Amount stated on balance sheet	Market value	Difference
Shares of associates	0	160,376,911	160,376,911
Total	0	160,376,911	160,376,911

(Note) Amounts of shares, etc. without market price recorded on the balance sheet that are not included in the above

(Thousands of yen)

Classification	Current fiscal year (As of March 31, 2024)
Shares of subsidiaries	1,000,093
Total	1,000,093

(Tax Effect Accounting)

1. Major components that caused deferred tax assets and deferred tax liabilities

	Previous fiscal year (As of March 31, 2023)	Current fiscal year (As of March 31, 2024)
Deferred tax assets		
Research and development expenses	156,106 thousand yen	238,719 thousand yen
Investment securities	72,813 thousand yen	72,813 thousand yen
Shares of subsidiaries and associates	266,013 thousand yen	266,013 thousand yen
Provision for bonuses	56,869 thousand yen	42,075 thousand yen
Loss carried forward	543 thousand yen	- thousand yen
Loss on valuation of inventories	38,816 thousand yen	30,856 thousand yen
Other	37,967 thousand yen	87,727 thousand yen
Subtotal of deferred tax assets	629,132 thousand yen	738,205 thousand yen
Valuation allowance for tax loss carryforwards	(543) thousand yen	- thousand yen
Valuation allowance for total deductible temporary differences	(628,588) thousand yen	(524,313) thousand yen
Subtotal of valuation allowance	(629,132) thousand yen	(524,313) thousand yen
Total deferred tax assets	— thousand yen	213,892 thousand yen
Deferred tax liabilities		
Valuation difference on available-for-sale securities	1,317,230 thousand yen	4,007,361 thousand yen
Enterprise tax receivable	186,487 thousand yen	- thousand yen
Total deferred tax liabilities	1,503,717 thousand yen	4,007,361 thousand yen
Net deferred tax liabilities	1,503, 717 thousand yen	3,793,469 thousand yen
Deferred tax assets for land revaluation	139,750 thousand yen	139,750 thousand yen
Valuation allowance	(139,750) thousand yen	(139,750) thousand yen
Deferred tax liabilities for land revaluation	(9,920) thousand yen	(9,920) thousand yen
Net deferred tax liabilities for land revaluation	(9,920) thousand yen	(9,920) thousand yen

2. Breakdown of major items that caused important differences between the normal effective statutory tax rate and the actual effective tax rate after the application of tax effect accounting, if any

	Previous fiscal year (As of March 31, 2023)	Current fiscal year (As of March 31, 2024)
Normal effective statutory tax rate	30.6 %	30.6 %
(Adjustment)		
Permanently non-deductible expenses such as entertainment expenses	0.5 %	2.6 %
Permanently non-taxable income such as dividends received	(0.0) %	(0.3) %
Equal division of municipal tax	0.1 %	0.9 %
Change in valuation allowance	(24.2) %	(37.6) %
Income taxes for prior periods	- %	2.8 %
Other	- %	0.1 %
Normal effective tax rate after application of tax-effect accounting	7.0 %	(1.0) %

3. Accounting treatment for income tax and local income tax or accounting treatment for tax effect accounting related thereto

The Company adopts the group tax sharing system from the current fiscal year. In addition, in accordance with the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (ASBJ PITF No. 42, August 12, 2021), it carries out accounting treatment and disclosure of income taxes and local income taxes, or tax effect accounting related thereto.

(Notes to Revenue Recognition)

The information that serves as the basis for understanding revenue from contracts with customers is omitted because the same content is provided in Notes (Notes to Revenue Recognition) of the consolidated financial statements.

(Significant subsequent events)

Not applicable.

4) Supplemental Schedules

[Schedule of Property, Plant and Equipment, etc.]

(Thousands of yen)

Type of asset	Balance at beginning of period	Increase during the year	Decrease during the year	Amortization for the year	Balance at end of period	Accumulated depreciation
Property, plant and equipment						
Buildings	197,651	425	139	12,723	185,214	678,055
Structures	6,831	-	-	515	6,315	34,094
Machinery and equipment	31,677	11,637	-	9,651	33,662	333,512
Vehicles	77	-	-	77	0	354
Tools, furniture and fixtures	66,760	41,427	232	57,209	50,745	628,773
Leased assets	-	11,520	-	886	10,633	886
Land	681,114 [(434,283)]	-	-	-	681,114 [(434,283)]	-
Total property, plant and equipment	984,112	65,009	371	81,063	967,686	1,675,676
Intangible assets						
Software	117,984	157,241	-	98,738	176,486	-
Software in progress	100,542	53,739	144,749	-	9,532	-
Other	8,040	-	-	-	8,040	-
Total intangible assets	226,566	210,981	144,749	98,738	194,059	-

(Note) Figures in brackets for the balance of land at the beginning of the current fiscal year and the balance at the end of the current fiscal year represent the difference from the book value before the implementation of the revaluation of land for business use conducted pursuant to the Act on Revaluation of Land (Act No. 34 promulgated on March 31, 1998).

[Schedule of Provisions]

(Thousands of yen)

Account title	Balance at beginning of period	Increase during the year	Decrease during the year	Balance at end of period
Allowance for doubtful accounts (current)	500	400	500	400
Provision for bonuses	185,848	137,501	185,848	137,501

(2) Components of major assets and liabilities

This information is omitted because the Company has prepared consolidated financial statements.

(3) Others

Not applicable.

VI. Outline of Share-related Administration of the Filing Company

Fiscal year	From April 1 to March 31
Ordinary General Meeting of Shareholders	In June
Record date	March 31
Record date for dividends of surplus	September 30 and March 31
Number of shares constituting one unit	100 shares
Purchase of shares less than one unit	
Handling office	Stock Transfer Agency Department, Mitsubishi UFJ Trust and Banking Corporation 1-4-5 Marunouchi, Chiyoda-ku, Tokyo
Transfer agent	Mitsubishi UFJ Trust and Banking Corporation 1-4-5 Marunouchi, Chiyoda-ku, Tokyo
Forward office	-
Purchasing fee	Free
Method of public notice	The Company’s method of public notice is through electronic public notice. However, if it is not possible to give public notice electronically due to an accident or other unavoidable circumstances, the Company will publish the notice in the Nihon Keizai Shimbun. The Company’s electronic public notice is posted on its website at the following address: https://www.sun-denshi.co.jp
Shareholders’ privileges	None

VII. Reference Information of the Filing Company

1. Information about Parent of the Filing Company

The Company does not have a parent company or other entity that is provided in Article 24-7, Paragraph 1 of the Financial Instruments and Exchange Act.

2. Other Reference Information

The Company submitted the following documents during the period from the starting date of the current fiscal year to the date on which the Annual Securities Report was submitted.

(1) Annual Securities Report and documents attached thereto, and Confirmation Letter thereof

The Annual Securities Report for the 52nd fiscal year (from April 1, 2022 to March 31, 2023) and documents attached thereto, and Confirmation Letter thereof were submitted to the Director-General of the Tokai Local Finance Bureau on June 26, 2023.

(2) Internal Control Report and documents attached thereto

The Internal Control Report and documents attached thereto were submitted to the Director-General of the Tokai Local Finance Bureau on June 26, 2023.

(3) Quarterly Securities Report and Confirmation Letter thereof

The Quarterly Securities Report for the First Quarter of the 53rd fiscal year (from April 1, 2023 to June 30, 2023) and the Confirmation Letter thereof were submitted to the Director-General of the Tokai Local Finance Bureau on August 10, 2023.

The Quarterly Securities Report for the Second Quarter of the 53rd fiscal year (from July 1, 2023 to September 30, 2023) and the Confirmation Letter thereof were submitted to the Director-General of the Tokai Local Finance Bureau on November 14, 2023.

The Quarterly Securities Report for the Third Quarter of the 53rd fiscal year (from October 1, 2023 to December 31, 2023) and the Confirmation Letter thereof were submitted to the Director-General of the Tokai Local Finance Bureau on February 13, 2024.

(4) Extraordinary Report

The Extraordinary Report was submitted to the Director-General of the Tokai Local Finance Bureau on June 26, 2023.

It is an Extraordinary Report based on the provisions of Article 24-5, Paragraph 4 of the Financial Instruments and Exchange Act and Article 19, Paragraph 2, Item 9-2 (results of exercise of voting rights at general meetings of shareholders) of the Cabinet Office Order on Disclosure of Corporate Affairs.

(5) Share Buyback Report

The Share Buyback Reports were submitted to the Tokai Local Finance Bureau on July 13, 2023, August 10, 2023, September 13, 2023, October 13, 2023, November 14, 2023, and December 14, 2023.

(6) Revised Share Buyback Report

The revised Share Buyback Report was submitted to the Tokai Local Finance Bureau on August 10, 2023.

(7) Position Statement

The Position Statement was submitted to the Tokai Local Finance Bureau on June 20, 2024.

Part II Information on Guarantors of the Filing Company

Not applicable.

Independent Auditor's Report on the Consolidated Financial Statements and Internal Control Over Financial Reporting

June 25, 2024

To the Board of Directors of
SUNCORPORATION

Frontier Audit Corporation

Shinagawa-ku, Tokyo

Designated and Engagement Partner	Certified Public Accountant	Yukio Fujii
Designated and Engagement Partner	Certified Public Accountant	Daisuke Hongo

<Consolidated Financial Statements Audit>

Audit Opinion

Pursuant to Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements of SUNCORPORATION for the consolidated fiscal year from April 1, 2023 to March 31, 2024, provided in "Financial Information," which comprise 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, the significant accounting policies for preparation of consolidated financial statements, other explanatory information, and the annexed consolidated detailed schedules.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of SUNCORPORATION and its consolidated subsidiaries as of March 31, 2024, and their operating results and their cash flows for the consolidated fiscal year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under the auditing standards are stated in "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements." We are independent of the Company and its consolidated subsidiaries in accordance with the code of professional ethics in Japan and fulfill other ethical responsibilities as an auditor. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated financial statements for the current fiscal year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th colspan="2">Reasonableness of valuation of the fair value of liability financial instruments of Cellebrite DI Ltd. and of investment securities recorded for the financial instruments</th></tr>
<tr><th>Key audit matter description and reasons for selection thereof</th><th>How the key audit matter was addressed in the audit</th></tr>
<tr><td>As described in “Additional Information (Liability financial instruments in Cellebrite),” Cellebrite DI Ltd. (hereinafter, “CB”), an associate accounted for using equity method of SUNCORPORATION, recorded liability financial instruments, comprising restricted shares, a price adjustment clause, and warrant liabilities, as derivative liabilities. As a result, in the current fiscal year, the Company recorded share of loss of entities accounted for using equity method of 4,498,420 thousand yen associated with changes in the fair value of the said liabilities due to fluctuation of CB’s share price.

In addition, the investment securities of 20,663,685 thousand yen recorded in the consolidated balance sheet include 12,918,819 thousand yen of rights recorded for CB’s liability financial instruments for the price adjustment clause, as described in the notes “(Significant accounting estimates) Valuation of investment securities held by the Company to which the price adjustment clause applies.”

As described in the notes to the consolidated financial statements “(Significant accounting policies for preparation of consolidated financial statements) 5. Accounting policies, (1) Valuation standards and methodology for material assets, 1) Securities,” the amount of investment securities recorded for CB’s liability financial instruments are equivalent to SUNCORPORATION’s share in CB’s liability financial instruments. Therefore, they are valued at fair value in the consolidated balance sheet based on the valuation of the fair value of CB’s liability financial instruments, and the valuation difference arising from the revaluation is recorded as valuation difference on available-for-sale securities in the net assets after deducting deferred tax liabilities pertaining to the valuation difference.

The fair value of liability financial instruments classified as Level 3 fair value is measured by a pricing model that uses various inputs such as stock prices and interest rates. In particular, significant unobservable inputs such as the stock price volatility are used to measure the Level 3 fair value of liability financial instruments.

In valuation of the Level 3 fair value of CB’s liability financial instruments, management needs to make decisions to select and adjust the pricing model. Therefore, the valuation of the Level 3 fair value of CB’s liability financial instruments involves high uncertainty in accounting estimates, and has a significant impact on the fair value of the liability financial instruments and on the financial position and operating results.

In addition, in estimation of the fair value of CB’s liability financial instruments, a high level of expertise in valuation is required to select valuation techniques and input data.</td><td>In order to evaluate the reasonableness of valuation of the fair value of CB’s liability financial instruments, we performed the following audit procedures.
(1) Assessment of internal control
We assessed the effectiveness of the design and operation of internal control related to the valuation of the fair value of CB’s liability financial instruments.
(2) Examination of the reasonableness of valuation of the fair value of CB’s liability financial instruments
In order to examine the reasonableness of valuation of the fair value of CB’s liability financial instruments, we asked management about the basis for the valuation, and mainly conducted the following procedures. The implementation of these procedures involved experts in the valuation of financial instruments.
● Examined the validity of the pricing model used to measure the fair value of the liability financial instruments.
● Made a comparison between the auditor’s own valuation of the liability financial instruments and the valuation by the Company using experts, and analyzed trends associated with changes in inputs such as stock prices and interest rates.
(3) Examination of the reasonableness of valuation of the fair value of the investment securities recorded for the financial instruments
In order to examine the reasonableness of valuation of the fair value of the investment securities recorded for the financial instruments, we performed the following procedures.
● Made a comparison between the valuation of CB’s liability financial instruments and the amount equivalent to the Company’s share therein.</td></tr>
</table>

Thus, we determined that the reasonableness of valuation of the fair value of CB's liability financial instruments and the investment securities recorded for the financial instruments was particularly important in the audit of the consolidated financial statements for the current fiscal year, and considered this to be a key audit matter.	

Other Information

The other information consists of the information contained in the securities report other than the consolidated financial statements, the financial statements, and the independent auditor's reports thereon. Management is responsible for the preparation and disclosure of the other information. The Audit and Supervisory Committee is responsible for monitoring the execution of Directors' duties in the development and operation of the reporting process for the other information.

Our audit opinion on the consolidated financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

Our responsibility in our audit of the consolidated financial statements is to read the other information and, in doing so, to consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Management's and the Audit and Supervisory Committee's Responsibilities 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 development and operation of internal control as management judges necessary to enable the preparation and fair presentation of the consolidated financial statements which are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements in accordance with the going concern assumption and disclosing matters regarding the going concern assumption in accordance with accounting principles generally accepted in Japan if such matters need to be disclosed.

The Audit and Supervisory Committee is responsible for monitoring the execution of Directors' duties in the development and operation of the financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our responsibilities are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that expresses our opinion on the consolidated financial statements from an independent point of view, based on our audit. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of the consolidated financial statements.

We exercise professional judgement and maintain professional skepticism throughout the audit in accordance with auditing standards generally accepted in Japan in performing the following:

- Identify and assess the risks of material misstatement due to fraud or error. We design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider, when assessing risks, internal control relevant to the audit of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, although the purpose of the audit is not to express an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies adopted by management and their method of application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes thereto.
- 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 a material uncertainty exists regarding events or conditions that may cast significant doubt on the going concern assumption. If there is a material uncertainty regarding the going concern assumption, we are required to raise awareness to the notes to the consolidated financial statements in the audit report, or if the notes to the material uncertainty in the consolidated financial statements are inappropriate, we are required to issue a modified opinion on the consolidated financial statements. While our conclusion is based on the audit evidence that we obtained by the date of the audit report, the Company may not be able to exist as a going concern, depending on future events or circumstances.
- Assess whether the presentation of the consolidated financial statements and notes thereto are in accordance with accounting

principles generally accepted in Japan, as well as the presentation, structure, and content of the consolidated financial statements, including the related notes, and whether the consolidated financial statements fairly present the underlying transactions and accounting events.

• Obtain sufficient and appropriate audit evidence regarding 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 the instruction, supervision, and execution of the audit of the consolidated financial statements. We bear sole responsibility for our opinion.

We report to the Audit and Supervisory Committee on the scope and timing of implementation of the planned audit, as well as on any material audit findings, including significant internal control deficiencies identified during the audit process, and other matters required under the auditing standards.

We report to the Audit and Supervisory Committee that we have observed the code of professional ethics in Japan in terms of independence and on matters that are reasonably believed to impact our independence, as well as on details of any countermeasures if those are applied to eliminate obstacles or on details of any safeguards if those are applied to reduce obstacles to an acceptable level.

Among the matters discussed with the Audit and Supervisory Committee, we consider those matters that are particularly important in the audit of the consolidated financial statements for the current fiscal year to be key audit matters, and describe them in the audit report. However, we do not present such matters in the auditor’s report if their publication is prohibited by laws and regulations, or if, in extremely rare cases, we determine that we should not report them in the auditor’s report as doing so creates disadvantages that could reasonably be expected to outweigh the public interest.

<Internal Control Audit>

Audit Opinion

Pursuant to Article 193-2, Paragraph 2 of the Financial Instruments and Exchange Act, we have audited the internal control report of SUNCORPORATION as of March 31, 2024.

In our opinion, the internal control report referred to above, in which SUNCORPORATION states that internal control over financial reporting was effective as of March 31, 2024, presents fairly, in all material respects, the result of the assessment of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Basis for Opinion

We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under the auditing standards for internal control over financial reporting are stated in “Auditor’s Responsibilities for the Audit of Internal Control.” We are independent of the Company and its consolidated subsidiaries in accordance with the code of professional ethics in Japan and fulfill other ethical responsibilities as an auditor. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management’s and the Audit and Supervisory Committee’s Responsibilities for the Internal Control Report

Management is responsible for the design and operation of internal control over financial reporting and the preparation and fair presentation of the internal control report in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

The Audit and Supervisory Committee is responsible for monitoring and examining the design and operation of internal control over financial reporting.

There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

Auditor’s Responsibilities for the Audit of Internal Control

Our responsibilities are to obtain reasonable assurance about whether the internal control report is free from material misstatement, and to issue an internal control audit report that expresses our opinion on the internal control report from an independent point of view, based on our internal control audit.

We exercise professional judgement and maintain professional skepticism throughout the audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan in performing the following:

• Perform audit procedures to obtain audit evidence about the result of the assessment of internal control over financial reporting in the internal control report. The procedures for internal control audit are selected and applied as determined by the auditor, based on the significance of effects on reliability of financial reporting.

- Evaluate the overall presentation of the internal control report, including management’s presentation of the scope, procedures, and result of the assessment of internal control over financial reporting.
- Obtain sufficient and appropriate audit evidence about the result of the assessment of internal control over financial reporting in the internal control report. We are responsible for the instruction, supervision, and execution of the audit of the internal control report. We bear sole responsibility for our opinion.

We report to the Audit and Supervisory Committee on the scope and timing of implementation of the planned internal control audit, the results of the internal control audit, identified significant internal control deficiencies that should be disclosed, the results of their corrections, and other matters required under the auditing standards for internal control.

We report to the Audit and Supervisory Committee that we have observed the code of professional ethics in Japan in terms of independence and on matters that are reasonably believed to impact our independence, as well as on details of any countermeasures if those are applied to eliminate obstacles or on details of any safeguards if those are applied to reduce obstacles to an acceptable level.

< Fee-related Information>

The amounts of fees paid to this audit corporation and to persons belonging in the same network as this audit corporation for audit and non-audit services for the Company and its subsidiaries are described in (3) Audits under Corporate Governance in “Information on the Filing Company.”

Interest

There exists no special interest between the Company as well as its consolidated subsidiaries and this audit corporation or its engagement partners which is required to be stated pursuant to the provisions of the Certified Public Accountants Act.

End of text

(*) 1. The original of the independent auditor’s report stated above is separately archived by the Company (the company submitting the securities report).

2. XBRL data is not included in the target of the audit.

Independent Auditor’s Report on the Financial Statements

June 25, 2024

To the Board of Directors of
SUNCORPORATION

Frontier Audit Corporation

Shinagawa-ku, Tokyo

Designated and Engagement Partner	Certified Public Accountant	Yukio Fujii
Designated and Engagement Partner	Certified Public Accountant	Daisuke Hongo

<Financial Statements Audit>

Audit Opinion

Pursuant to Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, we have audited the financial statements of SUNCORPORATION for the 53rd fiscal year from April 1, 2023 to March 31, 2024, provided in “Financial Information,” which comprise the balance sheet, the statement of income, the statement of changes in equity, the significant accounting policies, other explanatory information, and the annexed detailed schedules.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SUNCORPORATION as of March 31, 2024 and its operating results for the fiscal year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under the auditing standards are stated in “Auditor’s Responsibilities for the Audit of the Financial Statements.” We are independent of the Company in accordance with the code of professional ethics in Japan and fulfill other ethical responsibilities as an auditor. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements for the current fiscal year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th colspan="2">Reasonableness of valuation of the fair value of investment securities recorded for the liability financial instruments of Cellebrite DI Ltd.</th></tr>
<tr><th>Key audit matter description and reasons for selection thereof</th><th>How the key audit matter was addressed in the audit</th></tr>
<tr><td>The investment securities of 20,647,435 thousand yen recorded in the balance sheet of SUNCORPORATION for the fiscal year ended on March 31, 2024 include 12,918,819 thousand yen of rights recorded for the liability financial instruments of Cellebrite DI Ltd. (hereinafter, “CB”) for the price adjustment clause, as described in the notes “(Significant accounting estimates) Valuation of investment securities held by the Company to which the price adjustment clause applies.”
As described in the notes to the financial statements, “(Significant accounting policies) 1. Valuation standards and methodology for securities,” the amount of investment securities recorded for CB’s liability financial instruments are equivalent to SUNCORPORATION’s share in CB’s liability financial instruments. Therefore, they are valued at fair value in the balance sheet based on the valuation of the fair value of CB’s liability financial instruments, and the valuation difference arising from the revaluation is recorded as valuation difference on available-for-sale securities in the net assets after deducting deferred tax liabilities pertaining to the valuation difference.
The fair value of liability financial instruments classified as Level 3 fair value is measured by a pricing model that uses various inputs such as stock prices and interest rates. In particular, significant unobservable inputs such as the stock price volatility are used to measure the Level 3 fair value of liability financial instruments.
In valuation of the Level 3 fair value of CB’s liability financial instruments, management needs to make decisions to select and adjust the pricing model. Therefore, the valuation of the Level 3 fair value of CB’s liability financial instruments involves high uncertainty in accounting estimates, and has a significant impact on the fair value of the liability financial instruments and on the financial position.
In addition, in estimation of the fair value of CB’s liability financial instruments, a high level of expertise in valuation is required to select valuation techniques and input data.
Thus, we determined that the reasonableness of valuation of the fair value of the investment securities recorded for CB’s liability financial instruments was particularly important in the audit of the financial statements for the current fiscal year, and considered this to be a key audit matter.</td><td>In the audit report on the consolidated financial statements, we determined that the reasonableness of valuation of the fair value of liability financial instruments of Cellebrite DI Ltd. and of investment securities recorded for the financial instruments was a key audit matter, and described how the matter was addressed in the audit.
The description of how it was addressed is substantially the same as in the audit of the non-consolidated financial statements. Therefore, the specific description thereof is omitted here.</td></tr>
</table>

Other Information

The other information consists of the information contained in the securities report other than the consolidated financial statements, the financial statements, and the independent auditor's reports thereon. Management is responsible for the preparation and disclosure of the other information. The Audit and Supervisory Committee is responsible for monitoring the execution of Directors' duties in the development and operation of the reporting process for the other information.

Our audit opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

Our responsibility in our audit of the financial statements is to read the other information and, in doing so, to consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Management's and the Audit and Supervisory Committee's Responsibilities 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 development and operation of internal control as management judges necessary to enable the preparation and fair presentation of the financial statements which are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing whether it is appropriate to prepare the financial statements in accordance with the going concern assumption and disclosing matters regarding the going concern assumption in accordance with accounting principles generally accepted in Japan if such matters need to be disclosed.

The Audit and Supervisory Committee is responsible for monitoring the execution of Directors' duties in the development and operation of the financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibilities are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that expresses our opinion on the financial statements from an independent point of view, based on our audit. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of the financial statements.

We exercise professional judgement and maintain professional skepticism throughout the audit in accordance with auditing standards generally accepted in Japan in performing the following:

- Identify and assess the risks of material misstatement due to fraud or error. We design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider, when assessing risks, internal control relevant to the audit of the financial statements in order to design audit procedures that are appropriate in the circumstances, although the purpose of the audit is not to express an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies adopted by management and their method of application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes thereto.
- 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 a material uncertainty exists regarding events or conditions that may cast significant doubt on the going concern assumption. If there is a material uncertainty regarding the going concern assumption, we are required to raise awareness to the notes to the financial statements in the audit report, or if the notes to the material uncertainty in the financial statements are inappropriate, we are required to issue a modified opinion on the financial statements. While our conclusion is based on the audit evidence that we obtained by the date of the audit report, the Company may not be able to exist as a going concern, depending on future events or circumstances.
- Assess whether the presentation of the financial statements and notes thereto are in accordance with accounting principles generally accepted in Japan, as well as the presentation, structure, and content of the financial statements, including the related notes, and

whether the financial statements fairly present the underlying transactions and accounting events.

We report to the Audit and Supervisory Committee on the scope and timing of implementation of the planned audit, as well as on any material audit findings, including significant internal control deficiencies identified during the audit process, and other matters required under the auditing standards.

We report to the Audit and Supervisory Committee that we have observed the code of professional ethics in Japan in terms of independence and on matters that are reasonably believed to impact our independence, as well as on details of any countermeasures if those are applied to eliminate obstacles or on details of any safeguards if those are applied to reduce obstacles to an acceptable level.

Among the matters discussed with the Audit and Supervisory Committee, we consider those matters that are particularly important in the audit of the financial statements for the current fiscal year to be key audit matters, and describe them in the auditor's report. However, we do not present such matters in the auditor's report if their publication is prohibited by laws and regulations, or if, in extremely rare cases, we determine that we should not report them in the auditor's report as doing so creates disadvantages that could reasonably be expected to outweigh the public interest.

<Fee-related Information>

Fee-related information is provided in the auditor's report on the consolidated financial statements.

Interest

There exists no special interest between the Company and this audit corporation or its engagement partners which is required to be stated pursuant to the provisions of the Certified Public Accountants Act.

End of text

(*) 1. The original of the independent auditor's report stated above is separately archived by the Company (the company submitting the securities report).

2. XBRL data is not included in the target of the audit.