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Names of Representatives:

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Chief Executive Officer

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Announcement of Extraordinary Loss (Lump-sum Amortization of Goodwill, etc.) in the Financial Results for the Third Quarter of the Fiscal Year Ending April 30, 2024 (Based on Japanese GAAP)

HEROZ, Inc. (the "Company") hereby announces that, in its non-consolidated financial results, the Company will record an impairment loss on the shares of its consolidated subsidiary, Vario Secure, Inc.(the "Vario Secure"). Accordingly, the Company announces that it will record an extraordinary loss due to a lump-sum amortization of a portion of goodwill ("the Amortization") in its consolidated financial results for the third quarter of the fiscal year ending April 30, 2024.

1. Description of losses recorded for Vario Secure

The Company entered a capital and business alliance with Vario Secure in September 2021, and the two companies have continued discussions with the aim of establishing a system for continuous creation of new services unique to a group of technical experts by combining "domain knowledge of rare security personnel held by Vario Secure" with "AI personnel held by the Company". Subsequently, in September 2022, the Company subscribed to a third-party allotment of new shares, making Vario Secure a consolidated subsidiary. The Company currently owns 42.8% of Vario Secure's common stock.

As the market price of Vario Secure's shares as of January 31, 2024, has fallen by more than 50% compared to the acquisition cost, the Company will record an impairment loss on these shares in its non-consolidated financial statements. As a result, the Company has decided to

perform this amortization in the consolidated financial statements in accordance with the provisions of the "Practical Guidelines for Capital Consolidation Procedures in Consolidated Financial Statements".

This amortization is a lump-sum amortization of goodwill resulting due to the decline in the market price of Vario Secure's shares in the consolidated financial statements, and does not mean that the goodwill recorded in Vario Secure's non-consolidated financial statements will be amortized.

2. Impact on business results and operations

In the third quarter of the fiscal year ending April 30, 2024, an extraordinary loss of 891,209 thousand yen due to amortization of goodwill of Vario Secure is expected in the consolidated accounts. In the Company's non-consolidated accounts, a loss on valuation of stocks of subsidiaries and affiliates of 1,506,362 thousand yen is expected to be recorded. Losses on valuation of stocks of subsidiaries and affiliates in the non-consolidated financial statements are eliminated in the consolidated financial statements, so there is no impact on consolidated financial results.

The Company is in final discussions with its auditing firm regarding the above amounts, and will make a further announcement if there is any change in the situation.

The full-year forecast for the fiscal year ending April 2024 is currently under scrutiny, together with the impact of the acquisition of shares in AI Square Inc. in November 2023 (making it a subsidiary), and is scheduled to be announced at the announcement of financial results for the third quarter of the fiscal year ending April 2024 (scheduled for March 8, 2024).

Goodwill amortization of Vario Secure may be reversed in the fiscal year ending April 30, 2024 if Vario Secure's stock price at the end of April 30, 2024 recovers, but if the stock price does not recover and is amortized in a lump sum in the fiscal year ending April 30, 2024, no reversal will occur thereafter. This amortization is a one-time expense resulting from the write-down of shares in the non-consolidated financial statements of the Company, and does not represent a revaluation of goodwill in the non-consolidated financial statements of Vario Secure itself.

In Vario Secure, their third-quarter financial results (IFRS) announced on January 11, 2024, show that they have already recorded a quarterly profit of 288 million yen for the first nine months of the fiscal year ending February 29, 2024, against a forecasted net income of 308 million yen for the fiscal year ending February 29, 2024, and the business is progressing steadily at 93.6% against the earnings forecast. The business is progressing steadily.

Furthermore, the Company's consolidated operating income for the first half of the fiscal year

was 252 million yen, 63% of the 400 million yen forecast for consolidated operating income in the second quarter disclosed on December 8, 2023.

We will continue to improve corporate value by creating synergies throughout the group.