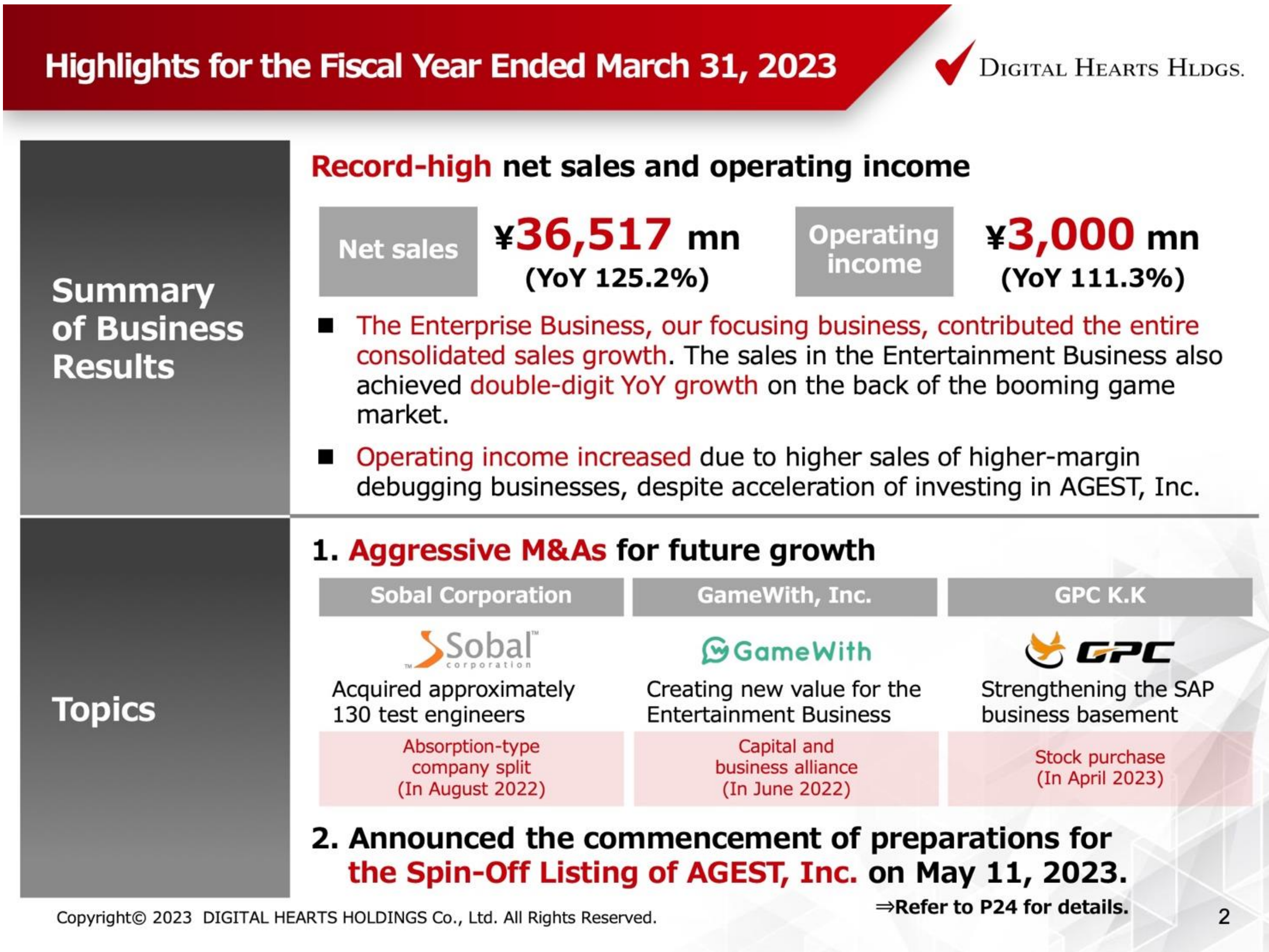
DIGITAL HEARTS HOLDINGS Co., Ltd.

Financial Results Briefing for the Fiscal Year Ended March 31, 2023

May 12, 2023

Presentation

Itami: I am Itami, Executive Officer and CFO. Thank you for participating in the presentation of our financial results for the fiscal year ending March 2023.



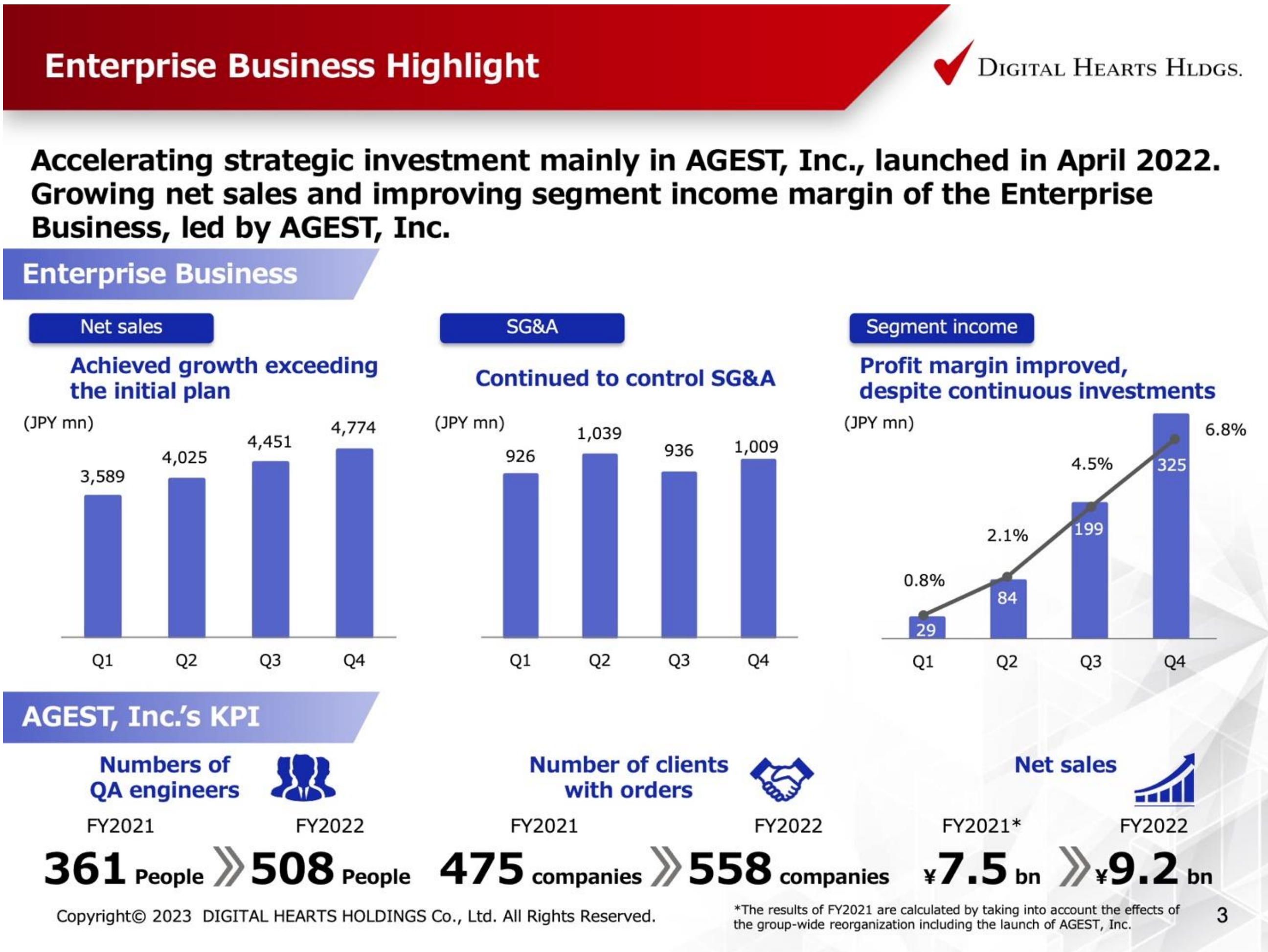
The first will be performance highlights.

Net sales were JPY36.5 billion, a significant increase of 125% of the previous fiscal year's level.

The Enterprise Business, our focusing business, contributed the entire consolidated sales growth. The sales in the Entertainment Business also achieved double-digit YoY growth, particularly in the debugging business. Operating income was JPY3 billion, 111% of the previous fiscal year's level. The Enterprise Business, while building business foundations and investing in growth, mainly in AGEST, Inc., secured segment income almost on a par with the previous year, and the Entertainment Business also recorded an increase in income due to higher sales, resulting in a double-digit increase in consolidated operating income.

In the fiscal year ended March 31, 2023, the Company continued to make use of M&A and other measures to achieve growth. In addition to concluding a capital and business alliance with GameWith last June, the Company acquired approximately 130 test engineers from Sobal in August. In March of this year, the Company acquired the company shares for GPC K.K, a company with strengths in the ERP business, and made it a subsidiary. Going forward, we will continue to actively utilize M&A.

The Spin-Off Listing of AGEST, which is mentioned here, was also announced yesterday, and Ninomiya will provide more details on this point later.



Next, I will explain the performance of our focusing business, the Enterprise Business, for the fiscal year ended March 31, 2023.

After forming AGEST as a core subsidiary in April last year, over the past year, we have implemented various initiatives to strengthen the foundation of our Enterprise Business, including recruiting and training personnel, establishing an office dedicated to engineers, and actively engaging in marketing activities.

Due to the impact of the acceleration of these strategic investments, the segment profit margin of the Enterprise Business in H1 remained at a low level. But in H2, with AGEST leading the way, quarterly sales in the Enterprise Business increased steadily and SG&A expenses were properly controlled. This has allowed the segment profit margin to improve to 6.8% in Q4.

Looking at AGEST's KPIs, the number of QA engineers has increased to about 500, the number of clients with orders has exceeded 500, and net sales have expanded to a level of nearly JPY10 billion.

Summary of Financial Results for FY2022

DIGITAL HEARTS HLDGS.

Significant increase in sales due to the growth of existing businesses and the impact of M&As. Operating income achieved double-digit growth and EBITDA grew significantly, despite aggressive investment for growth.

(JPY mn)	FY2021	FY2022	YoY Change	
Net sales	29,178	36,517	7,338	125.2%
Cost of sales	20,787	25,885	5,097	124.5%
Cost of sales (%)	71.2%	70.9%		-0.4points
Gross profit	8,391	10,632	2,241	126.7%
SG&A	5,695	7,631	1,936	134.0%
Operating income	2,696	3,000	304	111.3%
Operating income margin	9.2%	8.2%		-1.0points
Ordinary income	2,774	3,152	378	113.6%
Profit attributable to owners of parent	1,778	799	-979	45.0%
EBITDA	3,430	4,176	746	121.8%

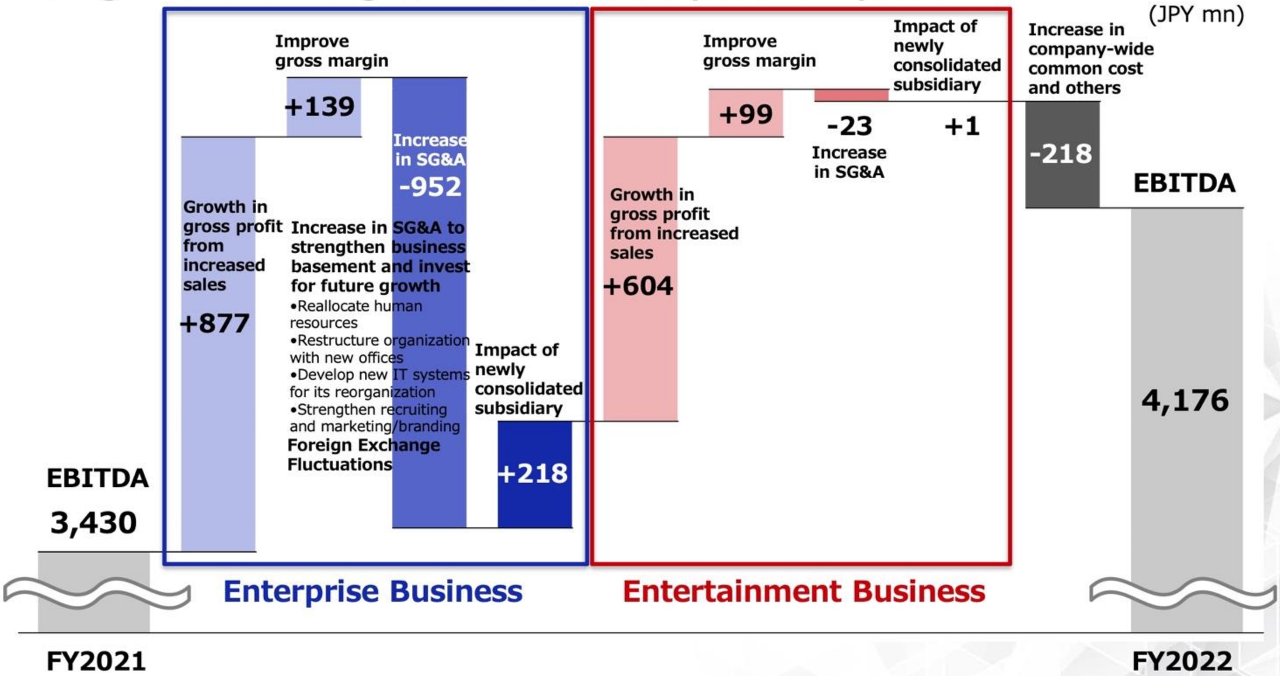
Next will be the consolidated statement of income.

As we first reported, we had a 125% increase in sales, 111% in operating income, and 121% in EBITDA. On the other hand, an extraordinary loss of JPY1.2 billion was recorded due to an impairment loss on goodwill of an overseas subsidiary affected by the spread of coronavirus infections in China, resulting in profit attributable to owners of parent of approximately JPY0.8 billion, lower than the previous year.

Analysis of Changes in EBITDA

DIGITAL HEARTS HLDGS.

While aggressively investing in the Enterprise Business for its developing business basement and future growth, EBITDA grew by 121.8% YoY due to the growth of existing businesses and the positive impact of M&As.



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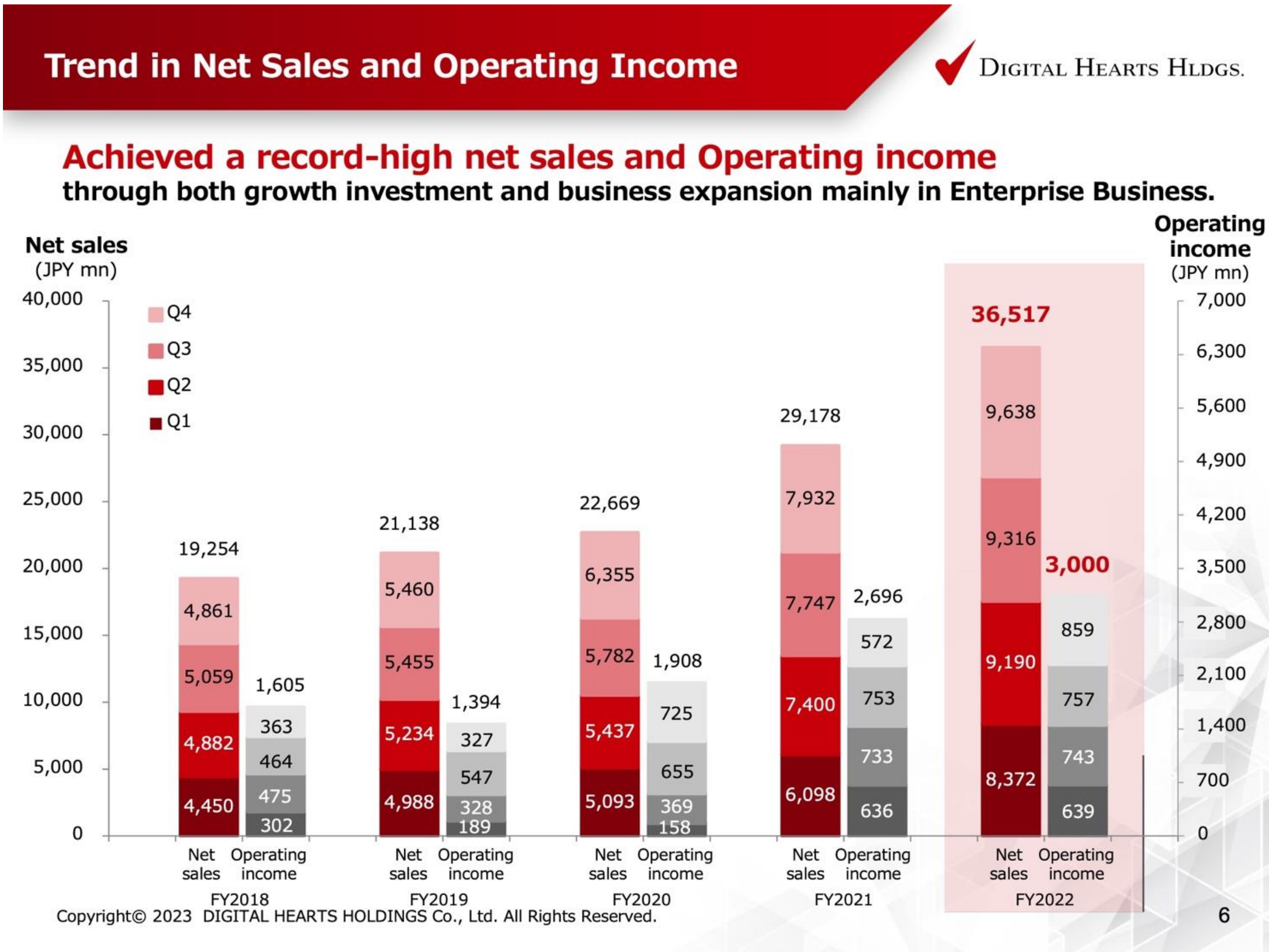
Next, here is the waterfall analysis of YoY changes in EBITDA.

In the Enterprise Business, as shown in the graph, SG&A expenses increased significantly due to increased investment to strengthen a business basement, increased costs associated with business scale expansion, and increased SG&A expenses at overseas subsidiaries due to the weak yen.

On the other hand, EBITDA of the Enterprise Business increased by JPY300 million over the previous fiscal year, 126% of the year-before level, due to increased profits from higher revenues and the profit contribution of a newly consolidated subsidiary.

In the Entertainment Business, EBITDA increased by double digits to 117% from the previous year, and EBITDA for the entire company was JPY4.1 billion, an increase of 121% from the previous year.



Here are the trends in sales and operating income from the past.

As you can see, both sales and operating income are increasing steadily, with sales reaching a record high of JPY36.5 billion and operating income surpassing JPY3 billion for the first time in three consecutive fiscal years.

Consolidated Balance Sheets

DIGITAL HEARTS HLDGS.

(JPY mn)	Q4 FY2021 (As of March 31, 2022)	Q4 FY2022 (As of March 31, 2023)	YoY Change
Total assets	**17,610**	**19,581**	**1,971**
Current assets	10,392	12,528	2,135
Cash and deposits	5,208	6,456	1,248
Noncurrent assets	7,217	7,052	-164
Property, plant and equipment	693	1,169	476
Intangible assets	5,139	4,188	-950
Goodwill	4,588	3,468	-1,119
Investments and other assets	1,384	1,694	309
Total liabilities	**10,044**	**10,107**	**63**
Current liabilities	9,679	9,930	251
Short-term loans	5,421	5,106	-314
Noncurrent liabilities	364	176	-188
Total net assets	**7,566**	**9,474**	**1,908**
Shareholders' equity	6,774	8,283	1,509
Accumulated other comprehensive income	217	522	305
Subscription rights to shares	-	6	6
Non-controlling interests	574	661	86
Total liabilities and net assets	**17,610**	**19,581**	**1,971**

Next, here is the consolidated balance sheet.

In terms of total assets, there was an increase of about JPY2 billion. Cash and deposits increased, partly because JPY1.1 billion was raised through equity finance, while short-term loans payable decreased. In addition, goodwill has decreased compared to the end of the previous fiscal year due to the impairment of goodwill as reported earlier.

Consolidated Statements of Cash Flows

DIGITAL HEARTS HLDGS.

(JPY mn)	FY2021	FY2022	YoY Change
Net cash provided by operating activities	3,077	2,850	-226
(*Cash flows before income taxes paid)	3,740	3,772	31
Net cash used in investing activities	-2,537	-1,903	633
Net cash provided by (used in) financing activities	-546	141	688
Effect of exchange rate change on cash and cash equivalents	139	194	54
Net increase in cash and cash equivalents	132	1,283	1,150
Cash and cash equivalents at the beginning of period	5,041	5,173	132
Cash and cash equivalents at the end of period	5,173	6,456	1,283

This is the consolidated statements of cash flow.

Net cash provided by operating activities was JPY2.8 billion, net cash used in investing activities, including M&A, was JPY1.9 billion, and net cash provided by financing activities was JPY0.6 billion, as equity finance covered repayment of borrowings and dividend payments. As a result, cash and cash equivalents at the end of period was JPY6.4 billion, up JPY1.2 billion from the previous fiscal year.

Medium-Term Targets (FY2021-FY2023)

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FY2023 Target

Group Business	<FY2020 Result>	<FY2021 Result>	<FY2022 Result>	<FY2023 Target>
Consolidated Sales	¥22.6 bn	¥29.1 bn	¥36.5 bn	¥50.0 bn
ROIC (*1)	16.8%	22.0%	22.5%	over 15%
M&A and alliances	3 projects	3 projects	1 project	5 projects (in 3years)
Number of Clients in Japan as a group	878 companies	1,005 companies	1,118 companies	2,000 companies
SDGs				
Number of IT Human Resources incl. Qualitist (*2)	4,517 people	10,660 people	15,490 people	20,000 people
Female managers ratio (ratio to total managers) (*3)	10.7%	11.8%	13.6%	over 20%

*1 ROIC=EBITDA×(1-effective tax rate)÷(interest-bearing debt+shareholders' equity)
*2 Qualitist...Our original term for specialist contributing to the quality incl. engineers
*3 Calculated from the data of our group companies in Japan

This is the progress toward the medium-term targets.

In the fiscal year ended March 31, 2023, all of these results exceeded those of the previous fiscal year.

(Appendix) FY2022 Non-operating Income / Extraordinary Income and Loss

DIGITAL HEARTS HLDGS.

Extraordinary losses due to the market changes by COVID-19 in China and other factors.

Non-operating income

¥220 mn

- **Foreign exchange gain ¥151 mn**
  Exchange difference on intergroup loans to a U.S. subsidiary, LOGIGEAR CORPORATION.

Extraordinary income

¥75 mn

- **Settlement income ¥75 mn**
  Litigation settlement by LOGIGEAR CORPORATION, a U.S. subsidiary.

Extraordinary loss

¥1,231 mn

- **Impairment loss ¥1,045 mn**
  Impairment loss on goodwill associated with the acquisition of DIGITAL HEARTS CROSS Marketing and Solutions Limited's share, due to the market changes by COVID-19 and other factors in China.
- **Business liquidation loss ¥23 mn**
  Losses associated with the withdrawal from a part of businesses of the subsidiary DIGITAL HEARTS Seoul Co., Ltd. (formerly Orgosoft Co., Ltd.), a subsidiary in South Korea.
- **Settlement payments ¥37 mn**
  Settlement payments for the Creative division.
- **Loss on transfer of business ¥111 mn**
  Losses associated with the separation of the advertising agency businesses specializing in Taiwan.

Next, here are the main items of non-operating income/loss and extraordinary income/loss.

A particularly significant impact was an extraordinary loss of JPY1.2 billion. In particular, the aftermath of the spread of the new coronavirus in China and changes in the environment of the Chinese game market led to an impairment loss of JPY1 billion on the goodwill of our subsidiary DIGITAL HEARTS CROSS Marketing and Solutions Limited. In China, despite the problems with gaming regulations and other issues, we continue to see signs of recovery from the impact of the coronavirus, and we believe that there is a great opportunity to expand our business globally, including in China.

I will now explain the results by segment and the consolidated earnings forecast for the full year.

Summary of Financial Results by Segment

DIGITAL HEARTS HLDGS.

(JPY mn)	FY2021	FY2022	YoY
Net sales	**29,178**	**36,517**	**125.2%**
Enterprise	11,491	16,840	146.5%
Entertainment	17,687	19,815	112.0%
Adjustments	-	-138	-
Operating income	**2,696**	**3,000**	**111.3%**
Enterprise	645	639	99.1%
Entertainment	3,668	4,214	114.9%
Adjustments	-1,616	-1,853	-
EBITDA	**3,430**	**4,176**	**121.8%**
Enterprise	1,082	1,365	126.1%
Entertainment	3,938	4,620	117.3%

Here is the summary of financial results by segment.

Both the Enterprise and Entertainment segments recorded double-digit YoY revenue growth. To explain operating income by segment, the Enterprise segment secured almost the same level of profit as the previous fiscal year after aggressive investment, and the Entertainment segment recorded double-digit growth in segment income.

Financial Result of Enterprise Business

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- **High sales growth YoY over 1.5 times** due to continuous **double-digit growth in existing businesses** and the **effects of M&As** conducted last year.
- **Turn to the profit growing trend in 2H** with the contribution of AGEST, Inc., the core subsidiary of the Enterprise Business, though profit decline as a full year, mainly due to the impact of **strategic investments in 1H**.
- Segment income reached a **quarterly record high of 325 million yen** in Q4 (Jan-Mar) due to the sales expansion and the improved gross margin ratio.

(JPY mn)	FY2021	FY2022	YoY
Net sales	11,491	16,840	146.5%
QA solution	6,861	10,480	152.7%
IT services and others	4,629	6,360	137.4%
Segment income	645	639	99.1%
EBITDA	1,082	1,365	126.1%

First, the Enterprise Business, here is a summary.

As explained earlier, we recorded double-digit revenue growth in existing businesses and also benefited from M&A, achieving high sales growth of approximately 1.5 times that of the previous fiscal year. In terms of profit, the profit trend has been recovering since H2 of the fiscal year, and segment profit for Q4 recorded JPY0.3 billion, the highest quarterly profit ever recorded.

Key KPIs of Enterprise Business

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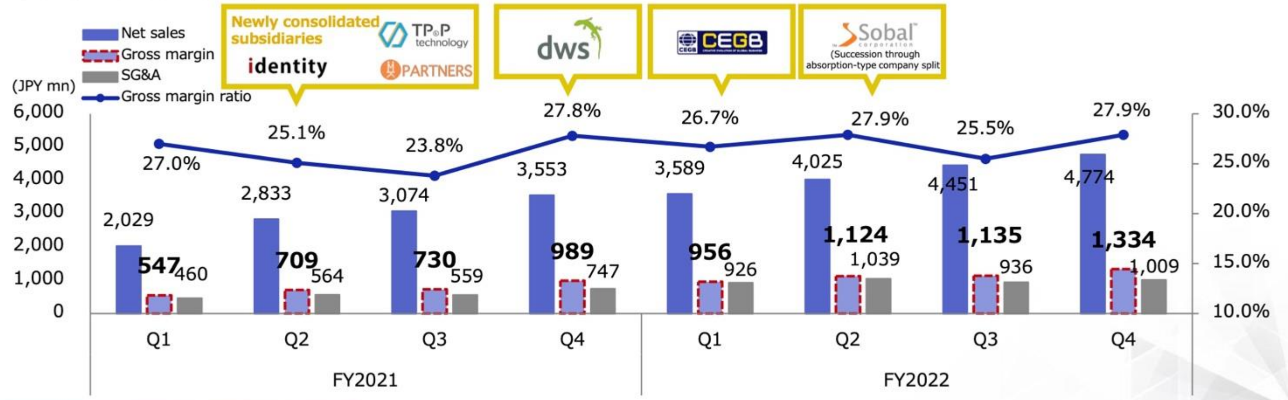
Enterprise Business

- Quarterly sales increasing by **approx. YoY 1.5 times** due to both organic growth and the impact of M&A.
- Q4 gross margin recovered to **27.9%**, from weaker Q3 with a temporary cost increase at an overseas subsidiary. Quarterly **SG&A** controlled as around **1 billion yen.**

Performance Trends



QA solution division

	Number of clients with orders	Annual sales per client	Number of engineers	Sales ratio of Advanced testing and Next-generation QA
FY2022 Q4	808 companies	¥13 mn	1,009 People	34.9%
FY2021 Q4	748 companies	¥10 mn	924 People	28.9%

Next, here are the key KPIs of the Enterprise Business.

I think you can see that sales are growing on a quarterly basis. Gross margin, which fell below 25% in Q3, recovered to 27.9% in Q4.

As for QA solution KPIs, the number of clients with orders, annual sales per clients, number of engineers, and sales ratio of advanced testing and next-generation QA, all exceeded those of the previous fiscal year.

Enterprise Business - QA solution division

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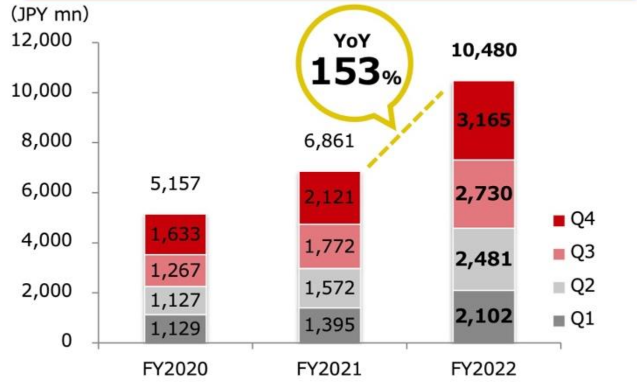
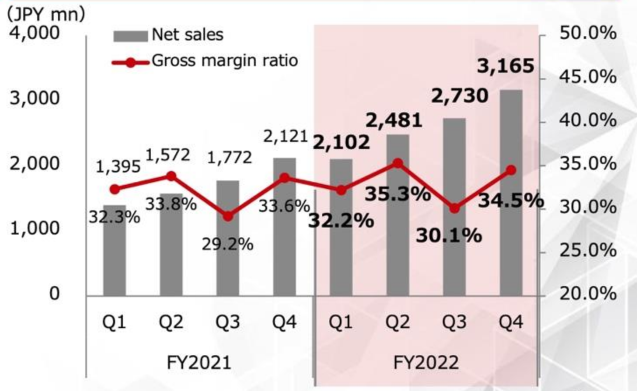
- **Significant organic growth of YoY 134.3%, excluding M&A impacts, with continuous strong sales trends mainly in Japan.**
- **Expand transaction volume per client by strengthening cross-selling of services.**
- **Promote the enhancement of test engineers through the succession of QA businesses of Sobal Corporation and the expansion of services, such as mutation testing, utilizing specialized knowledge.**
- **Gross margin ratio reached a high level of 34.5% in Q4, recovering significantly from Q3 affected by weaker margins of an overseas subsidiary.**

Quarterly sales



Net sales and Gross margin ratio



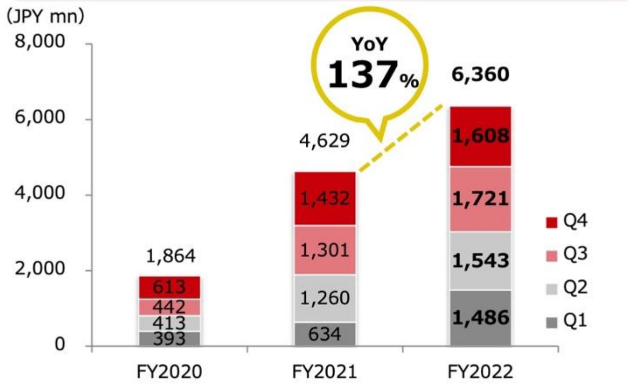
Here is the QA solution division of the Enterprise Business.

As shown in the graph to the right, quarterly sales grew steadily, resulting in a 153% YoY increase in sales for the full year. Gross margin ratio has generally been in the range of 30% to 35% for each quarter, and we believe that this is a solid trend, albeit with quarterly fluctuations.

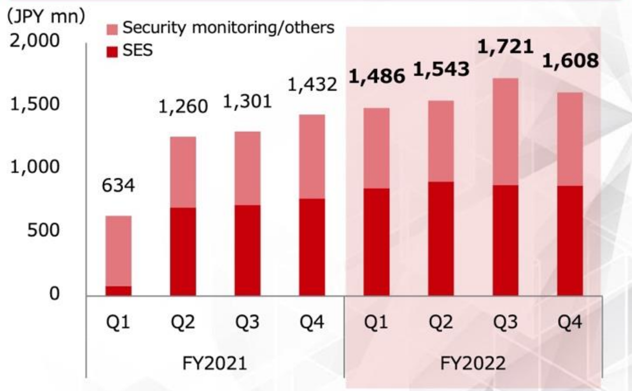
Annual sales per clients have risen steadily as transactions per company have expanded due to strengthened cross-selling and an increase in the number of engineers, as well as the expansion of testing services that take advantage of specialized expertise, such as mutation testing. Even on an organic basis, excluding M&A effects, we were able to record strong sales growth of YoY 134% of the previous fiscal year level.

- **The SES businesses grew steadily, as the number of engineers registered at identity Inc. reached to 27,000 people.**
- **Steady expansion of security monitoring services by capturing increasing demand against the backdrop of expansion of remote work, etc.**

Quarterly sales



Quarterly sales by service



Next is the IT services and others division of the enterprise business segment.

IT services and others division was also able to record strong sales growth of 137% of the previous fiscal year level. The number of registered engineers at identity Inc., which dispatches engineers mainly on a freelance basis, has reached to 27,000, and the security monitoring service also continues to expand steadily.

Financial Results of Entertainment Business

DIGITAL HEARTS HLDGS.

- **Achieve double-digit sales growth** in both the Domestic debugging and the Global and others, by steadily capturing growing demand against the backdrop of the booming console game market and accelerated overseas expansion of game content.
- **Segment income grew by double digits** thanks to sales increase and improved gross margin ratio in the Domestic debugging, and **the profit margin remained at a high level of 21.3%**.

(JPY mn)	FY2021	FY2022	YoY Change
Net sales	17,687	19,815	112.0%
Domestic debugging	12,123	13,386	110.4%
Global and others	5,563	6,429	115.6%
Segment income	3,668	4,214	114.9%
EBITDA	3,938	4,620	117.3%

Next, I will explain our Entertainment business.

In addition to the console game market being very strong, game companies have been aggressively promoting overseas expansion. As a result, the business achieved double-digit growth in both domestic debugging business and global and others.

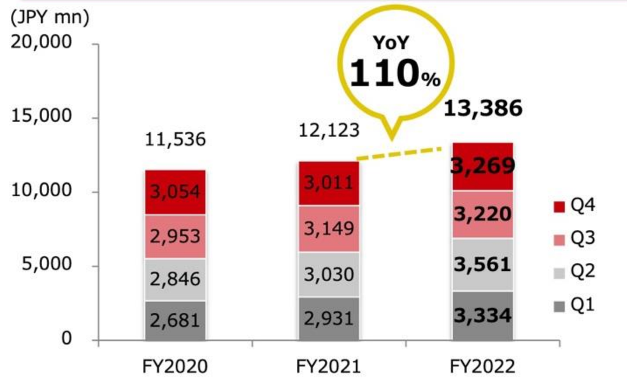
The segment income margin also remained high at 21.3%, partly due to the effect of increased domestic debugging sales.

Entertainment Business - Domestic debugging division

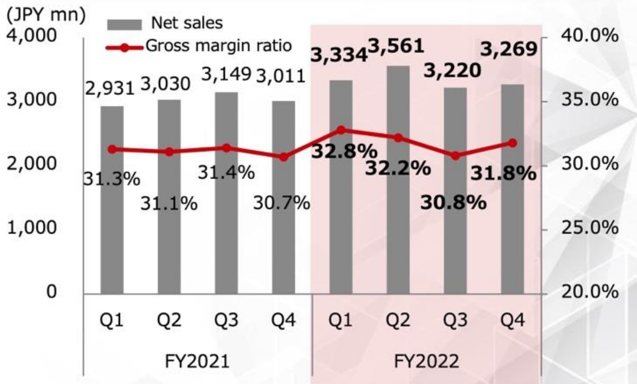
DIGITAL HEARTS HLDGS.

- **High sales growth in the Domestic debugging driven by around YoY 1.4 times expansion of service for game consoles with a number of large game titles.**
- **Maintained a high sales level in 2H, following on from the busy previous 1H, and a high gross margin ratio of over 30% in 2H, despite the rise in minimum hourly wages.**
- **Aiming to support the livelihood of game testers and to strengthen service quality and raise the unit price of debugging service through the continued employment of abundant and talented human resources with initiatives to raise hourly wages of "full-time" type game testers by ¥100 from April 2023.**

Quarterly sales



Net sales and Gross margin ratio



Next will be the trend of sales and gross margin ratio on sales of domestic debugging.

Sales, mainly for console games, increased significantly to JPY3.5 billion in Q2 and remained at a very high level exceeding JPY3.2 billion in H2.

In line with this, the gross margin ratio remained at a high level of over 30% throughout all quarters of the previous fiscal year.

In addition, in response to the recent sharp rise in the cost of living, we began raising the hourly wage of "full-time" type game testers by JPY100 in April of this year. In addition to supporting the livelihood of our employees, we aim to strengthen the quality of our services and increase the unit price per order.

Entertainment Business - Global and others division

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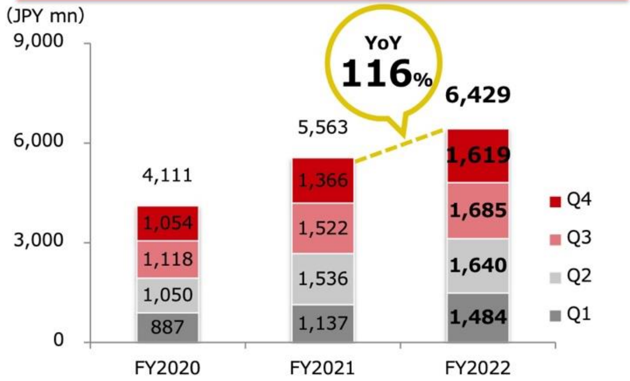
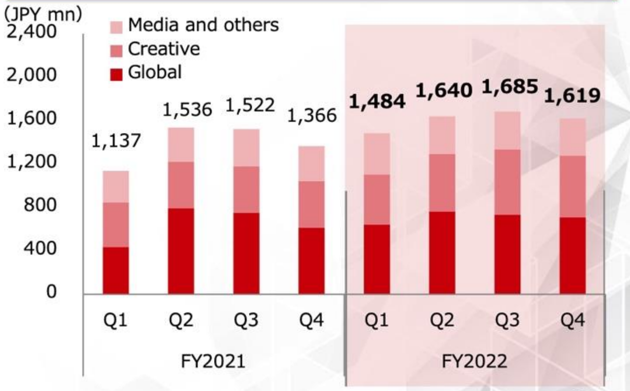
- **Achieved higher sales in all services** by strengthening cross-selling for major existing clients and expanding the range of languages for localization.
- Strengthening its capability of the global solution, such as **human resources for marketing business in South Korea** and the localization services for the U.S. and Europe, under the uncertain circumstances in China by COVID-19 and the changes of the regulations.
- By pursuing group synergies and strengthening initiatives with alliance partners such as **GameWith, Inc.**, aiming to further **expand our businesses and create new value**.

Quarterly sales



Quarterly sales by service



Sales in the global and other segment also increased steadily YoY to 116% of the year-before level.

Although the outlook remains uncertain in China due to the spread of coronavirus infections and the impact of gaming regulations, we will continue to expand our global business by strengthening our marketing personnel in South Korea, localization in Europe and the United States, and other measures.

FY2023 Consolidated Financial Forecast

DIGITAL HEARTS HLDGS.

- Aim for record-high net sales and operating income by the strong contribution of the Enterprise Business.
- Operating income growth for 4 consecutive years, despite the expected cost of around 250 million yen for preparation for the Spin-Off Listing of AGEST, Inc.

(JPY mn)	Full-year FY2022 (Actual)	Full-year FY2023 (Forecast)	YoY Change
Net sales	36,517	40,750	111.6%
Enterprise	16,840	20,650	122.6%
Entertainment	19,815	20,100	101.4%
Operating income	3,000	3,120	104.0%
(Excluding costs to prepare for the Spin-Off Listing of AGEST, Inc.)	3,000	3,370	112.3%
Operating income margin	8.2%	7.7%	-0.6points
Ordinary income	3,152	3,160	100.2%
(Excluding costs to prepare for the Spin-Off Listing of AGEST, Inc.)	3,152	3,410	108.2%
Profit attributable to owners of parent	799	2,100	262.6%
EBITDA	4,176	4,180	100.1%

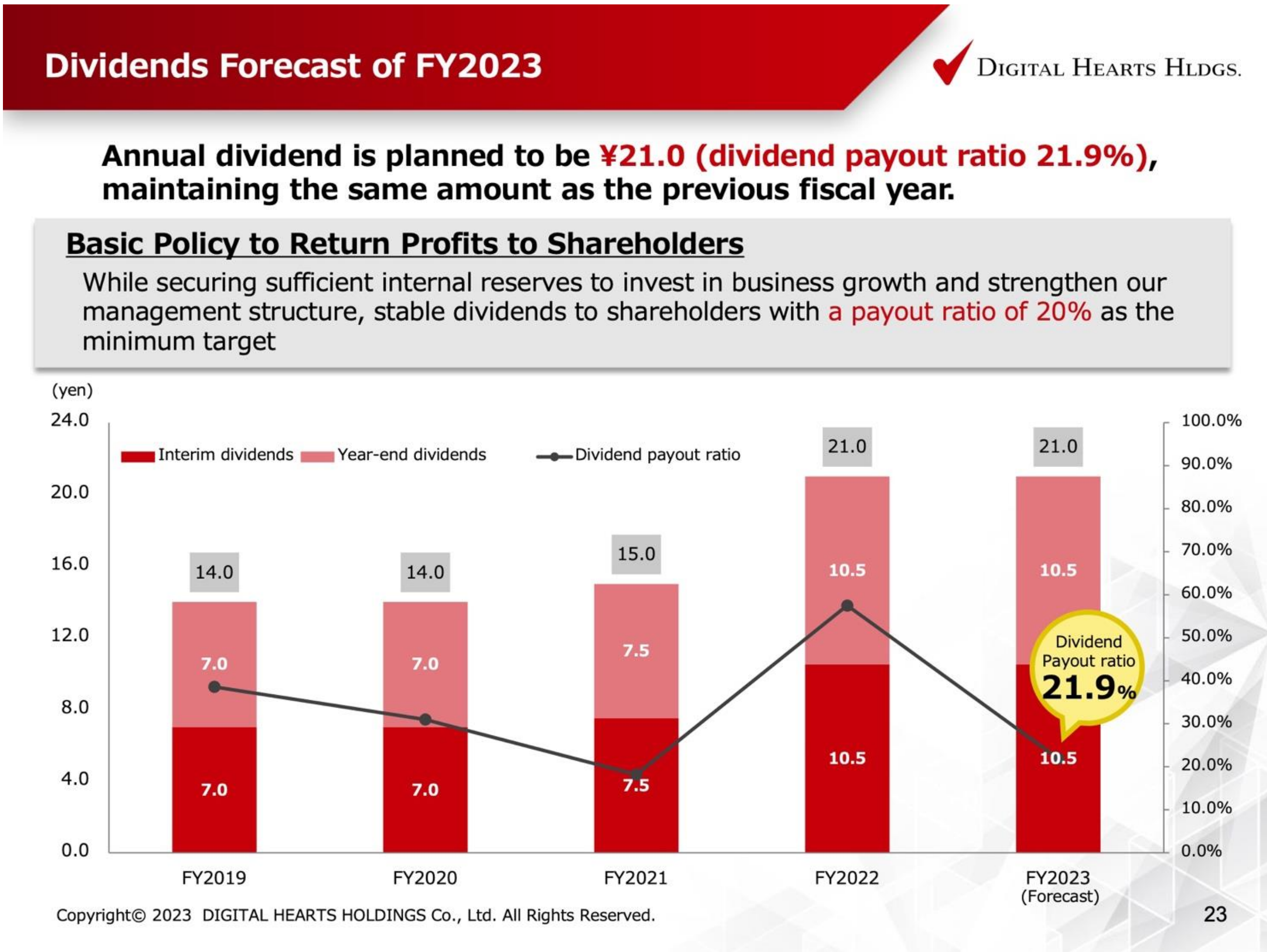
This is the full-year consolidated financial forecast for FY2023.

With the Enterprise Business leading the entire group, we plan consolidated net sales of JPY40.7 billion, 111% of the previous fiscal year's level. The Enterprise Business, which we have been strengthening since 2017, will generate JPY20.6 billion in sales, about half of JPY40.7 billion in consolidated sales, and we plan for sales to be comprised of two pillars, Enterprise and Entertainment businesses.

Operating income is projected to be JPY3.1 billion, 104% of the previous fiscal year's level. The operating income plan includes about JPY250 million in preparation costs for the Spin-Off Listing of AGEST, which will be explained by Ninomiya later in this presentation.

In addition, operating income excluding preparation costs for Spin-Off Listings is shown in the table as reference information. This figure will be JPY3.37 billion, 112% of the previous year's level, and if there were no spin-off listing expenses, the operating margin would be 8.2%, the same level as the previous year. From this amount, we deducted the JPY250 million I mentioned earlier to arrive at JPY3.1 billion, which is our operating income projection for the current fiscal year.

In the fiscal year ending March 31, 2024, while starting preparations for the spin-off listing of AGEST, we aim to offset the increased costs related to these preparations by expanding sales and earnings in the Enterprise Business, thereby achieving a fourth consecutive year of sales and profit growth.



Finally, I would like to explain about dividends forecast.

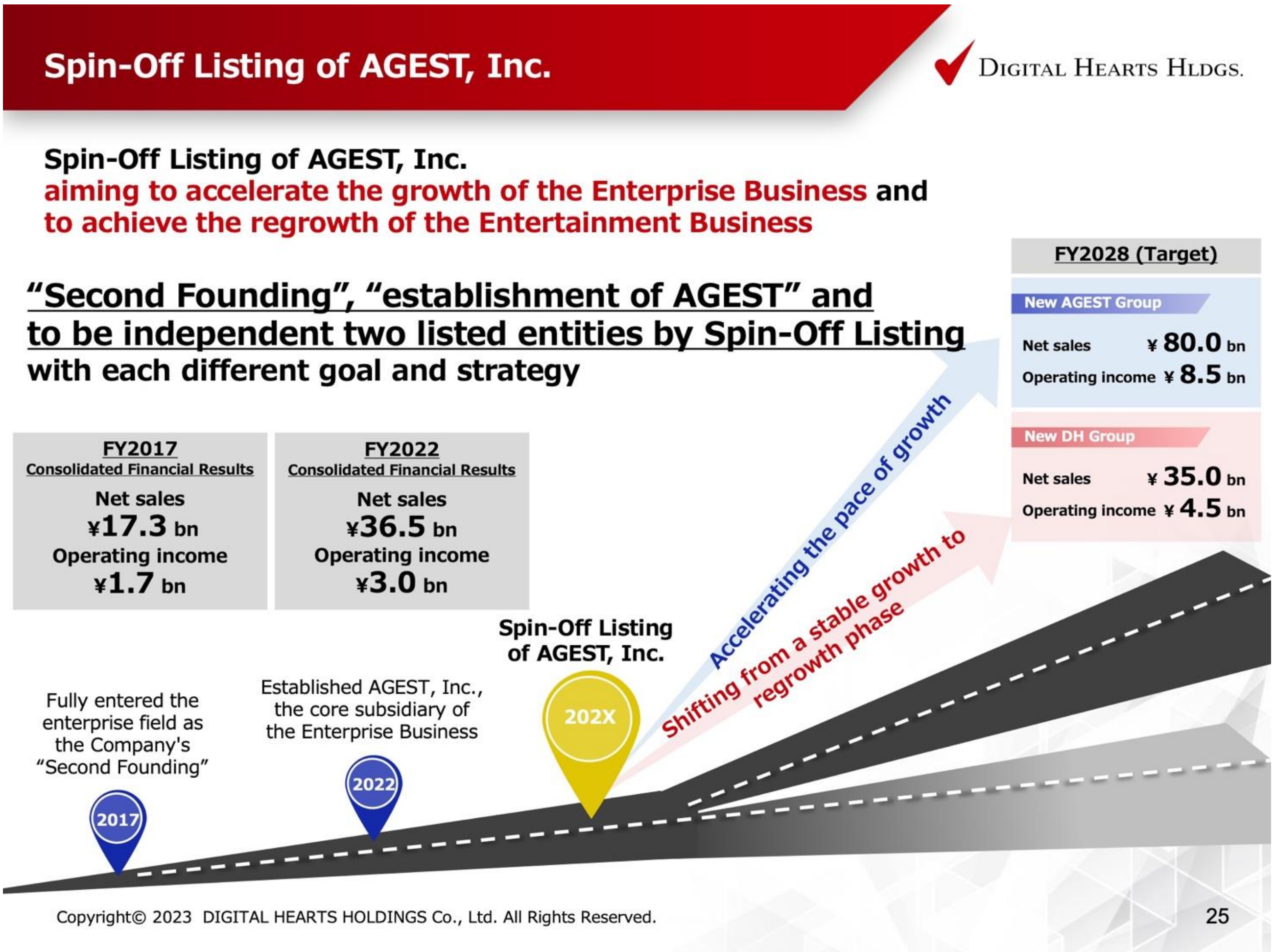
For the current fiscal year, we are forecasting JPY21 per share, the same level as the previous fiscal year. The dividend payout ratio is expected to be 21.9%, which exceeds the basic policy of 20% for shareholder returns.

I have explained above.

Next, President Ninomiya will explain the Spin-Off Listing and the growth strategy of the Enterprise Business.

Ninomiya: This is Yasumasa Ninomiya, President and CEO. Thank you for joining us today.

I would like to explain the growth strategy of our Enterprise Business and the Spin-Off Listing we released yesterday.



First, regarding the Spin-Off Listing. In 2017, under the title of Second Foundation, we began a full-fledged entry into the enterprise field to create a new earnings pillar by aggressively investing the business cash we have cultivated in Entertainment Business in the past into the Enterprise Business.

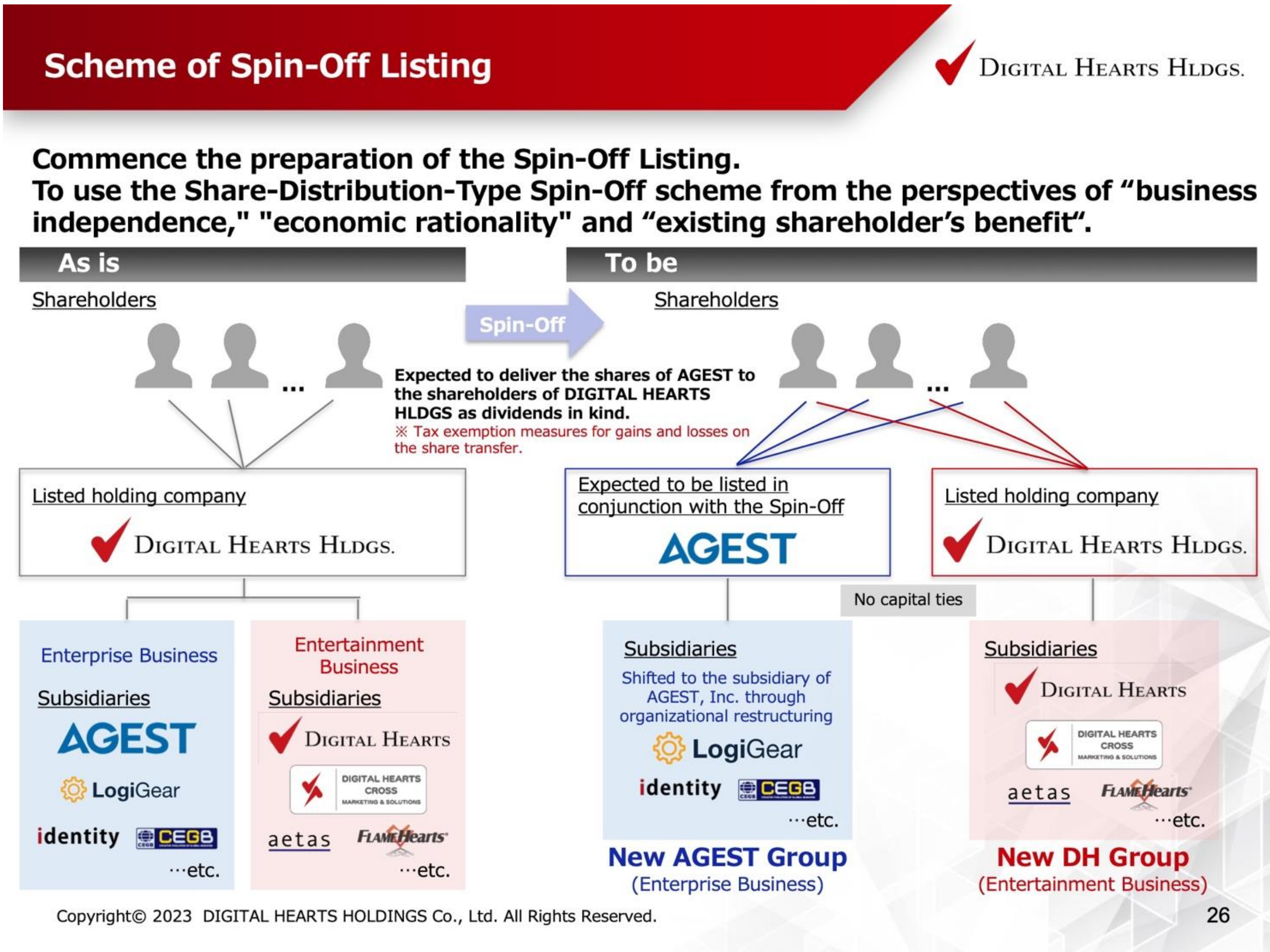
As a result, in the fiscal year ended March 31, 2018, net sales were JPY17.3 billion and operating income was JPY1.7 billion, but in the previous fiscal year, net sales were JPY36.5 billion and operating income was JPY3 billion. As I mentioned earlier, we have begun to generate about 50% of our sales from the Enterprise Business, and I believe we have achieved a certain level of success.

On the other hand, the internal corporate culture and market environment have changed dramatically since the second foundation began. In response to these situations, we believe that it is necessary to once again clarify our business goals and strategies in order to determine what we should do to ensure the solid growth of each of these businesses.

As a result, we would like to once again shift our Entertainment Business from a stable growth phase to a regrowth phase. In the Enterprise Business, we intend to further accelerate the pace of growth.

From this perspective, we are considering clarifying our strategy by Spin-Off Listing of AGEST.

Through such measures, for the fiscal year ending March 31, 2029, we aim to achieve sales of JPY80 billion with respect to the AGEST Group. As for the new DH Group, we are targeting sales of JPY35 billion.



With respect to this scheme, we would like to start preparations for a Share-Distribution-Type Spin-Off scheme, basically from the standpoint of the independence of both businesses, economic rationality, and the benefit of existing shareholders.

Currently, shareholders hold shares in DIGITAL HEARTS HOLDINGS Co., Ltd., a listed holding company. Under DIGITAL HEARTS HOLDINGS, the Enterprise Business of each business segment has companies centering on its subsidiary AGEST as subsidiaries. In the Entertainment Business, there are entertainment-related subsidiaries centered on DIGITAL HEARTS Co.,Ltd.

In spinning off AGEST, DIGITAL HEARTS HOLDINGS will distribute AGEST shares to shareholders as a dividend in kind. Therefore, when the Spin-Off and Listing are completed, we would like existing shareholders who currently hold 3% of DIGITAL HEARTS HOLDINGS, for example, to hold 3% of AGEST at the same time. In addition, we will reorganize the group of subsidiaries in the Enterprise segment to make AGEST's subsidiary.

The result will be a Spin-Off and then a public listing.

As a result, the capital relationship will be dissolved and each company will become an independent listed company, with shareholders holding their own shares.

Expected Effect of Spin-Off Listing

DIGITAL HEARTS HLDGS.

To maximize growth potential with unique and independent two groups by Spin-Off Listing, different management, independent capital, and unique human capital.

Expected Effect	New AGEST Group	New DH Group
Corporate Culture and Human capital	**Recruitment of talented engineers** Corporate branding with "Leading-edge quality technology" and stock-based incentives for engineers.	**Recruitment and training of human resources by leveraging "Game related Business" brand** Acquire and train to expand human resources for global expansion and new businesses.
Businesses management	**Pursuit of the leading-edge quality technology in the global markets** Shifting to the business management with engineered ideas and knowledge of leading-edge technology.	**Evolving businesses and new challenges** Revitalize existing businesses and improve management from a global perspective to leverage its own strengths.
Investment	**Investment of around ¥10.0 bn in human capital, technology and M&As** Flexible fund raising and execution of large-scale investments.	**Investment in new areas and shareholder returns** Invest in new businesses and improve shareholder returns utilizing its stable businesses cashflow.

Targets

	New AGEST Group FY2022*	New AGEST Group FY2025	New AGEST Group FY2028	New DH Group FY2022*	New DH Group FY2025	New DH Group FY2028
Net sales	¥16.8 bn	¥32.0 bn	¥80.0 bn	¥19.8 bn	¥25.0 bn	¥35.0 bn
Operating income	-	¥2.5 bn	¥8.5 bn	-	¥3.0 bn	¥4.5 bn

* Figures for FY2025 and FY2028 are consolidated base with the assumption of after the Spin-Off Listing. Since these figures differ from the definition of FY2022 segment profit, operating income of FY2022 has no date here.

27

As for our expected effect in this Spin-Off Listing, we believe that this separation of management, capital, and human resources will maximize the growth potential of each.

I believe that this corporate culture, management, and investment are particularly important. The AGEST Group, through its AGEST branding, specializes in leading-edge quality technology. We would like to secure excellent engineers through this branding and by designing equity-based incentives. In the area of management, we would like to shift to a management structure that has knowledge of cutting-edge technology, which is necessary from an engineering perspective in response to rapidly technological evolution in recent years. In terms of investment, we would like to make it possible to procure funds flexibly, and at the same time, we would like to execute large-scale investments with a greater sense of urgency than ever before.

As for the DIGITAL HEARTS Group, I believe that our game brand is quite strong. By clearly separating the brands between AGEST and DEGITALHEARTS, we hope to further strengthen our brand power. Through this, we hope to secure excellent human resources who can expand our business globally, or the specialized human resources needed to enter new entertainment markets. Furthermore, we also need to change from a management perspective. Globalization is progressing rapidly with regard to the entertainment business market. Therefore, we would like to reaffirm our existing business and build a system that enables us to manage from a more global perspective. Regarding investments, we believe that this stable business cash flow will continue. In addition, we intend to use cash to invest in new businesses and to increase returns to shareholders.

Now, we are once again redefining what the business group should be aiming for.

First, the new AGEST Group aims to be the leading QA solution provider in the global market with the leading-edge quality technology. As a particularly important measure, we will pursue leading-edge quality technology that can be used globally. We would also like to promote global expansion with regard to marketing. We will accelerate our investment in growth, which is also more than ever before.

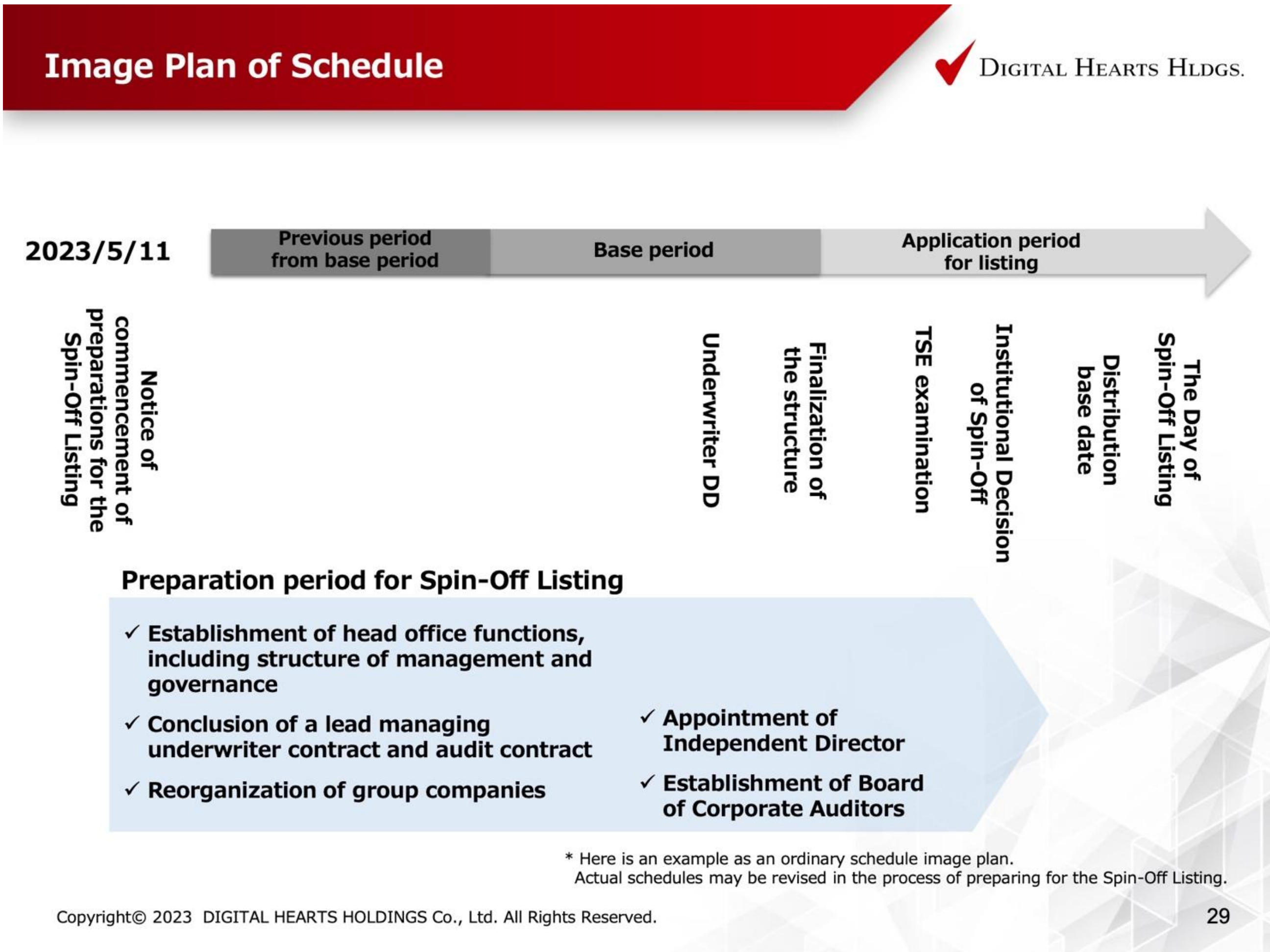
Furthermore, we are going to re-emphasize the branding of our AGEST brand while leveraging the name recognition of a publicly traded company. We hope that this will lead to recruitment and retention of human resources.

Talking about the Entertainment Business, until now, I think our image as a domestic debugging company was quite strong. On the other hand, we would like to aim to be the global quality partner in the entertainment industry in the future.

Therefore, in addition to existing debugging service, we would like to expand globally, not only in Asia but also in Europe and the United States, and take on the challenge of new business opportunities.

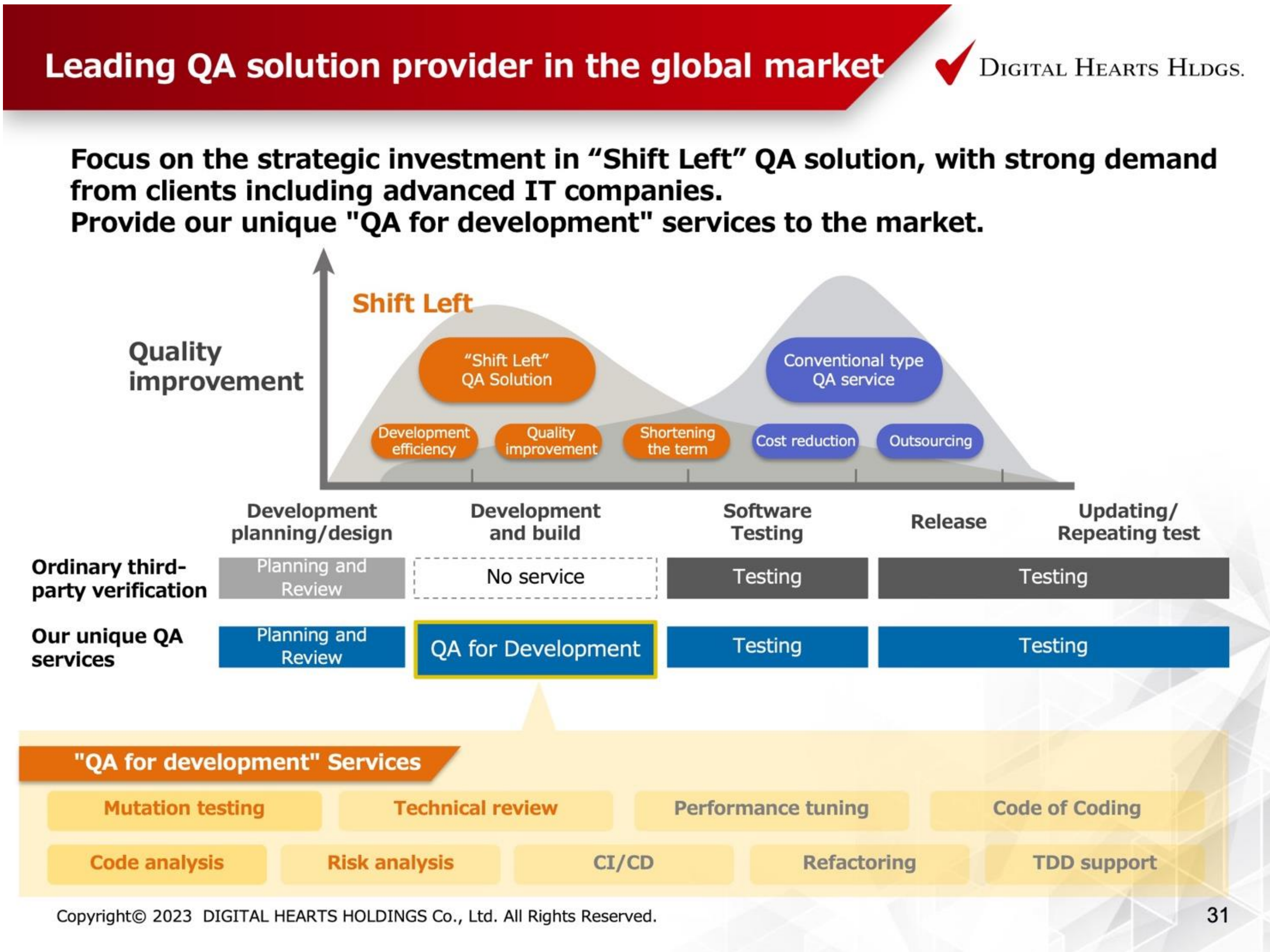
As for priority measures, we will further evolve our existing businesses, which have been our core competence up to now. We will be adding high value and improving productivity. At the same time, we will expand our business globally and take on the challenge of entering new business areas.

We will thoroughly brand the Company by making the most of our corporate culture as a gaming company, and we would like to strengthen our efforts to acquire and train more human resources than ever before.



With regard to this schedule, we announced yesterday that we will begin preparations for a Spin-Off Listing. From this point, we will work to strengthen the management structure and governance, as well as the lead manager contract.

As I mentioned earlier, we will also need to reorganize the group of companies, and we would like to move this toward the end of the year. Once we enter the base period, there will be the usual brokerage review, listing review, and finally an institutional decision on the Spin-Off. After that, there will be a distribution base date and a Spin-Off Listing, and this is the image plan of schedule we are currently planning.

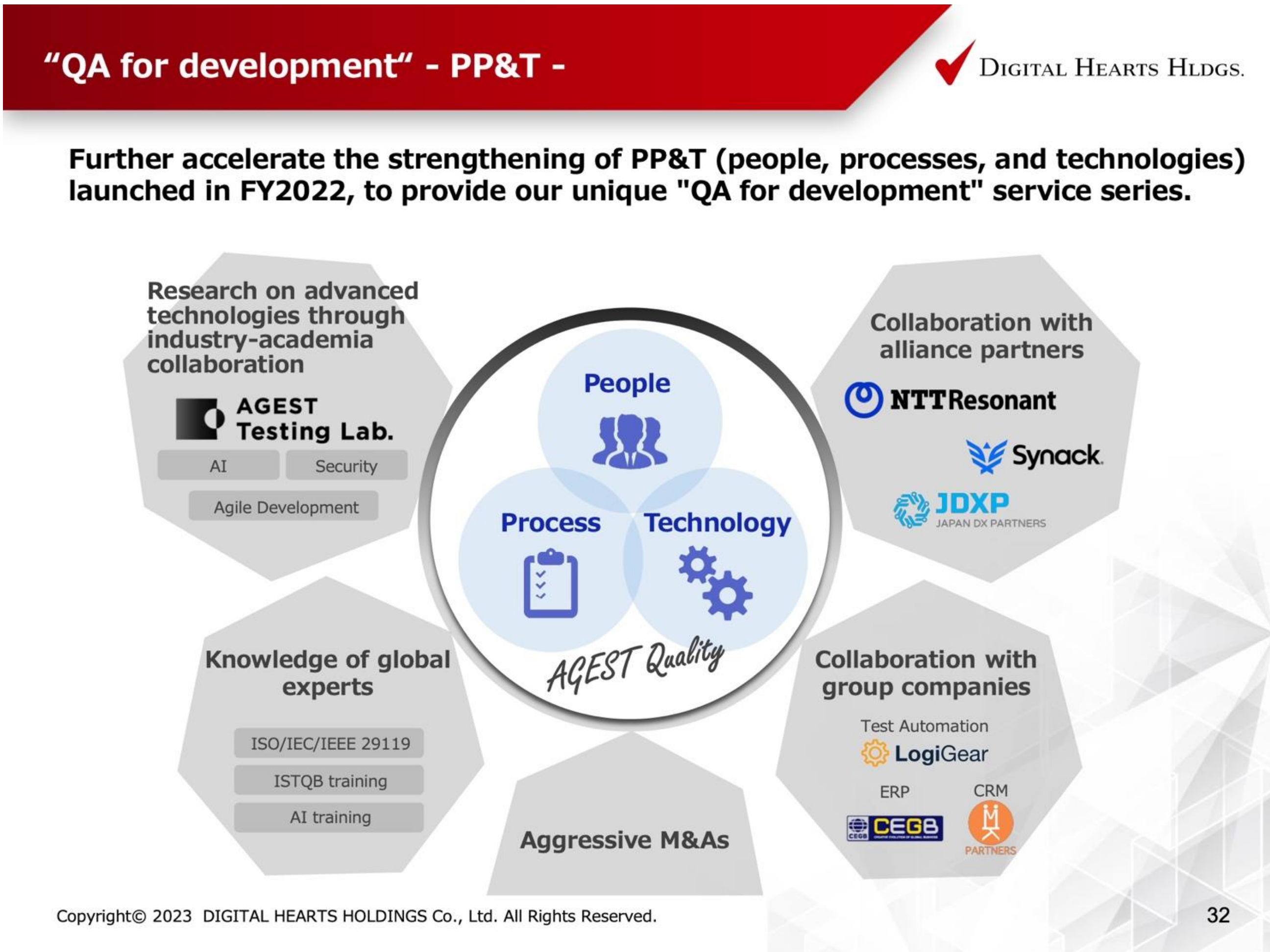


This is followed by the growth strategy for the Enterprise Business.

We are aiming to be the leading QA solution provider in the global market with the leading-edge quality technology.

In terms of what is needed to achieve this, the market needs are not the traditional services required by testing companies, but upstream testing, or shift-left testing, which is becoming extremely important.

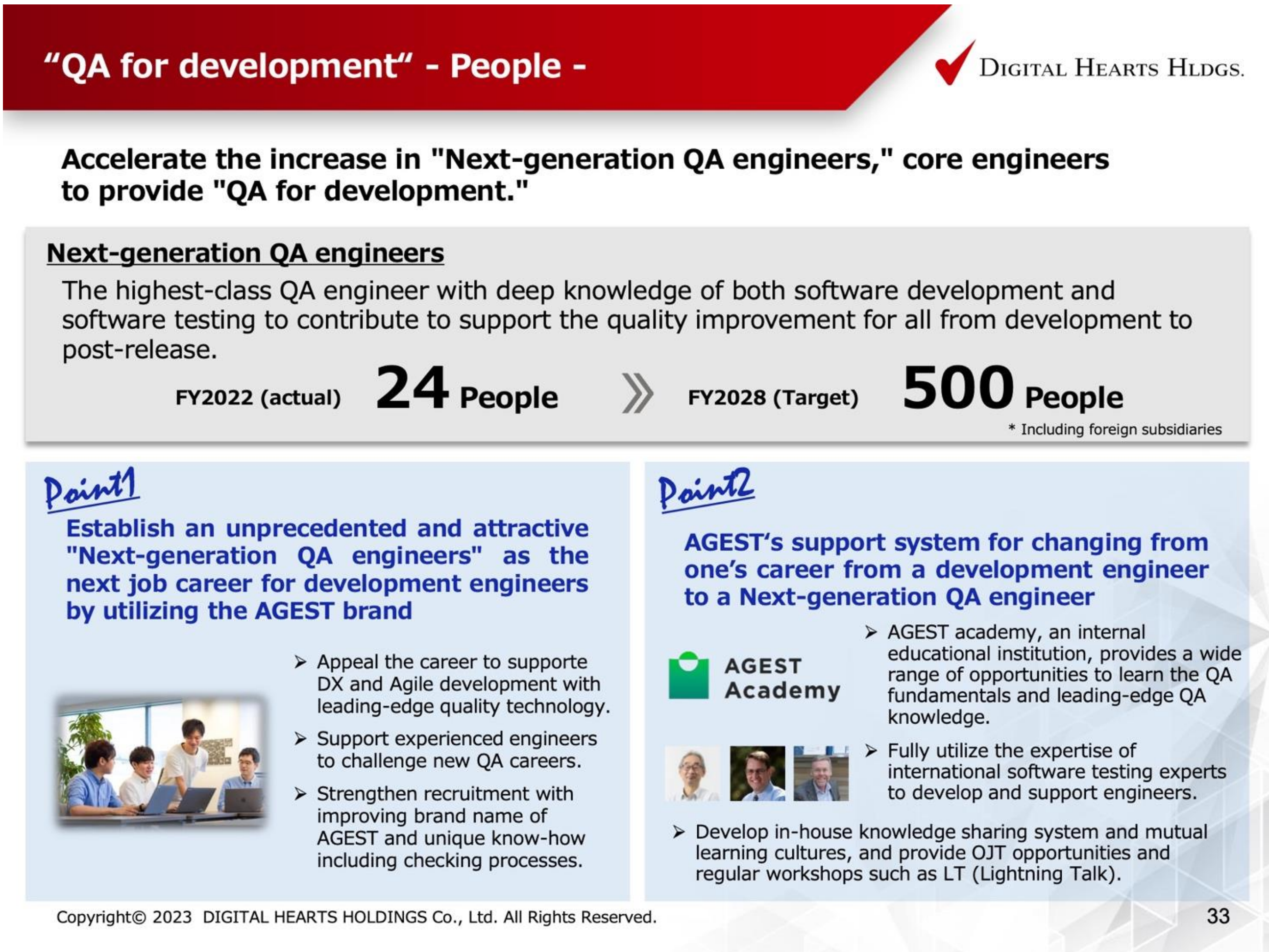
We have been making strategic and concentrated investments in shift-left type QA solution since last year. We would like to accelerate this part at once. In our company, we call it QA for development, and we focus on QA in the development build process. In the future, we intend to increase this QA for development service group and strengthen the expansion of our human resources.



The methods or rather the points that need to be strengthened in providing QA for development are human resources, processes, and technology. We will further accelerate the strengthening of this area, including Spin-Off. As in the past, we continue to conduct research on advanced technologies through industry-academia collaboration. This would be used for services or education.

In addition, we possess expert knowledge on a global basis. This will lead to the development of human resources. Moreover, there are group companies that own the technology. We will continue to strengthen collaboration with group companies and also strengthen collaboration with alliance partners.

In addition, we will actively utilize M&A to thoroughly strengthen our human resources, processes, and technologies.



Our most important management resource is human resources. We are using a new term, the next generation of QA engineers that will be the group of engineers needed to make QA for development work.

By definition, a next-generation QA engineer is a top-end QA engineer who can optimize the total quality control from development to post-release operations, using his/her knowledge of software development and QA. We would like to establish a new job title for the next generation of QA engineers.

We would like to thoroughly promote the branding that this is the next career for conventional development engineers and that these engineers will be the next generation of QA engineers by using AGEST.

Furthermore, for those who have changed jobs, we are strengthening our support system to help them grow as next-generation QA engineers.

We have established the AGEST Academy as in the past, and we will continue to expand our next generation of QA engineers by utilizing the expertise of international software experts.

As a result, in the fiscal year ending March 31, 2029, we aim to increase the number of employees to 500, including those at our overseas subsidiaries.

"QA for development" - M&A/alliance -

DIGITAL HEARTS HLDGS.

Aiming for M&As in the range of several billion yen to 10 billion yen over next coming years, targeting companies with leading-edge quality technologies or with talented engineers.

M&A Strategy	1. Strict ROIC standards to maintain higher investment efficiency and profitability *ROIC=EBITDA×(1-effective tax rate)÷(interest-bearing debt+shareholders' equity) 2. Targeting companies with future growth potential and current stable profitability 3. Well-balanced PMI initiatives between its organic growth and synergies with our group	
Target companies	To obtain engineer human resources	- Software testing companies - Companies with engineers especially for development of open systems
	To strengthen technical capabilities	- ERP-related service providers in Japan - Company with cutting-edge technologies
Size of target companies	Net sales: ¥0.5 - 3.0 bn Number of engineers: 30 – 150 engineers Acquisition price: Max. ¥3.0 bn	
Number of projects	Around 2-3 projects per year as a plan	
M&A initiatives	- Aim to acquire companies with better synergies by strengthening AGEST's brand name. - Consider M&As not only in Japan but also in the foreign markets. - Develop the organizational capability for ¥10 bn investment in human resources, technologies, and M&As	

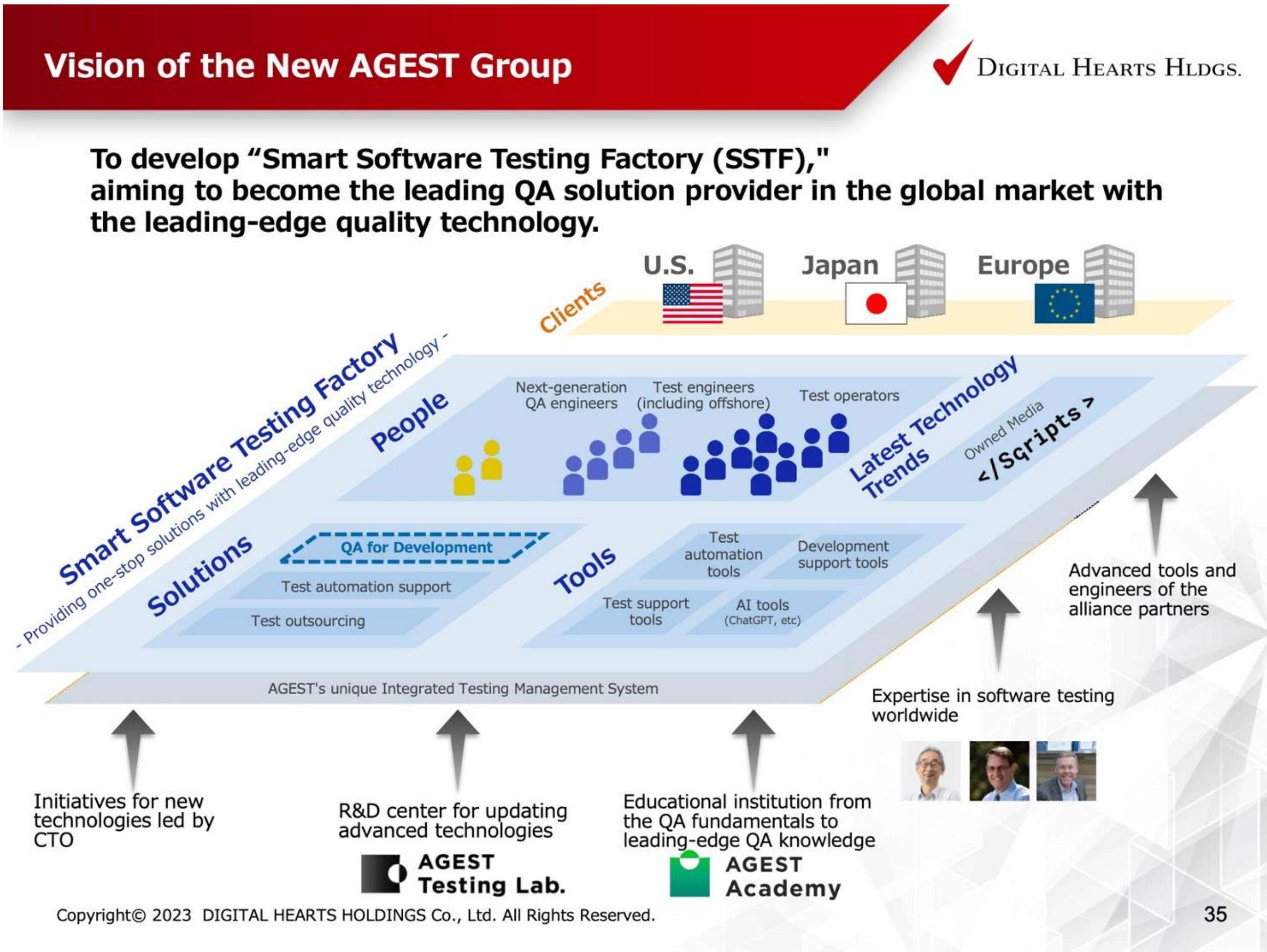
 34

This is our M&A policy.

We have not changed our basic M&A policy, but we would like to expand the speed and scale of our M&A activities. Therefore, as part of our M&A promotion system, we will aim to acquire projects with higher synergy than before by strengthening the AGEST brand.

In addition, we would like to consider M&A not only in the domestic market but also in overseas markets.

We are also planning to build a solid internal promotion system that will enable us to make investments of JPY10 billion in human resources, technology, and M&A.



This is the worldview we are striving for.

We are considering the realization of the leading QA solution provider in the global market with the leading-edge quality technology. In order to achieve this goal, we are aiming to build a smart software testing factory, which can be described as an overall structure.

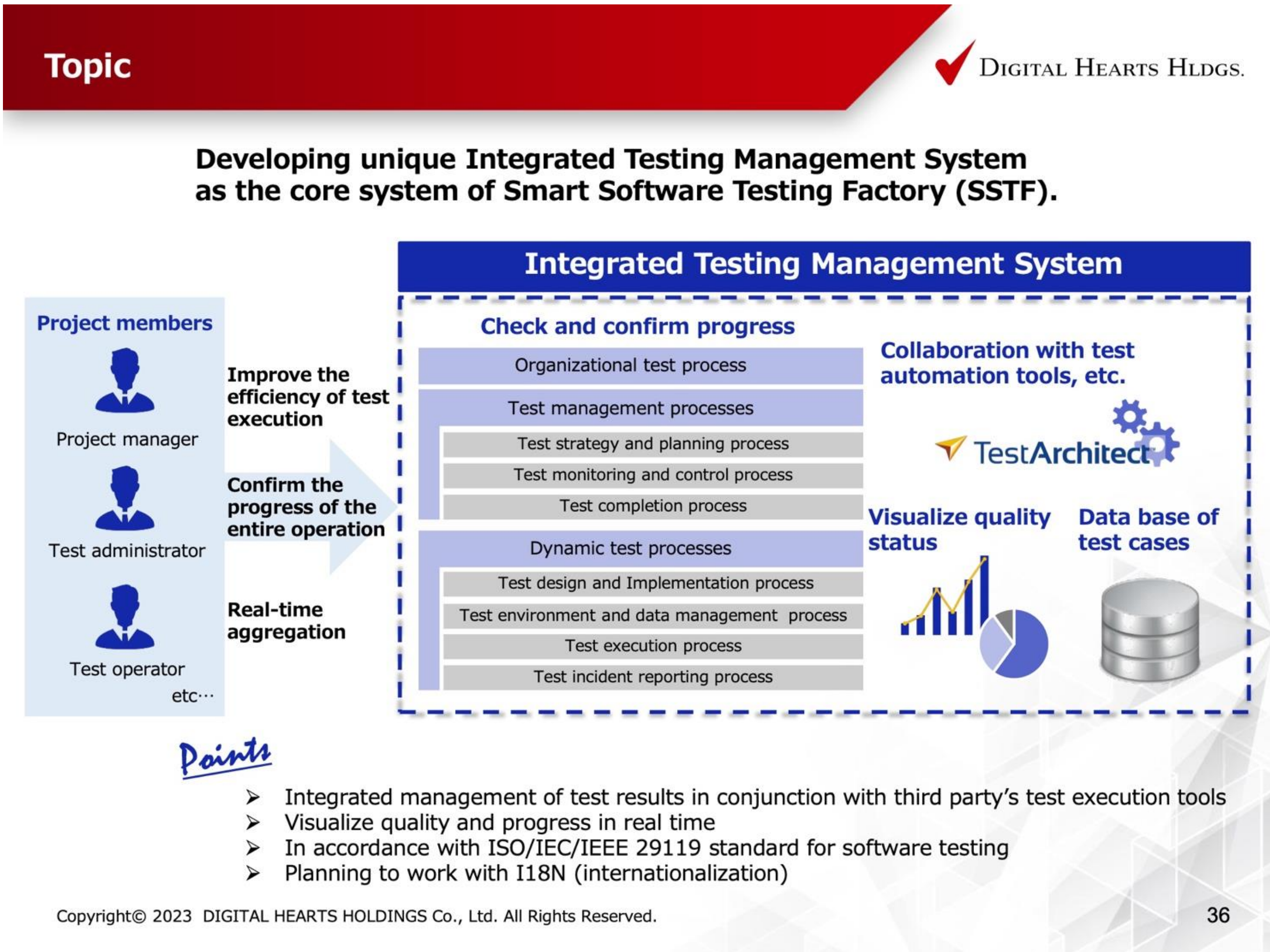
To be specific, we would like to develop an environment that enables to provide one-stop solutions utilizing our cutting-edge technologies on a global basis.

First, it says below. The proprietary Integrated Testing Management System, which is an integrated test management tool.

We are currently working on this integrated test management tool. This will be the point of contact for our customers, and through this platform, our personnel, the next generation of QA engineers and test engineers, will provide our solutions. In particular, QA for development, which we believe will be our best differentiation weapon, will be pursued and combined services will be provided.

We will also provide a combination of globally leading tools and our own proprietary tools through this platform. In addition, we are building owned media that will help us to capture sales leads and to disseminate technical trends.

We will also link this to the QA service, so we will create a platform that enables to provide one-stop QA solutions utilizing our cutting-edge technologies. As for our customers, we would like to promote the development of these products in the US, Japan, and Europe.

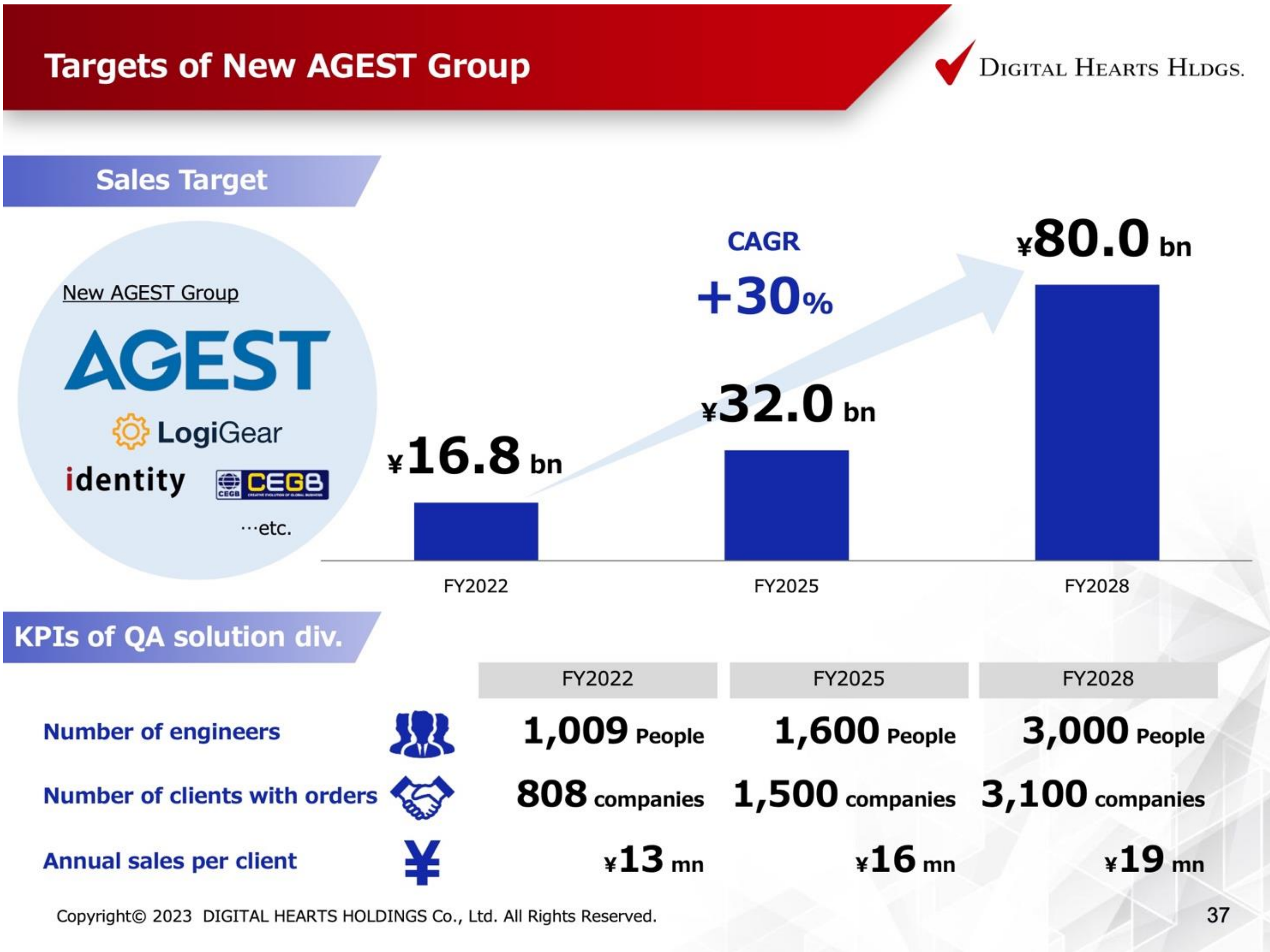


AGEST's own integrated testing management tool, which will be the core of SSTF, is currently under development. By using this tool, it is possible to manage the progress of the entire project, visualize the quality, participate in test cases, and link with various test tools.

In addition, we list four differentiators from our competitors below.

First, we will work with external execution tools to manage test execution results in an integrated manner. At the same time, we will visualize the quality status and the progress of the project in real time. In order to make these benefits possible, for example, we have an offshore office in Vietnam, and we also have engineers in Japan. The concept is to make it possible to provide a delivery force of engineers in these countries to customers in the United States.

In addition, the Company complies with the ISO 29119 process, which is an international standard for software, enabling it to provide services to a global standard. In addition, we are also working on the internationalization of I18N, so we would like to build a platform that can be used anywhere in Europe, the US, and Japan.



Finally, there are sales targets and KPIs.

The current figure is JPY16.8 billion, and we would like to achieve a CAGR of 30% or more. Therefore, in the fiscal year ending March 31, 2029, we are targeting sales of JPY80 billion. The KPIs for QA solutions are 3,000 engineers, 3,100 clients, and an average annual sale per client of JPY19 million. We would like to grow our Enterprise Business toward this goal.

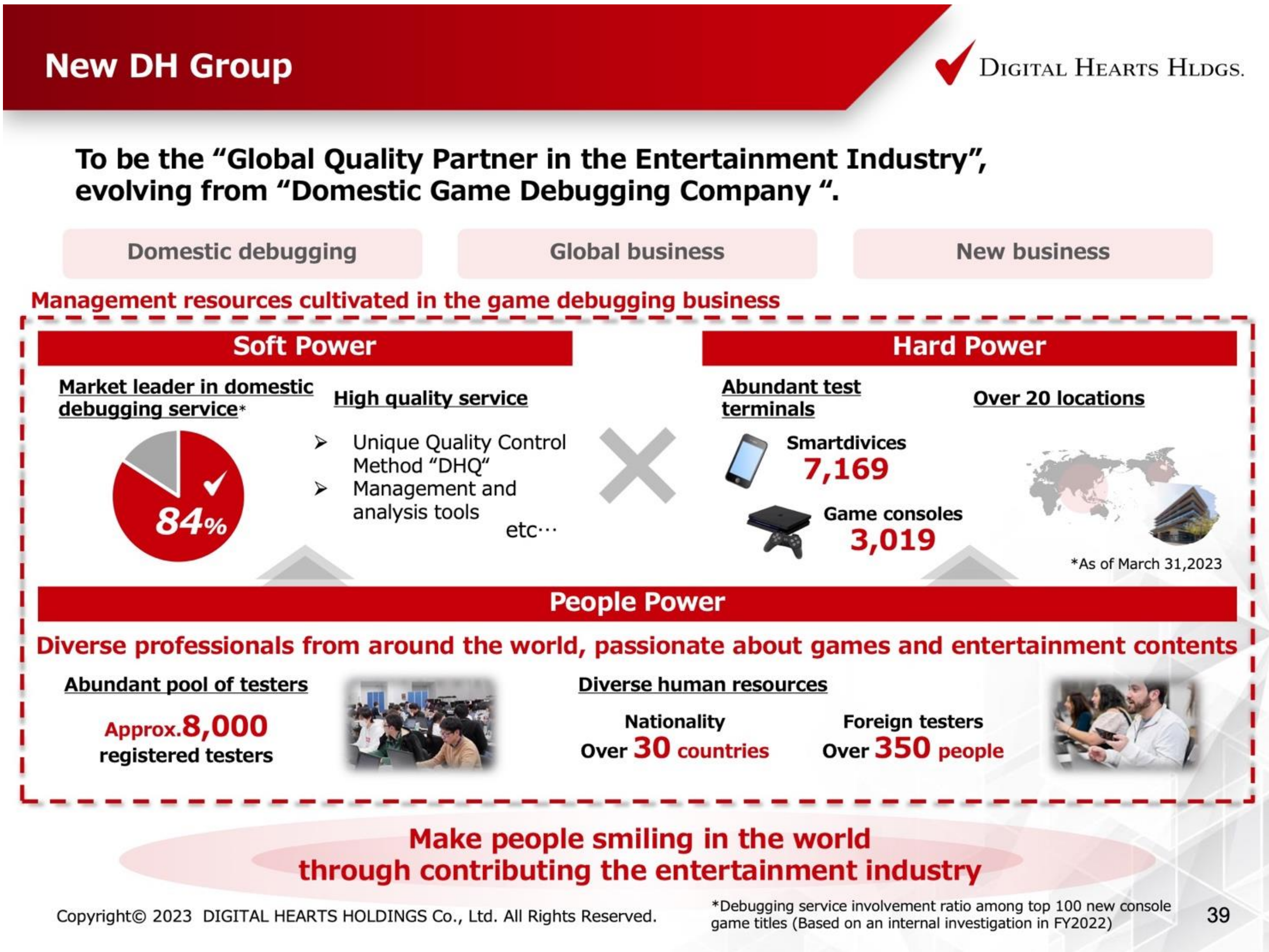
Enterprise growth strategy, that's all from my side.

Tsukushi: I will now continue with an explanation of our Entertainment Business.

My name is Tsukushi, Director, Executive Vice President and COO of DIGITAL HEARTS HOLDINGS. Thank you for your cooperation.

I have been in charge of the Entertainment Business since last year. For the past several years, we have focused on the Enterprise Business, which is our core business, and have explained our strategy and progress in our external briefings. During that time, our Entertainment Business has also been earning stable profits, centered on the debugging business, which is a highly profitable business.

We are using the cash to better support our Enterprise Business, and we are also seeing growth potential in this Entertainment Business quite recently. Today, I would like to focus on that area.



On this first page, we have summarized the management resources and strengths of our Entertainment Business in terms of soft power, hard power, and people power.

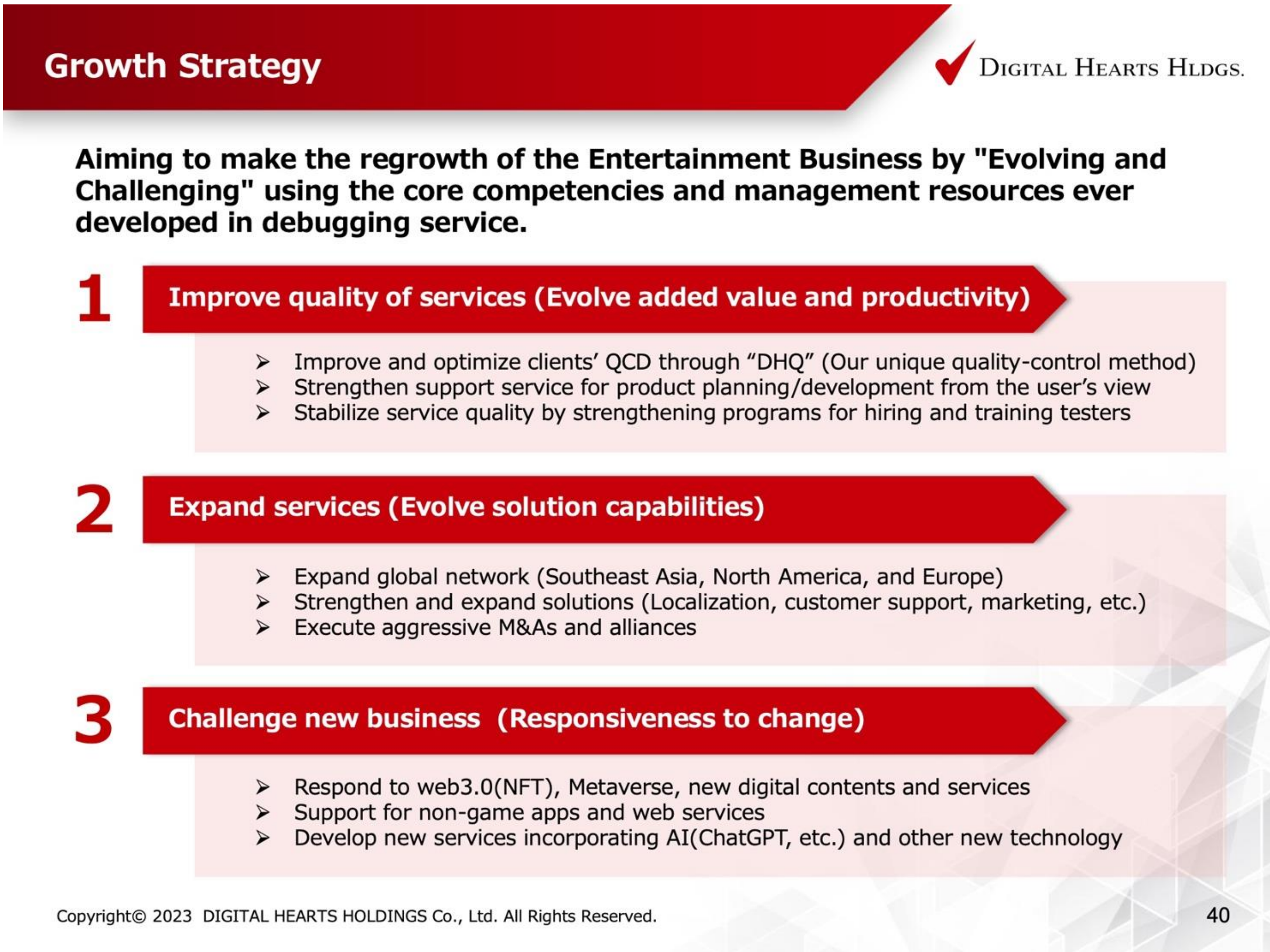
First, we believe that our soft power, such as the know-how we have accumulated through our debugging business over the past 20 years and our strong relationships with major game companies, are recognized as soft power.

Second, as for hard power, we have more than 20 business locations worldwide. We also work in a secure room that protects the client's very important and confidential information. At the same time, we also have a wide variety of testing equipment that is indispensable for testing, such as smartphone devices and game consoles. We are confident that we stand out from our competitors in this respect.

Third, and I think this is probably our strongest point and most important management resource, is people power. We have many professionals from all over the world, including Japan, who love games and entertainment.

In particular, we have more than 8,000 testers registered with us in Japan, and we have a truly multinational and diverse workforce from all over the world. I believe that we can provide our services thanks to the power of people who love the entertainment industry.

We have been using these management resources to further strengthen our domestic debugging business. In addition, regarding global business, we believe that there is still much room for growth in this area. Furthermore, we would like to actively develop new businesses in response to recent market changes.



Let me explain a little bit about each of these growth strategies.

We have three major growth strategies.

First, the quality of service will be strengthened. We provide what we call quality assurance services, centered on the debugging business that we are currently engaged in, and the quality aspect is very important in this business.

As we expand our services and increase the number of locations and human resources, it is important for us to provide stable quality services. Especially from the customer's point of view, we need to provide services that balance the three aspects of QCD, i.e., quality, cost, and delivery. Therefore, we are thoroughly strengthening these three areas.

By implementing such measures, I believe that we can develop this into a more profitable business in the context of higher added value for our customers and also higher productivity for our company.

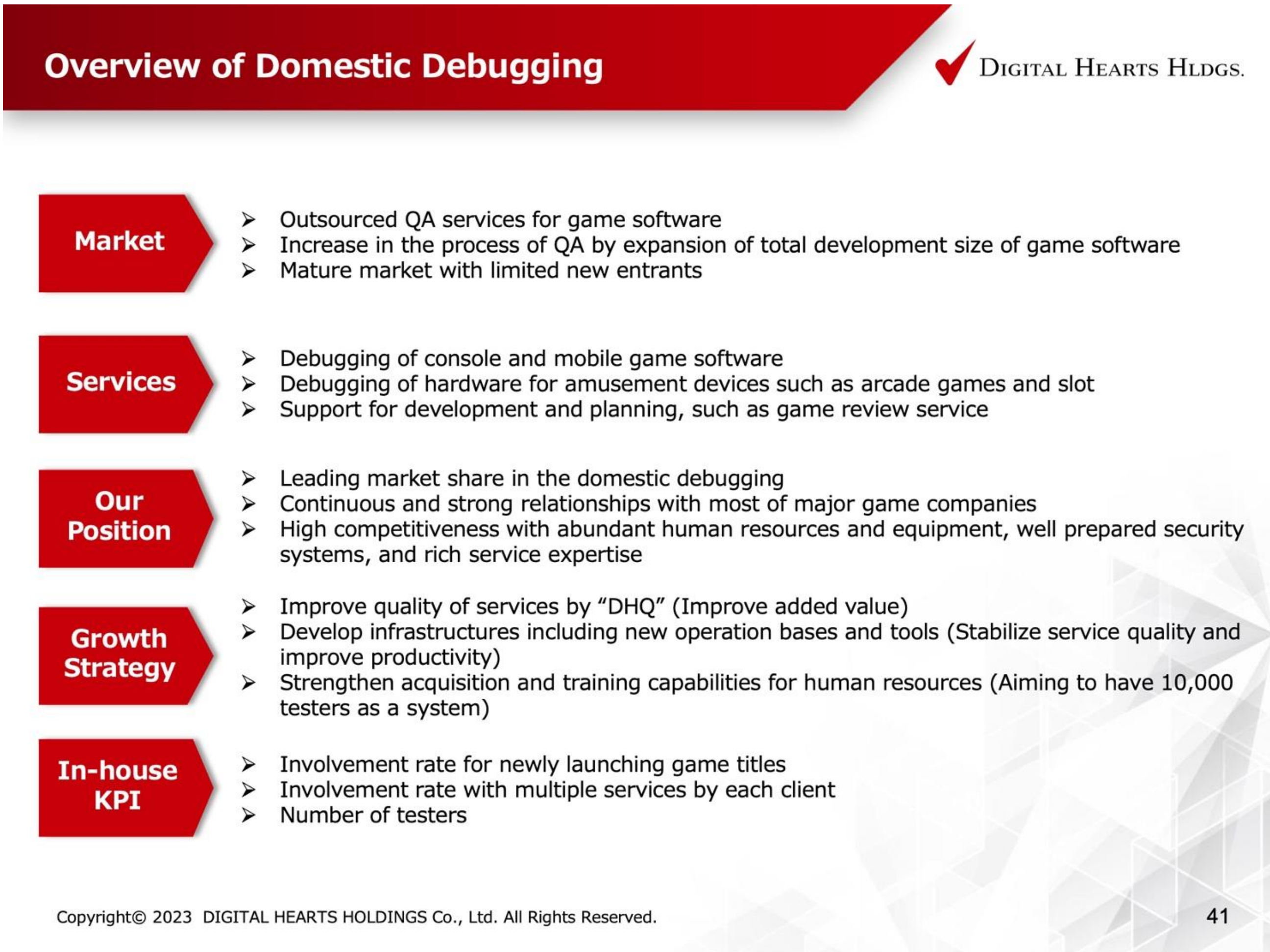
The second will be to expand the range of solutions.

We have been focusing on debugging, but now it is time to further expand this service horizontally, and in this aspect, we have been expanding our bases in overseas and global regions, mainly in Asia and East Asia. China, Korea, Taiwan, etc.

From now on, we would like to strengthen our service bases and expand the scope of our services in Southeast Asia, North America, and Europe. In terms of the type of service, in addition to debugging, we also provide localization, translation, LQA, customer service, marketing, and other functions that game companies need to expand their business globally.

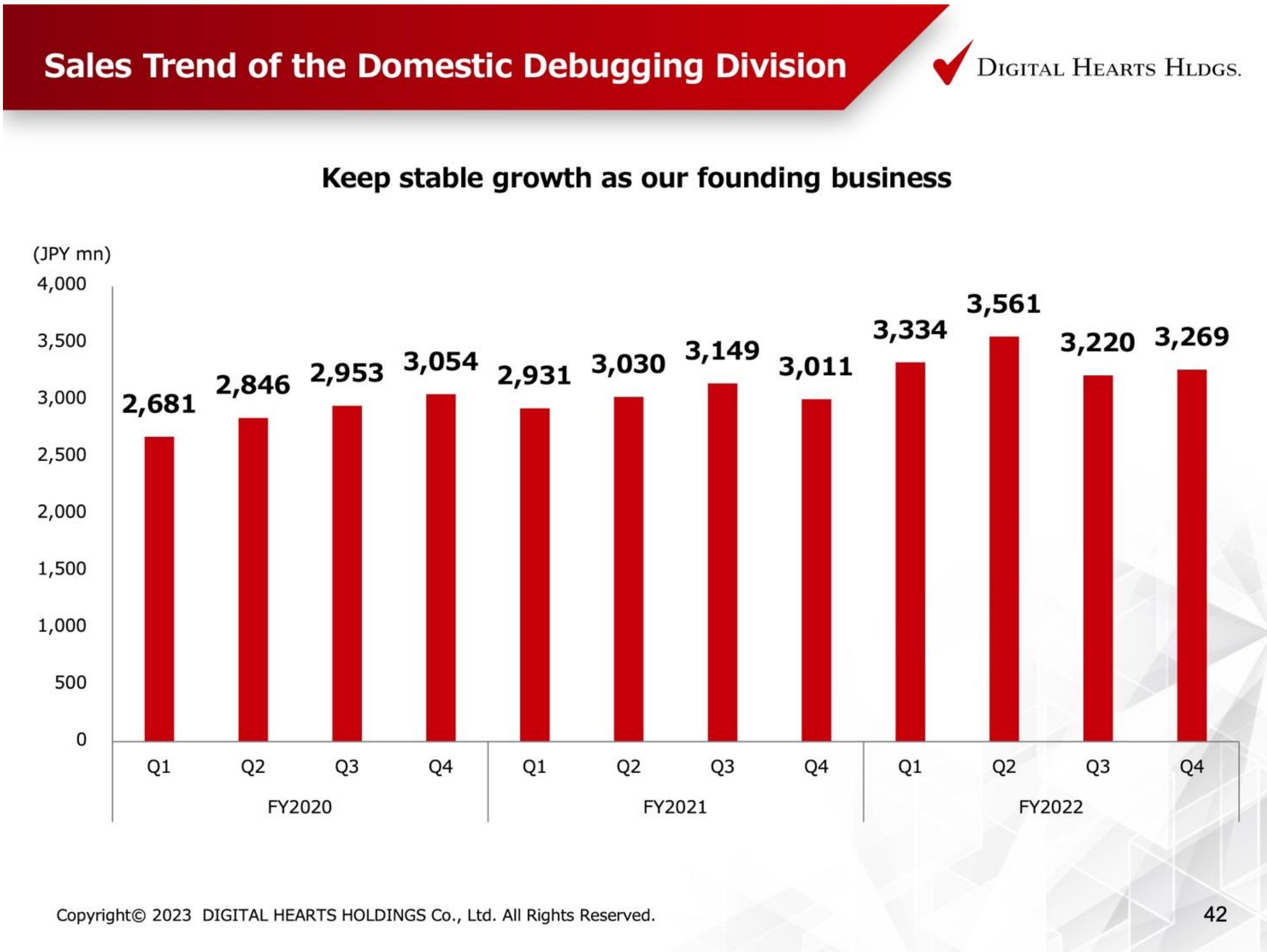
In addition, I believe that what is required is the ability to respond to change as we respond to and take on new business challenges. Web 3.0 and NFT games are slowly and steadily spreading in the game industry these days. Also, although it has become a bit of a buzzword, the world of the Metaverse is certainly not just a buzzword but is expanding as an actual business, and we are experiencing this on a daily basis.

In addition, non-gaming applications and web services using these new technologies are spreading rapidly. We believe that the solutions and services we have developed in the past can be applied to these fields as well. We would like to strengthen this area as the third pillar of our efforts.



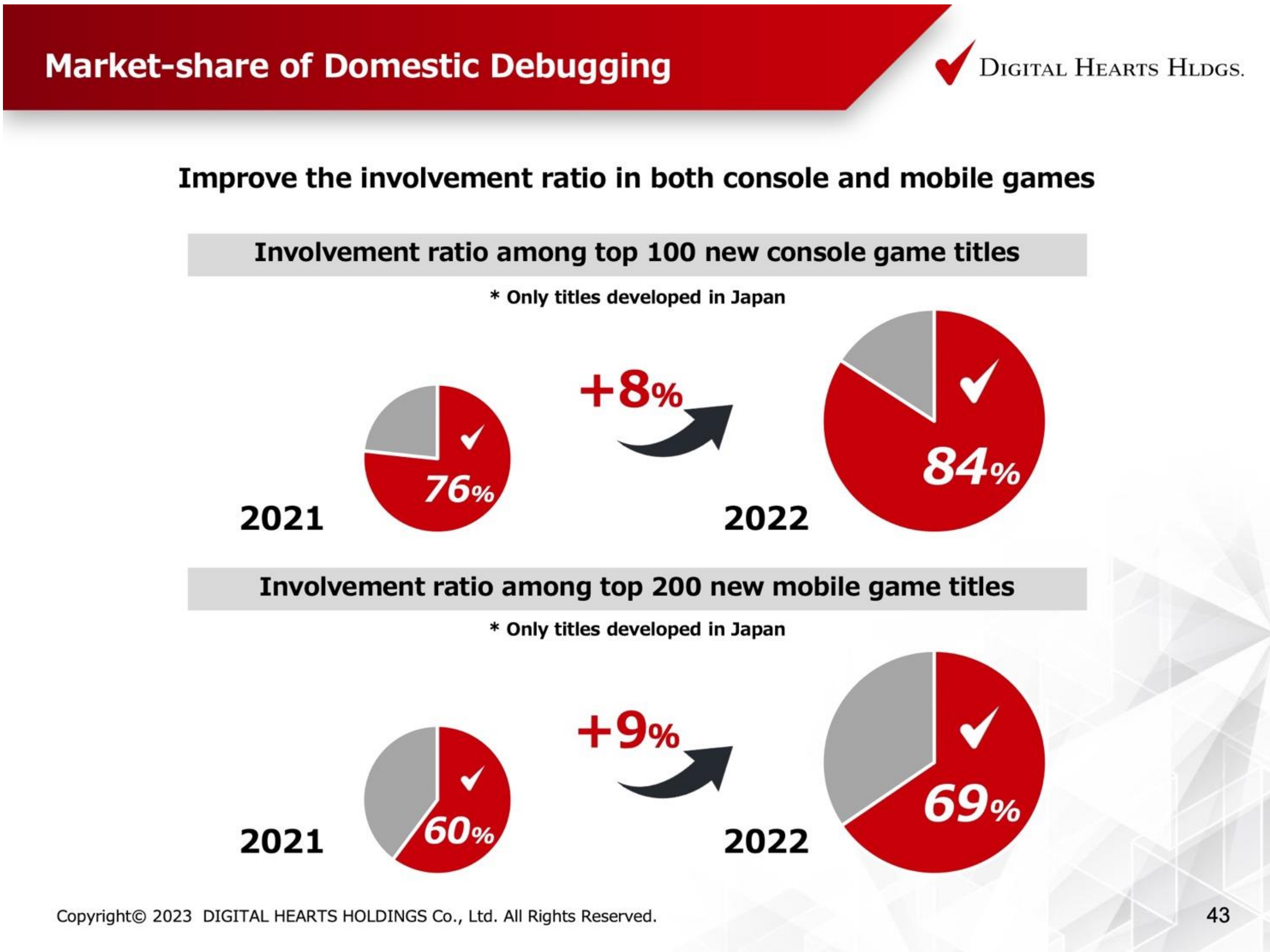
As for the domestic debugging business, which I mentioned earlier, we have accumulated a great deal of expertise in this area as a leading company. The market has matured considerably, but I think it is difficult for newcomers to enter this field. We believe that it is quite extraordinary to create something comparable to the management resources we have, so in this respect, we would like to aim to further expand our market share and increase our profitability by adding more value to the market.

In this context, as I will explain later, we would like to spread our quality control method, called DHQ, to a wider range of customers and aim for high-value-added products. In addition, we would like to further strengthen our bases and tools to increase productivity.



This is the sales trend of the domestic debugging business for the past three years.

As you can see, we have been able to maintain a very stable business, and although not shown here, we have been able to maintain a very high gross margin.



This is the ratio of console and mobile games we have been involved in as debuggers and QA in the last year. The year before last, 2021, we were involved in 76% of the top titles in console games, and last year, 2022, that number increased to 84%. This means that we are involved in almost all of the games in the top 100.

Similarly, in mobile games, the top 200 shows that the involvement rate was 60% in 2021, the year before last, and increased to 69% in the last fiscal year. We are also gaining the support of our clients and seeing an increase in the number of orders placed with us.

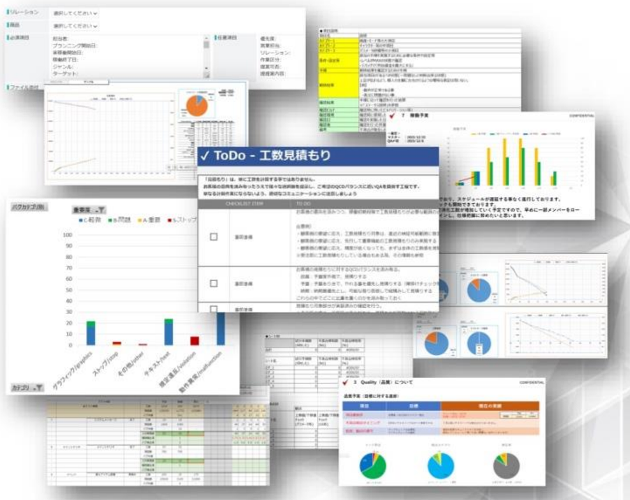
I think this can still be further improved, and we would like to aim for even higher levels this year.

Initiative of Digital Hearts Quality (DHQ)

DHQ is our unique quality control method to discover defects efficiently and effectively and to achieve the optimal QCD for client companies in QA (quality assurance) service for software development. The company provides client with optimal debugging service by reviewing every process from scratch and improving it, including the required preparation, execution of testing, analytical methods, staffing training, and technological introductions.

DHQ framework

DHQ tools



As I explained during the briefing, this is the DHQ, Digital Hearts Quality, method that we are currently focusing on in terms of quality enhancement.

We are trying to organize the know-how and experience that we have accumulated over the past 20 years. And we are also trying to utilize various tools, analytical methods, staff training, and technology implementation. As a result of these measures, we aim to establish a system and method to provide optimal QCD, quality, cost, and delivery, for our customers. We are thoroughly implementing this approach, including for our customers, and are proceeding with this approach with the biggest internal philosophy of contributing to the success of our customers' businesses.

Overview of Global Business

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Market

- Expansion of needs to support overseas expansion by domestic and overseas game companies
- Rapid change and globalization, such as worldwide simultaneous launch of large-scale titles
- Only few companies with a capability to support expansion into all area like Asia, the U.S. and Europe

Services

- Translation/LQA, localization support
- Marketing support suited to the practices in the new region
- Customer support, audio recording

Our Position

- Large potentiality with our current small share compared to the domestic debugging
- Opportunity to utilize strong client ties in debugging service
- Large number of specialists in each region and language

Growth Strategy

- Expand global network (Southeast Asia, North America, and Europe)
- Strengthen solution (Localization, customer support, and marketing support)
- Acquire new service functions and overseas bases through aggressive M&As

In-house KPI

- Cross-selling rate
- Global sales ratio
- Number of global human resources

Next, I would like to explain our global business.

As you all know, games are not only offered in Japan but are also developed and launched globally.

We have recently seen a rapid increase in the number of so-called simultaneous releases around the world, and we would like to apply our services to this area.

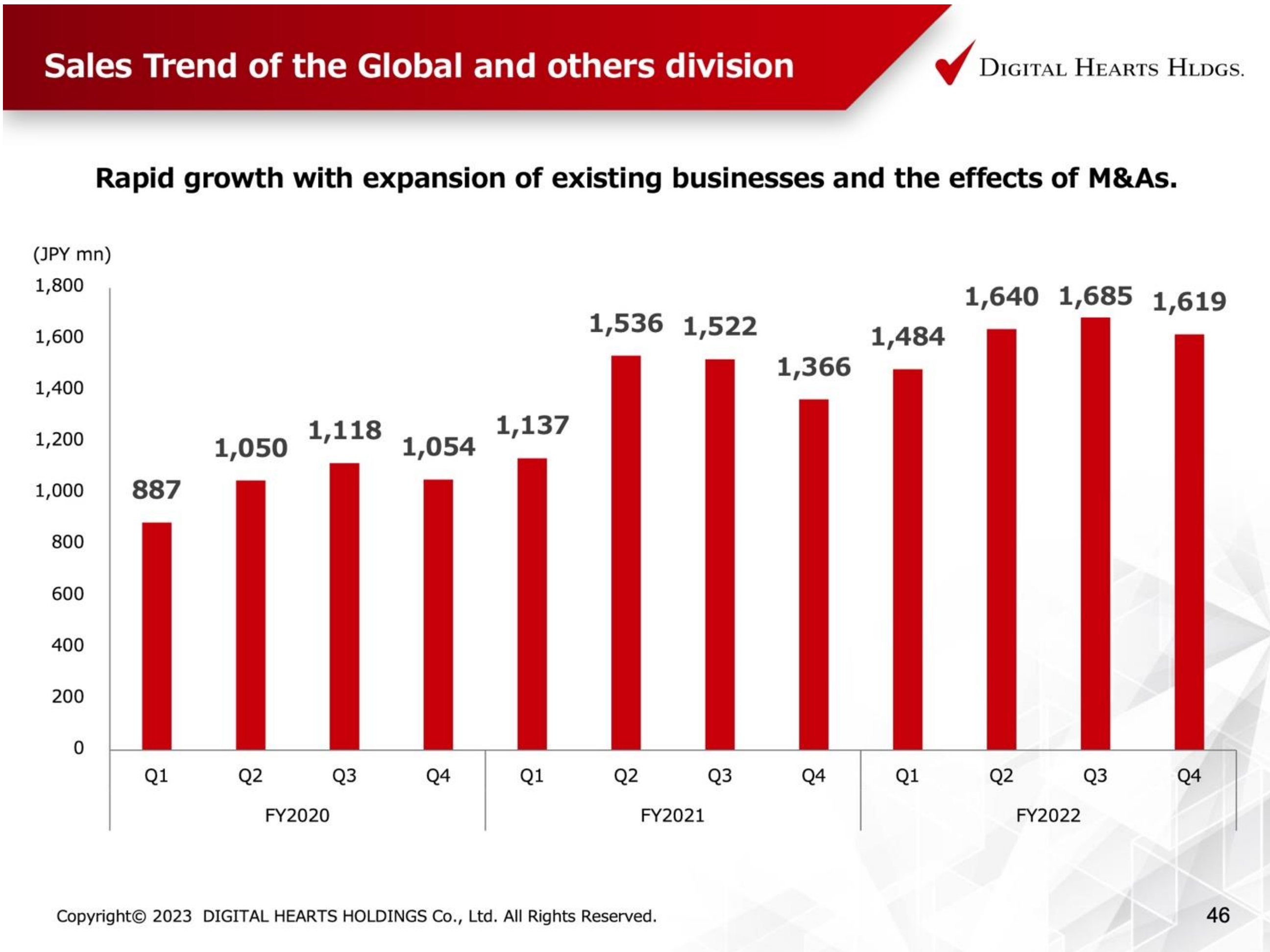
Our main services are translation, which is necessary for such overseas expansion, LQA (Linguistic Quality Assurance), and localization including other culturalization as well.

Also, of course, each country has its own unique clientele. Therefore, we are providing services that include marketing support, customer support, voice recording, etc., tailored to each country.

Our position and market share are still not as high in this field compared to the field of debugging, so I think there is a lot of room for growth in this business.

To this end, we are steadily expanding our bases, and although we have completed the establishment of East Asia by last year, we would like to further expand our bases to Southeast Asia, North America, and Europe.

The services I just described are still being brushed up, and we will further strengthen localization, customer support, marketing, and other services. Until now, we have not conducted M&A in the Entertainment Business, but from here on out, we would like to actively utilize M&A in the Entertainment Business as well.



Here are the sales trends for the global business for the past three fiscal years.

This too has been growing steadily.

Cross-selling of our services other than the debugging

Strengthening cross-selling by utilizing our strong ties with game companies through our domestic debugging services. Expanding the number of languages compatible with our localization services.

Cross-selling rate to our top-10 clients

(FY2022 results)

Category	Cross-selling rate	Average number of service categories per client (*)
Company-wide	80%	2.5
Console game clients	100%	2.7
Mobile game clients	80%	2.0

* Average number of service categories per client indicates the average out of 4 different category types such as debugging and localization.

Number of language pairs compatible with localization services

(FY2022 results)

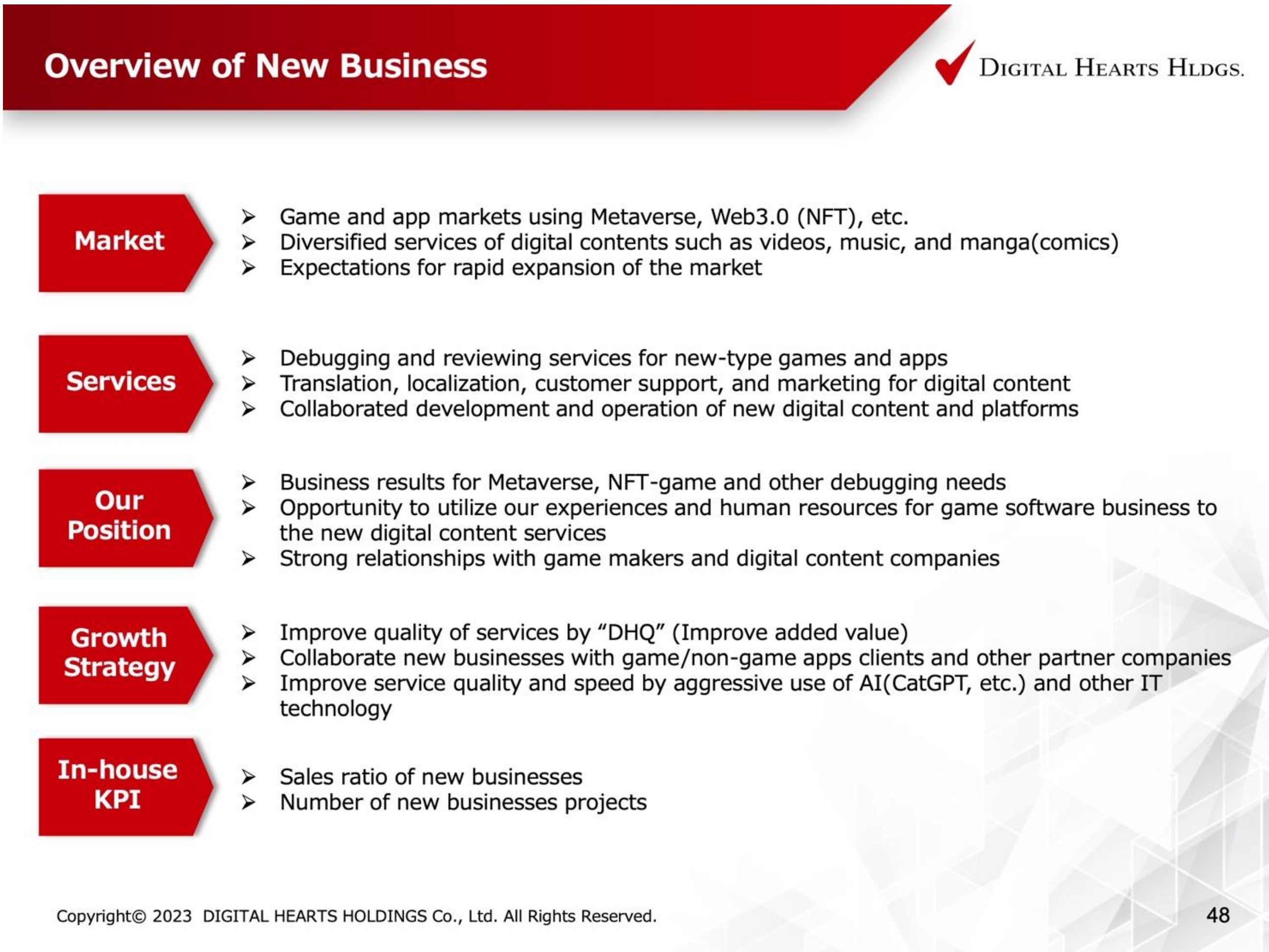
From	To	
Japanese language	Others	14
Non-Japanese languages	Other	25

In this context, we have client relationships that we have cultivated through our games, so we would like to utilize these assets. In terms of strengthening and expanding services, we will carry out cross-selling of global services, customer support to our console and mobile game customers.

As of last year, we were able to sell 100% of our non-debugging services to the top-10 console game clients, and the average number of services used is 2.7 services per company.

In mobile games, we provide non-debugging services to about 80% of our top-10 mobile game clients, and the average number of services used is 2.0 services per company.

We are also steadily expanding the number of languages that can be localized, and I believe that this will be further strengthened.



Finally, I would like to explain our new business.

New technologies are emerging rapidly, and even in the same game category, NFT games using blockchain and new services in the virtual space using the Metaverse are being created rapidly.

I believe that the QA services we have cultivated and the global services I explained earlier can be fully applied in this field and contribute to the development of our clients' businesses.

I believe that our services will be useful in this context so that we can properly deliver the quality that I have just described. We would like to develop debugging and QA services for such new content, and I think there are also considerable opportunities for other, global services.

Therefore, we must first demonstrate our presence as a quality partner, and at the same time, I believe that we should make more and more use of new technologies to enhance our services. As I mentioned below, it's called AI-based services using something like ChatGPT. We may be a little behind our competitors in terms of resources, especially in terms of the field of AI utilization related to language services and so on. However, I believe that by utilizing this kind of AI, our positioning will change as a game changer in one fell swoop, and we would like to put a great deal of effort into this field.

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Projects related to the Metaverse and Web3.0

For new type games utilizing Metaverse and blockchain technologies, we have recently seen an increase in demand for services, such as software development support, QA (quality assurance), and customer support services. We aim to contribute game users to enjoy virtual spaces and NFT games with enough security and comfort, by leveraging our expertise and know-how from past rich experiences of game development and debugging.

Projects in the Creative division

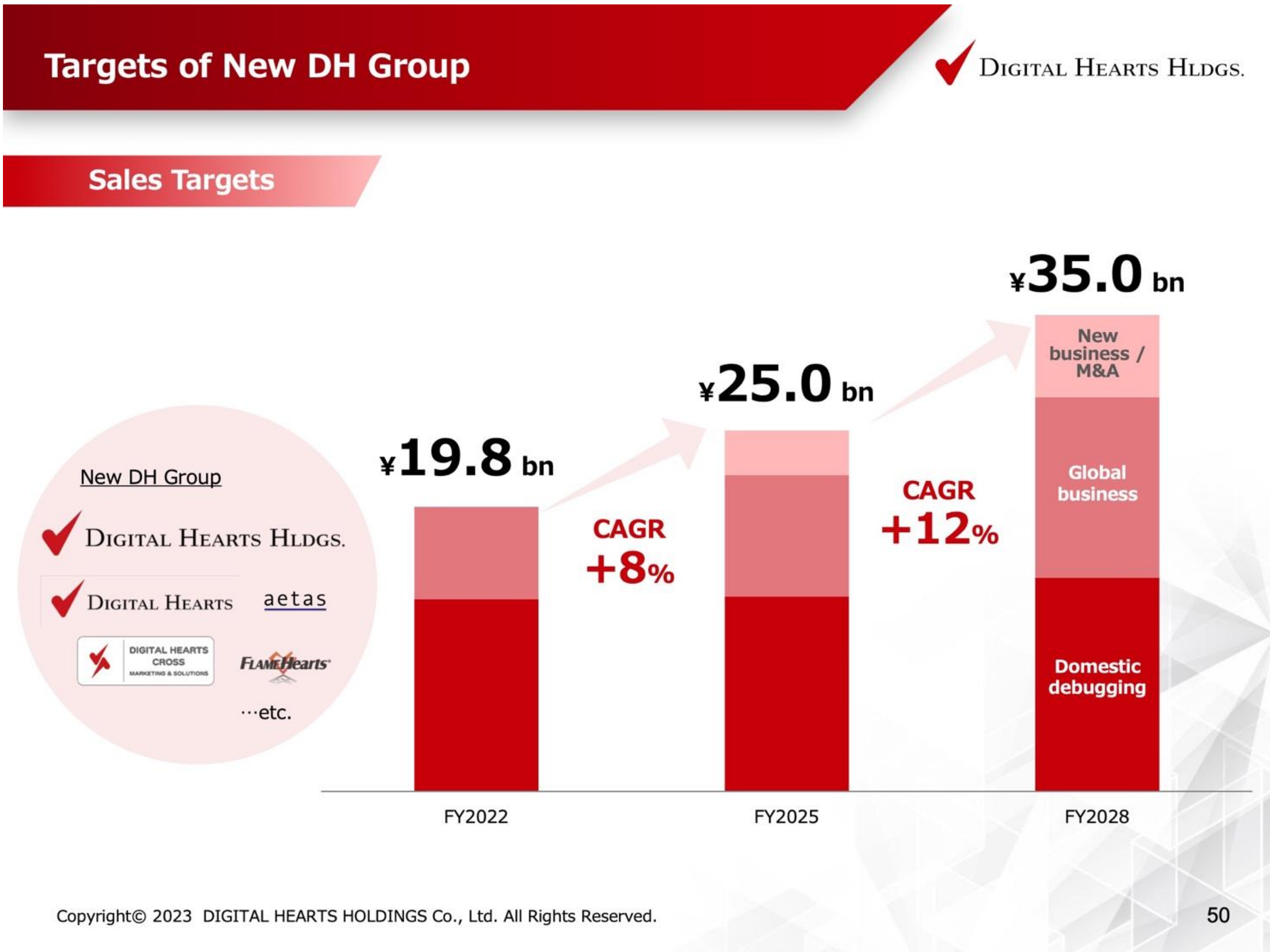
Metaverse	3 projects	We provide wide range of services, such as concept art, character design, 3D modeling, and avatar tool development.
Web3.0	1 project	It is an outsourced development of front-end software such as UI and engineering work.

QA (quality assurance) and customer support projects

Metaverse	7 projects	The projects are for various kinds of Metaverse developed by large game makers and digital contents companies. We provide QA services from a user's view, to different stages of software development including the post-launch period.
Web3.0	6 projects	We provide QA services, customer support services, and identity verification services for client companies who develop games using blockchain technologies and those who provide NFT platforms.

In that respect, like I said before, the Metaverse and NFT are no longer buzzwords. We are now seeing a steady increase in the number of this type of business.

Last year, we worked on three projects in the Creative division for Metaverse and one for Web 3.0, and among so-called QA and customer support, we worked on seven projects for Metaverse and six for Web 3.0. We have been steadily increasing our achievements in these new fields that we are able to offer.



This is the last slide, and it shows our medium-term sales targets for the future.

Currently, the Entertainment Business portion of our sales is about JPY20 billion. We will make sure to grow this and come along with Enterprise Business until the full Spin-Off is complete, so about 8%.

After the Spin-Off, we will continue to accelerate the growth of the Company and invest aggressively in the Entertainment Business, aiming for an annual growth rate of 12% plus. We would like to develop this business with the goal of eventually reaching JPY35 billion, and if possible, changing this goal midway and aiming for JPY40 billion to JPY50 billion if we can gain support from everyone.

That concludes my explanation of the Entertainment Business.

Thank you for your attention.

[END]