



DIGITAL HEARTS HOLDINGS Co., Ltd.

Briefing of Results for the Fiscal Year Ended March 31, 2024 for Institutional Investors

May 10, 2024

Presentation

Tsukushi: I am Tsukushi, President and CEO of DIGITAL HEARTS HOLDINGS Co., Ltd. Thank you very much for participating in our briefing on the financial results for the fiscal year ended March 2024 today.

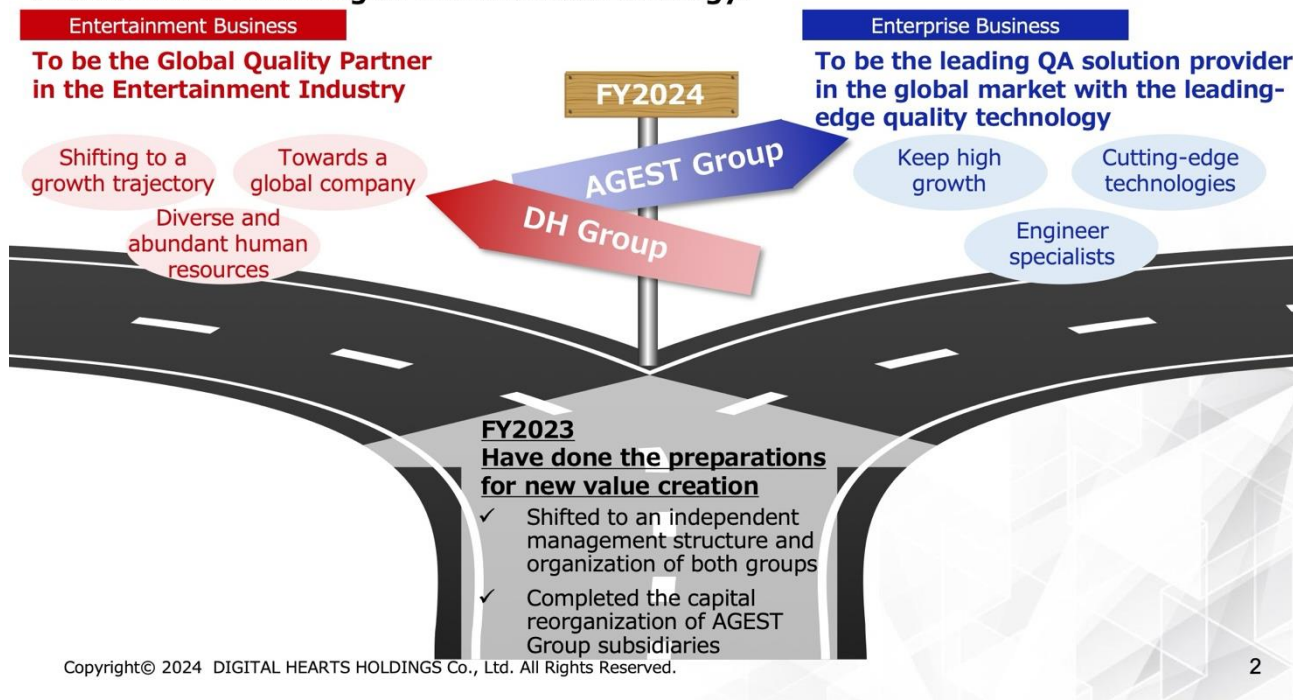
This is the place to explain the financial results for the fiscal year ended March 2024, but before I start explaining those numbers, I would like to talk about the Spin-off Listing, which is now, last year, and this year, the most important management issue for the Company. I will take this opportunity to explain again the background and aims of this.

Toward New Value Creation after Spin-Off Listing



DIGITAL HEARTS HLDGS.

Aiming to maximize the corporate value of both DH Group and AGESt Group by separating businesses with different markets/characteristics to be two independent listed companies through Spin-Off Listing, and by achieving swift management decisions and financing in line with each strategy.



2

Since I and Ninomiya, who is standing next to me, joined the Company around 2017 or 2018, we have been working hard to expand our QA business in the enterprise field by utilizing the know-how and management resources that we had accumulated in the debugging business. We have been doing this for a long time. The business grew steadily, and we were able to use the cash earned in the Entertainment Business to invest in human resources, technology, and M&A. The business grew steadily.

In this process, we realized that the environment for system development is changing rapidly, and the technology used in the market, including AI, is innovating very rapidly. In addition, I feel that we are required to have a depth of knowledge about the technology, industry trends, and human resource development, as well as to provide innovative services, and to have foresight in management. I also felt that in order to achieve this, not only the board of directors and management, but also the front-line and back-office staff, must all work together to manage the business with a firm grasp of the changing market situation.

In fact, I see exactly the same situation in the Entertainment Business. Entertainment content, including games, is becoming more and more complex and globalized, including simultaneous releases around the world. At the same time, platforms, such as console games, are being upgraded, not only to newer versions, but also to downloadable versions, and the content is being updated again. We also felt that unless we properly check the contents, we would not be able to maintain quality in response to the rapid changes in the content. We felt that it was necessary to provide services while keeping a close eye on industry trends, technological trends, and user trends, including entertainment games, and that it was necessary for management to work in unison with the field team.

Last year, after many discussions among our board members, we came to the conclusion that we should spin off our businesses, which have different markets and characteristics, into two independent listed companies, and maximize the corporate value of both companies by making quick management decisions and raising funds in line with the strategies of the two companies. The decision was made to do this.

Last year, we reviewed the management structure of both businesses once more and prepared for a completely independent management structure. We also reorganized some of our subsidiaries to be tied to their respective businesses, and it's finally here.

Through this, we will aim to become a global quality partner in the entertainment industry in the Entertainment Business, and in our Enterprise Business, AGEST aims to become the global number one QA company pursuing cutting-edge quality technology.

Group Mission

SAVE the DIGITAL WORLD

DH Group 	AGEST Group 
Maximize the appeal of entertainment contents and Contribute to the creation of better comfortable life with people's smile <u>Bring Japan Quality to the World</u> • High quality standards with "mindful and sensitive" as one of the Japanese characters • Provide suitable solutions to digital contents with quickness and global standards • Disseminating the attractiveness of Japanese "subcultures" such as anime, manga, and games	Provide Quality, Security, and Agility for every software development and Contribute to the creation of a secure and safe digital society <u>Develop New Standard in Japan with World-class Technologies</u> • Continuous evolution in line with rapidly changing technological trends • One of the few leading Japanese groups with "QA" specialists

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The overall mission of the Group will remain the same, "SAVE the DIGITAL WORLD", but each business will operate with its own unique characteristics.

In the Entertainment Business segment, which we will call the DH Group, we would like to provide not only Japanese content, but also Japanese quality to domestic and global content market.

On the other hand, in the AGESt Group, the Enterprise Business, we will bring the world's highest level of technology to Japan in the software development field and aim to provide support for software development that is safe and secure, and also safe and secure in operation.



As I mentioned earlier, last fiscal year we completed the management structure to operate these two businesses independently, and as of April 1, we have changed to a new management structure. DIGITAL HEARTS HOLDINGS is represented by Miyazawa, the founder, and myself.

In addition, AGEST, which is aiming for a Spin-off Listing, has established a structure whereby Ninomiya, who was the representative until March, will lead the company. This management structure is not merely a matter of dividing management, but also of creating a management structure that firmly aligns the two businesses, including the executive officer structure below it.

Last year, DH Group under DIGITAL HEARTS HOLDINGS took a number of steps to re-grow the Entertainment Business, such as the tie-up with a Spanish company called Localsoft to expand business in Europe and the US, as well as a capital and business alliance with G-angle to strengthen the voice recording business. We have also established a joint venture company with JetSynthesys in India to develop the English-language FQA with the aim of cultivating the Indian market in the future.

In the area of technology, we are actively promoting the use of AI, which cannot be neglected as a management theme these days, and we have made a capital participation in Turing, a company that promotes AI automatic driving. We are also working with Rozetta to develop AI translation tools. On the other hand, in our Enterprise Business, AGEST Group, we received a Partner Award from Panaya, a company that has an excellent tool for analyzing the impact of ERP/SAP conversion and upgrade. I believe that AGEST Group has firmly established its position as a service company in the enterprise industry, and naturally AGEST Group is actively developing AI-based services and has launched services such as AI Debugging and AI Technical Code Review shown here. Ninomiya will explain more about this in detail.

Financial Results Summary for FY2023



Consolidated net sales	¥38,790 mn (YoY 106.2%)	Consolidated operating income	¥2,039 mn (YoY 68.0%)	Profit attributable to owners of parent	¥176 mn (YoY 22.1%)
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DH Group Business (*)

■ Net sales

Entertainment Business

¥19,180 mn
(YoY 96.8%)

New Segment Standard

¥23,488 mn

■ Segment income

Entertainment Business

¥3,325 mn
(YoY 78.9%)

New Segment Standard

¥1,734 mn

* ¥3,420 mn excluding holding company costs.

Summary

- Full year sales remained almost same as FY2022, due to growth of "Global and others", despite a decline of the "Domestic debugging" with the impact of delays and cancellations in some game title developments.
- Decrease in operating income due to the smaller sales in highly profitable Domestic debugging, despite the progress in passing on costs to raise the tester's hourly wage.
- Actively invest in new growth strategies.

AGEST Group Business (*)

■ Net sales

Enterprise Business

¥19,714 mn
(YoY 117.1%)

New Segment Standard

¥15,975 mn

■ Segment income

Enterprise Business

¥423mn
(YoY 66.3%)

New Segment Standard

¥305 mn

Summary

- Kept double-digit sales growth with a booming market environment as a tailwind.
- Good will impairment loss of 1.0 billion yen in 1H related to U.S. subsidiaries' weaker performance and the changes of its management team and organization including its business plan.
- Excluding the impact of expenses related to preparing for Spin-Off Listing in FY2023, actual segment income achieved an increase to over 0.7 billion yen.

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* Segment change is planned from FY2024. Refer to page 7 for details.

5

So, we have made considerable progress over the past year toward a Spin-off Listing, and here are the resulting financial figures. First, consolidated net sales were JPY38,790 million, or 106.2% of the previous year's level. Consolidated operating income was JPY2,039 million, 68% of the previous year's level. Net income was JPY176 million, or 22.1% of the previous year's level.

First, looking at sales by group, the entertainment group, let's call it DH Group, had net sales of JPY19,180 million, which is 96.8% of the previous year's level. AGEST Group, on the other hand, had JPY19,714 million, or 117% of the previous year's total.

On the Entertainment Business side, compared to the year before, there was a considerable decrease in the number of large-scale game debugging projects. In addition, Q4, the final quarter of the year, there were announcements from game companies of delays or cancellations in the development of their game titles, which caused a bit of a stall in the business. As a result, in the global and others division, the figures increased compared to the previous year, but in the end the final figure was 96.8%, the same level as the previous year.

AGEST Group has been able to steadily increase sales, with double-digit growth in organic sales alone, and a 117.1% increase including M&A. As for segment income, as I explained earlier, the entertainment segment was largely affected by struggling sales in debugging, which accounts for a large proportion of our profits, so there was a decrease in segment profit. In addition, last year we actively increased wages, including hourly wages for testers, and although we were able to pass on a certain amount of the price increase, there was also a time lag, so we were unable to accumulate sufficient profits, which is why segment profits were less than 80% of our total.

On the other hand, AGEST Group was able to increase gross profit by about JPY500 million thanks to the steady growth in sales. At the same time, however, we have slightly reassessed the business of our overseas subsidiaries. Also, in order to create an independent structure in the Spin-off Listing, we have increased headcount in back-office departments such as the accounting department and the human resources department, etc. The final profit figure was 66% of the previous year's level.

As for net income, as mentioned here, we have made a major review of the management structure and business plan at our US testing subsidiaries. As a result, there was a goodwill impairment loss, which amounted to approximately JPY1 billion in 1H of the fiscal year, resulting in a final figure of JPY176 million.

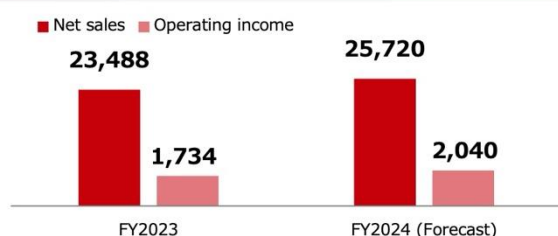
FY2024 Consolidated Financial Forecast



Aiming to achieve record-high net sales and operating income of FY2024 by reversing the trend of sales and profit growth for both DH Group and AGESt Group.

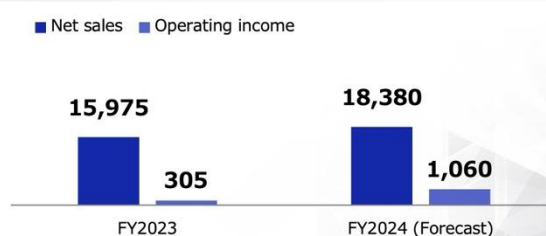
Consolidated net sales (Forecast)	Consolidated operating income (Forecast)	Profit attributable to owners of parent (Forecast)
¥44,100 mn (YoY 113.7%)	¥3,100 mn (YoY 152.0%)	¥2,100 mn (YoY 1,186.9%)

DH Group Business(**)



- Forecasting **a strong sales growth over YoY120% in "Global and others"** such as translation/ LQA and marketing support through expanding services and strengthening the business in U.S. and Europe.
- Planning **a stable results in "Domestic debugging"** with recovering orders.
- Aiming for **significant income increase to 2.0 billion yen** operating income by improving gross margin ratio with cost pass-through pricing and cost controlling.

AGESt Group Business(**)



- **Keeping high sales growth plan over YoY120% in "QA solution,"** due to steady domestic market expansion and strategic enhancements such as utilizing AI.
- Forecasting **gross margin improving to around 30%** due to expansion of high-value-added services.
- Aiming to improve income to **1.0 billion yen**, triple as FY2023, while investment in AI-tech and high-skill QA engineers.
- Assuming expenses to **prepare for Spin-Off Listing to be almost unchanged** from FY2023.

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* Segment change is planned from FY2024. Refer to page 7 for details.

6

This is our full-year forecast of FY2024. This fiscal year, unlike the previous year, both DH and AGESt Groups are looking to reverse the trend of increased sales and profits and are aiming for record-high sales and operating income. Net sales are JPY44.1 billion, 113.7% of the previous year's level. Operating income is JPY3.1 billion, 152% of the previous year's level. We are also aiming for net income of JPY2.1 billion, which is 10 times the previous year's figure.

Figures by segment. As for DH Group, we will increase sales from JPY23,488 million to JPY25,720 million and profit to more than JPY2 billion. In AGESt Group, we are aiming to triple our sales from just under JPY16 billion to JPY18.38 billion, and to triple our profits from JPY300 million to JPY1 billion.

In DH Group, first of all, as far as the recent pipeline is concerned, the debugging in the Entertainment Business is recovering to some extent. Meanwhile, the global business and others, which we have strengthened considerably since last year, are showing signs of being able to increase their sales considerably, which is why we have set these figures.

In AGESt Group, we will continue to increase sales of QA solutions, which have been accumulating relatively steadily, at a pace of 120%, and in particular, we expect to see an improvement in gross profit margin. In the technical area, we will continue to strengthen our human resources, enhance the use of AI technology as I explained earlier, and improve both quantity and quality in order to achieve these figures.

Incidentally, regarding the costs related to the Spin-off Listing, which we have added since last year, there were some one-time costs including recruitment last year, but if we line up the full year, I think that AGESt will incur the same amount of costs related to the listing as last year. We have drawn up these figures on the assumption that there will not be any further increases.

(References) New Segment



**As a part of the reorganization with future Spin-Off Listing,
to change the business segments to “DH Group” and “AGEST Group” from FY2024**

■ Before FY2023

Reporting segment	Main services
Entertainment Business	
Domestic debugging	Game debugging
Global and others	Translation and LQA Marketing support Game development support Customer support
Enterprise Business	
QA solution	System test Security test System development Introduction of ERP and CRM
IT services and others	<u>IT engineer platform service</u> Security monitoring Maintenance and operation support
Adjustments	Inter-segment transactions <u>Holding company expenses</u>

■ After FY2024

* The changes are Underlined

Reporting segment	Main services	Main operating companies
DH Group Business		<u>Holding company expenses</u>
		DIGITAL HEARTS HOLDINGS Co., Ltd.
Domestic debugging	Game debugging <u>Other software debugging, etc</u> (partial subcontracting of AGEST work, etc.)	DIGITAL HEARTS Co., Ltd.
Global and others	Translation and LQA Marketing support Game development support Customer support <u>IT engineer platform service</u>	DIGITAL HEARTS Co., Ltd. DIGITAL HEARTS CROSS Group FLAME Hearts Co., Ltd. Aetas, Inc. identity Inc.
AGEST Group Business		
QA solution	System test Security test System development Introduction of ERP and CRM	AGEST, Inc. LOGIGEAR CORPORATION CEGB Co., Ltd. GPC K.K
IT services and others	Security monitoring Maintenance and operation support	AGEST, Inc.
Adjustments	Inter-segment transactions	-

This is a new segment definition, which I will not explain here, as I hope you will take a closer look at it later.

In the Entertainment Industry

To be the Global Quality Partner

Business Domain



- Accelerating global expansion and increasing frequency of updates of digital content
- Growing demand for third-party QA and creative support as cross-border services
- Diversify entertainment contents such as video distribution apps and manga apps

Resource



- Multinational management personnel familiar with local business practices
- Cross-border team of professionals brimming with diverse game and entertainment enthusiasts

Providing Value



- Detecting bug or defect from a player's perspective
- Translation/ LQA utilizing the worldview of each game title
- 2D/3D graphic and sound development to enhance the attractiveness of game titles

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9

Let me once again give you a brief explanation of DH Group's entertainment business. Our goal in the Entertainment Business, DH Group, is to become a global quality partner in the entertainment industry.

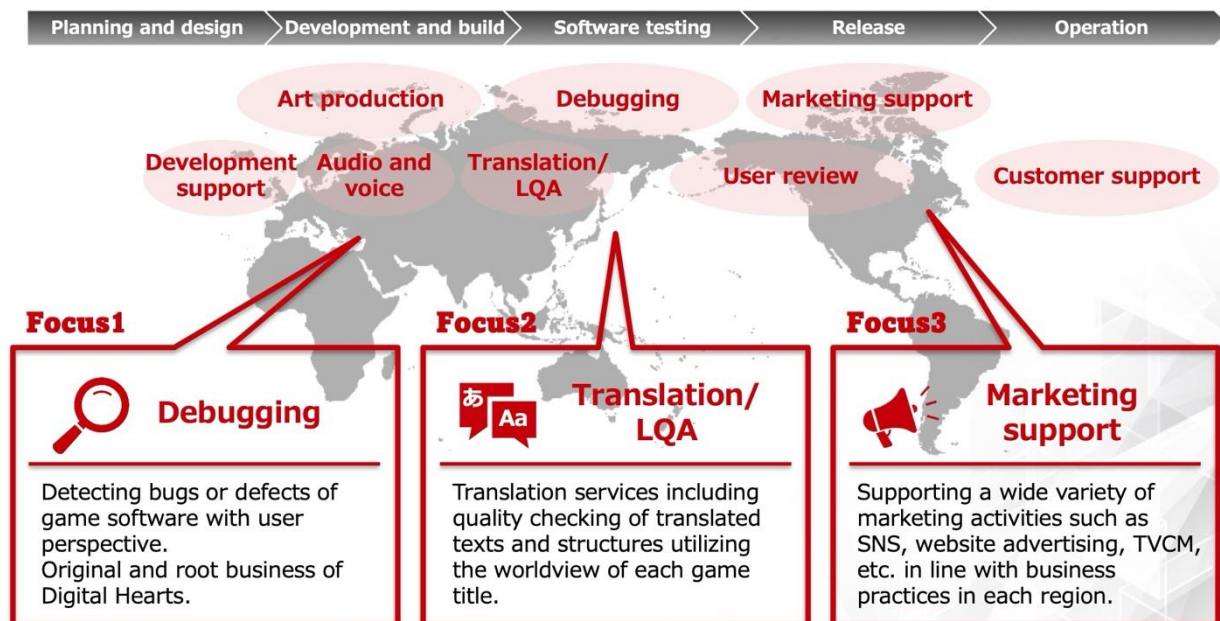
In terms of the market, looking at the game industry alone, we have seen a slight slowdown in growth over the past year or so, and some game companies themselves have announced restructuring or the cancellation of new titles on a global basis, so the environment is somewhat difficult. On the other hand, the number of users on a global scale is steadily increasing, and the market as a whole is expanding. In addition, we now live in a world where content, including non-game entertainment content, is constantly being updated with new content. I also believe that both the speed at which this content is being produced and the degree to which it is expanding around the world will keep on increasing. I expect that the services we provide and the volume of services we provide will continue to expand in the future.

In terms of human resources, there are many people who want to be involved in the game and entertainment industry, and we have many people from all over the world who have expressed an interest in working for us. I believe that we have formed a group of professionals who have a strong love for games and entertainment.

The value we provide is to support the quality of digital content and the environment in which it is provided. We are confident that we will be able to provide solid services in this industry, armed with our debugging know-how based on our many years of experience, our localization service capabilities including AI translation, and our 2D and 3D graphic production capabilities, which we believe will be increasingly used in various fields in the future.

Comprehensive support for improving the quality of content by providing a wide range of solutions suited to the lifecycles of game software and entertainment content.

■ DH Group's major solutions



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10

Here is an overview of the solutions we, DH Group, provide. The value chain of the content business begins with planning and design, followed by development and testing, release, and operation, and we provide a wide range of services as a third party, from development to testing, release, and operation. In the debugging business, which is one of our strengths as our founding business, we have many experienced personnel, so I believe that game companies can use our services with peace of mind.

In addition, we provide translation/LQA services to respond to the globalization of content, including AI translation, with a large number of global personnel. I am convinced that we have acquired a solid service capability for the globalization of content, including non-game content.

In terms of marketing to ensure that users use our services, rather than just selling them, we have a marketing team in place, mainly in Asia, and we hope to further expand our business in Europe and the US.

Business Results of DH Group - Clients -



DH Group has had business results with most of the domestic game manufacturers, and recently been expanding its base with foreign business players and indie games as well.

■ Examples of clients

* Alphabetical order

505 GAMES

AKATSUKI GAMES

applibot



ATLUS

BOI

CAPCOM

colopl



Cygames

DeNA

Dimps

DRECOM

f4samurai

FROM SOFTWARE

G2Studios

ガンパリアン

gumi

HASHILUS

historia

kakaopiccoma

KLab

KODANSHA

KOJIMA PRODUCTIONS

LEVEL5

LINEヤフー
コミュニケーションズ

MARVELOUS

MIXI

Falcom

P+

株式会社 ポケモン

RUDEL

SNK

SPIKE CHUNSOFT



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11

These are the clients we have been serving. Naturally, due to the relatively high confidentiality of our debug QA services, we have provided services to most of the major clients that are not listed here, including those in the entertainment industry that you can probably imagine. Unfortunately, we have not been able to include all of them in these materials, but we do have business with many of Japan's top players and global players.

Business Results of DH Group - Projects -



Pursue the unique quality method **DHQ** (Digital Hearts Quality), and a wide range of solutions from software development support, debugging service to marketing-support.

■ Examples of ordered project titles

Debugging



©ATLUS ©SEGA All rights reserved.

Title
PERSONA3 RELOAD

Publisher
SEGA CORPORATION

Developed by
ATLUS. CO., LTD.

Debugging



©Bandai Namco Entertainment Inc.
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Title
**ARMORED CORE VI
FIRES OF RUBICON**

Publisher
(JP) FromSoftware, Inc.
(WW) Bandai Namco
Entertainment Inc.

Developed by
FromSoftware, Inc.

Development Support

Debugging



©2024 Rabbit & Bear Studios / 505 Games SpA.

Title
Eiyuden Chronicle: Hundred Heroes

Publisher
505Games S.p.A.

Developed by
Rabbit&Bear Studios Inc.

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12

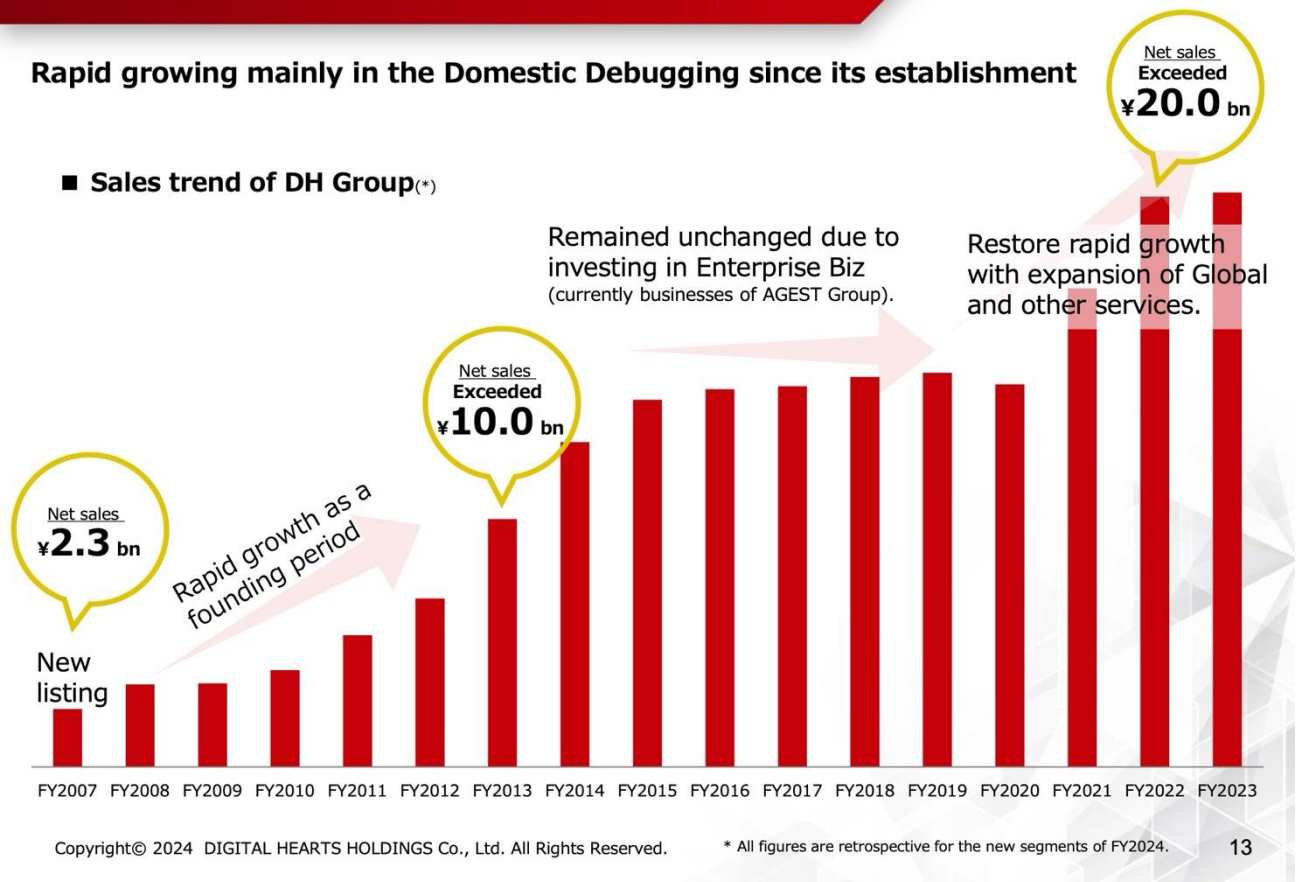
As I mentioned earlier, due to confidentiality reasons, I cannot list many of the titles here, but we have provided services to many well-known titles in this way, such as *Eiyuden Chronicle: Hundred Heroes* on the far right. This game was just released on April 23, and we were responsible for most of the game's development, including debugging. As I explained earlier, this title is a truly global title, and it is available on a wide range of platforms, from PCs to consoles to subscription services such as Game Pass. We overcame these complexities and difficulties to release this title to the world.

Sales Trend of DH Group



Rapid growing mainly in the Domestic Debugging since its establishment

■ Sales trend of DH Group(*)



Here are the past sales trend of DH Group alone, excluding the Enterprise Business, AGESE Group.

As I explained earlier, we started to invest aggressively in the Enterprise Business as a second start-up in 2017 and 2018 and has been growing that business. During this period, sales of the Entertainment, DH Group remained a little flat for a while. However, in the past two to three years, we have once again stepped on the accelerator and are now back on a growth trajectory.

Core Competence of DH Group



Aiming to make further growth by utilizing the business wealth developed in the game debugging businesses.

Soft Power

Market leader in domestic debugging service*



* Debugging service involvement ratio among top 100 new console game titles (Based on an internal investigation in FY2023)

High quality service

- Unique quality control method "DHQ(Digital Hearts Quality)"
- Management and analysis tools etc...



Hard Power

Abundant test terminals



Smart devices
7,177



Game consoles
3,236

Over 20 locations



*As of March 31, 2024

People Power

Diverse professionals from around the world, passionate about games and entertainment contents

Abundant pool of testers

Approx. **8,000**
registered testers



Diverse human resources

Nationality
Over
40 countries

Native staff
Over
350 people



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14

Shown here is our core competence, business wealth. First of all, we have the soft power we have built up through debugging, and we have our own know-how and quality control methods.

At the same time, when we provide debugging services such as this, we inevitably need test equipment and bases. We have created an environment in which customers can outsource their work to us with peace of mind, as we have a large number of test equipment and more than 20 bases, including those in Japan, where we provide our services.

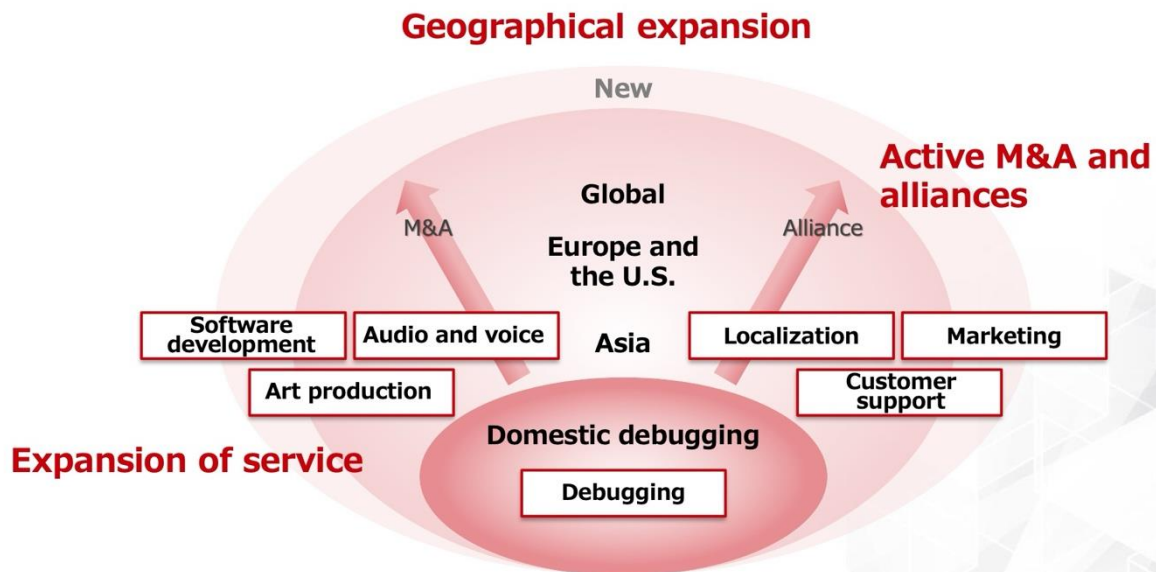
And our greatest strength, needless to say, is our people. People Power. We have approximately 8,000 registered testers alone in Japan, as well as a large number of foreign staff. We have more than 350 native-speaking staff members in 40 countries, and we hope to strengthen our global capabilities in the future, including through partnerships with overseas companies, as I explained earlier.

Growth Strategy of DH Group



Making the growth by both geographical expansion and new service developments based on our core competence.

To be the Global Quality Partner committing to the success of client companies in the global entertainment industry.



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15

Our growth strategy is to expand our service axis and regional axis both vertically and horizontally, while aiming to become a global quality partner that can provide all kinds of services to these so-called entertainment companies in all regions, so that they can outsource their work to us with peace of mind. Our current theme is how to accelerate the expansion of this business through alliances and M&A involving capital, which we have been promoting for some time now.

Progress of Growth Strategy



Planting new seeds for future growth

Expansion of service

Developing “ELLA”, translation engine for game by utilizing generative AI



Development in collaboration with Rozetta Corp.

Expanding Debugging businesses in English language



JetSynthesys Digital Services Private Limited

Joint-venture company with JetSynthesys Private Limited in India for debugging service.

Expanding voice recording and music production support services



Capital and business alliance with G-angle Co., Ltd. strong in audio/voice recording of games.

Geographical expansion

Expand businesses bases not only in East Asia but also in Southern Asia and Europe by utilizing alliances and others.

Main business locations



Japan



China



South Korea



Singapore



India



USA



Spain

Overseas clients

Increased not only in domestic clients but also in foreign clients.



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16

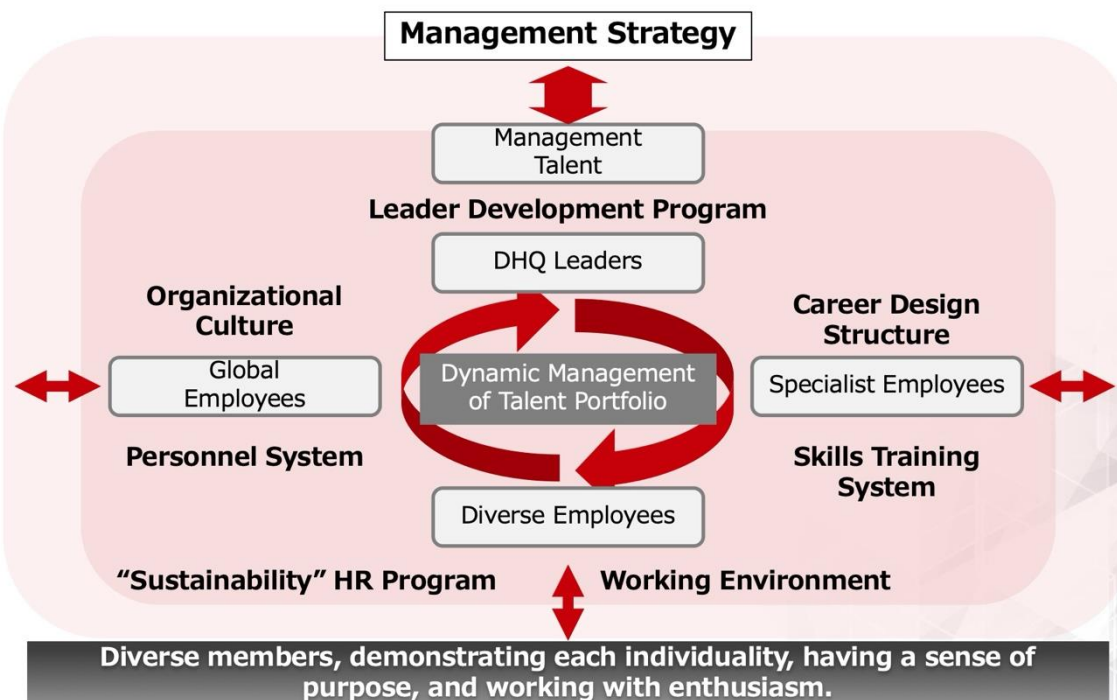
Most recently, we have made several definite enhancements to our services and regions in this way. In the area of translation, as I mentioned earlier, we have just completed the first phase of development of a translation engine dedicated to games using AI, and I think we are finally ready to start full-scale leasing next month.

In India, which is a very attractive market for the future, we would like to establish a joint venture to take the first step forward and expand our English-language debugging business there, while increasing transactions with local companies.

In the area of voice and audio services, where we have been lacking, we have formed a capital and business alliance with G-angle, which will enable us to provide strong support to our clients in the areas of game voice recording and game music production.

Geographically, we plan to increase our coverage of India and Spain, as I explained earlier, and further expand our European bases. We are steadily increasing our business with major clients in the United States, Europe, South Korea, and China. We are now looking forward to the expansion and growth of DH Group's entertainment business.

Aiming “An organization promoting diversity and engagement among the people” as our own unique structure by various initiatives related to human resource.



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17

Finally, the human resources aspect. We are now redefining our human capital policy in order to strengthen our human resource development in the sense that we are a business that provides services through people.

We have a diverse workforce, some global and some specialists. The major theme is how to develop these people and to activate the human resource portfolio, including a certain amount of rotation among them. Finally, we would like to develop a team of leaders who will lead the Company in order to realize our management strategy. That's all for my explanation of DH Group.

Next, Ninomiya, representative of AGEST Group, will give you an explanation of AGEST Group. Mr. Ninomiya, please go ahead.

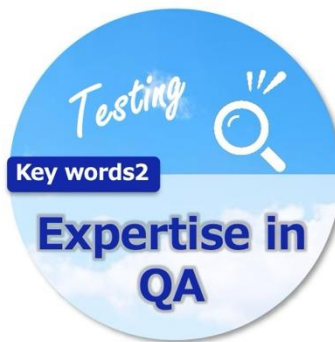
Ninomiya: Now, let me explain about AGEST group.

Supporting the "quality" of various enterprise system and software

QA (Quality Assurance) Solution Company



- Organization with venture spirits growing since its full launch in 2018
- Rapid expansion of demand for outsourcing testing due to a shortage of engineers and sophisticated QA technologies



- Global experts in software testing industry
- QA in "Shift-Left" and "Shift-Right" areas, which are not supported by conventional third-party testing



- Unique test automation tools using cutting-edge Silicon Valley technologies
- "Next-Generation QA engineers" utilize AI-technology in every process of testing-service to greatly reduce the burden on development engineers

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20

First of all, AGEST Group, in a word, is a company specializing in quality assurance. I believe that there are three characteristics of our company.

One is that the market is very short of engineers, and the software itself is becoming more and more complex, so the need to outsource testing is very high. Furthermore, since it is a newly entered business, we believe that we are running a business with a very high growth rate because of our venture nature.

Another is that we are accumulating considerable know-how in QA. We believe that we possess not only the so-called testing technology that conventional testing companies have, but also the know-how that only experts can provide, such as Shift-Left services that only we can provide, and in the Shift-rRight field in the future.

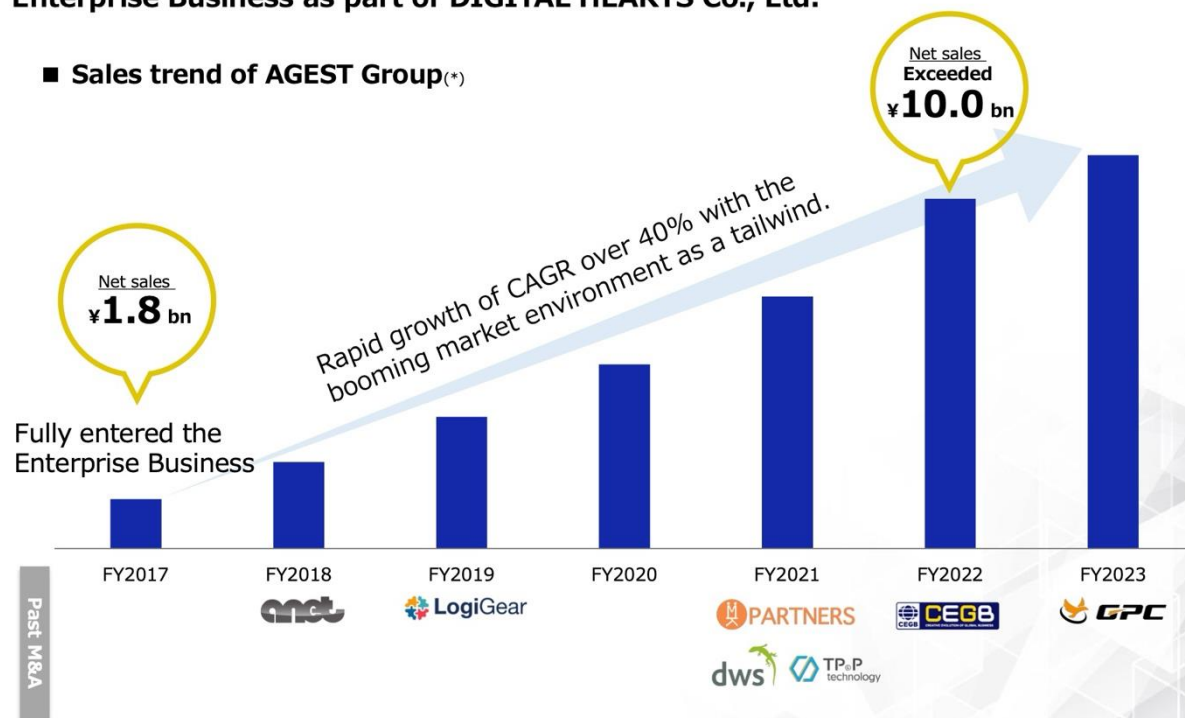
The third is a Silicon Valley company that has been working in test automation for more than 20 years, and we own the test automation tools, which are constantly evolving. In addition, we are also working on AI-based technology, which has become a hot topic in recent years, so we are a company that is capable of utilizing cutting-edge technology. I believe that these three things make us unique.

Sales Trend of AGEST Group



Rapid growth by investing in engineer and utilizing M&As, since a fully launch of the Enterprise Business as part of DIGITAL HEARTS Co., Ltd.

■ Sales trend of AGEST Group(*)



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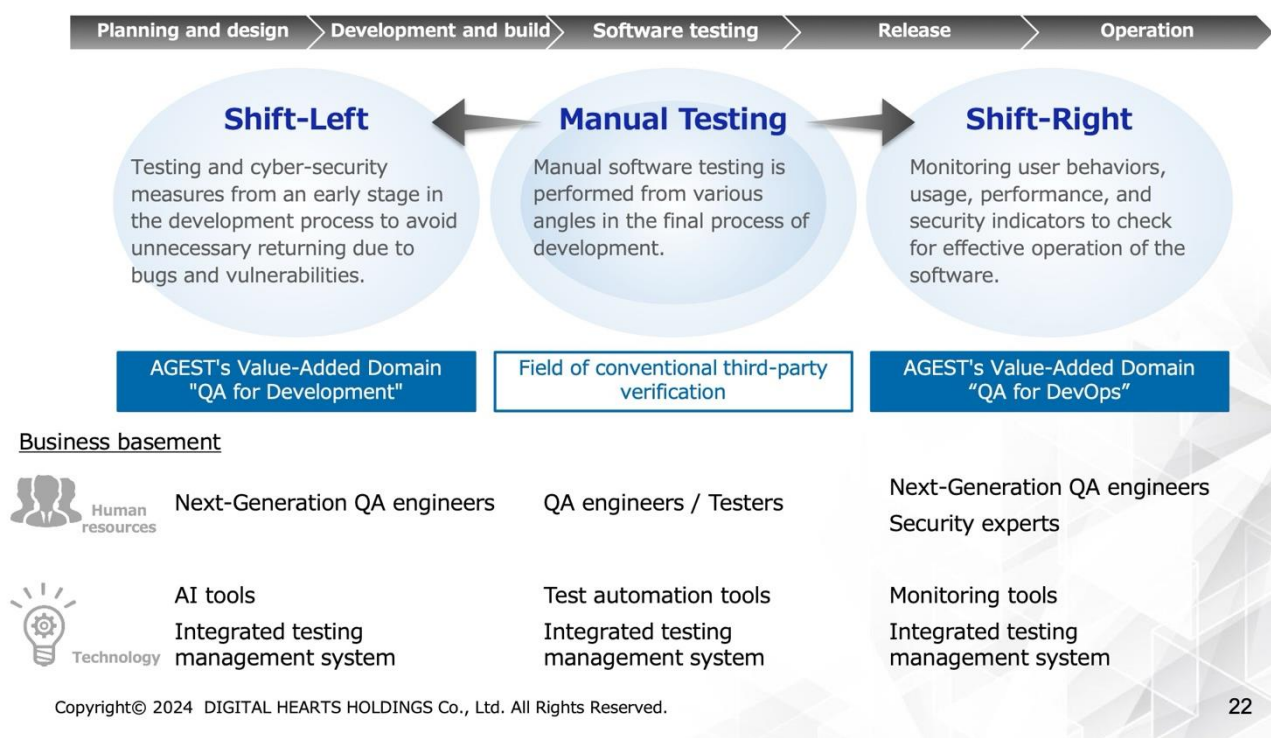
* All figures are retrospective for the new segments of FY2024.

21

Our Enterprise Business, the business of AGEST Group, made a full-scale entry into the market in the fiscal year ended March 31, 2018, as the Enterprise Business of the former DIGITAL HEARTS. Since then, over the past seven years, the company has achieved rapid growth at an average annual growth rate of more than 40%.

In the year before last, net sales exceeded JPY10 billion, and in the previous fiscal year, sales grew to a large amount of just under JPY16 billion.

Aiming to be the leading QA solution provider in the global market by providing wider solutions to meet diversifying QA needs of clients.



Our future growth strategy. Basically, we will expand the services that only we can offer and provide a wide range of solutions. We hope to promote growth through this.

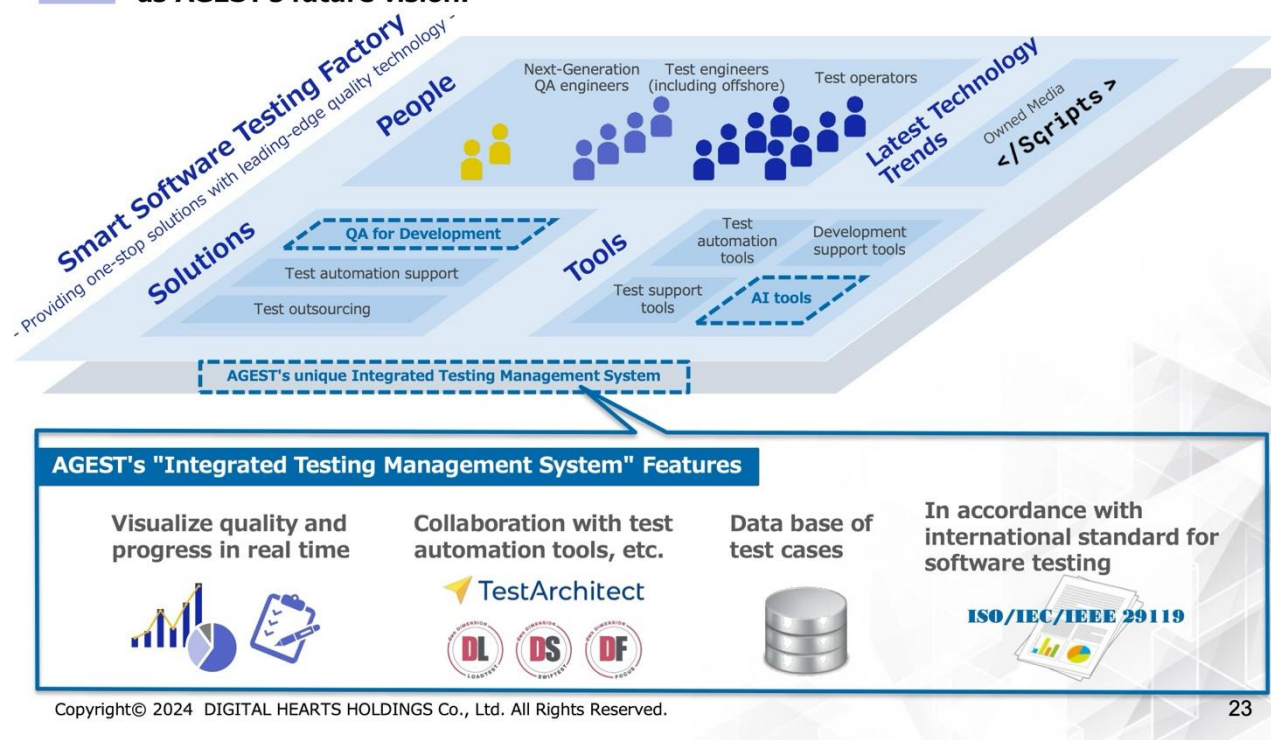
To be more specific, the middle part of the slide shows the field of conventional third-party verification, where testing is carried out manually in the final process of development. Naturally, we will also do this part, but we will not limit ourselves to this, and we also develop the so-called, as we have repeatedly said, from the early stages of the process in response to Shift-Left. We will provide solutions to strengthen test security measures at this early stage. We call this QA for Development, and I believe there are almost no testing companies that offer this service.

Therefore, since this is our value-added domain, we will strengthen this area. In addition, after release, it is naturally necessary to maintain the efficiency of the service in this area. Not many companies offer this specialized service. Therefore, we would like to use our advanced technology to expand our services in the area of Shift-Right as QA for DevOps. By expanding these areas, we hope to achieve growth by creating our own uniqueness.

We would also like to strengthen our differentiation by simultaneously expanding the technical aspects of our business, including the human resource base called Next-Generation QA engineers, AI tools and automation tools, which will form our business foundation.

1.

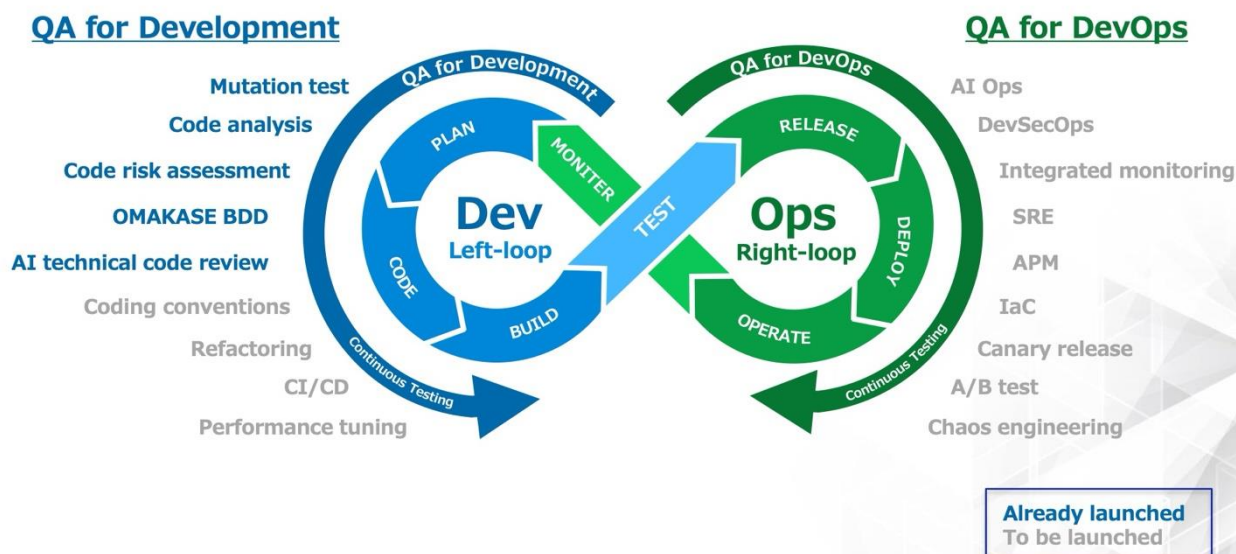
Started internal use of β version of our original “Integrated Testing Management System,” which is the cornerstone of the “Smart Software Testing Factory (SSTF)” as AGESt’s future vision.



As for the progress of our growth strategy, we are aiming to create an environment that enables us to provide one-stop solutions with leading-edge quality technology. We have begun in-house use of our integrated testing management tool, which is the key to this concept, called the Smart Software Testing Factory.

We plan to start external sales by the end of the current fiscal year. As with conventional test management tools, it is possible to visualize quality and progress status in real time. We have a variety of automation tools that can be used in conjunction with various other tools. In addition, we intend to build an environment where test cases can be capitalized, and in fact, this AI tool can be used on our integrated test management tool. Therefore, we hope to launch a platform for integrated test management tools and AI tools to the world.

2. Releasing a series of “QA for Development” services.



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24

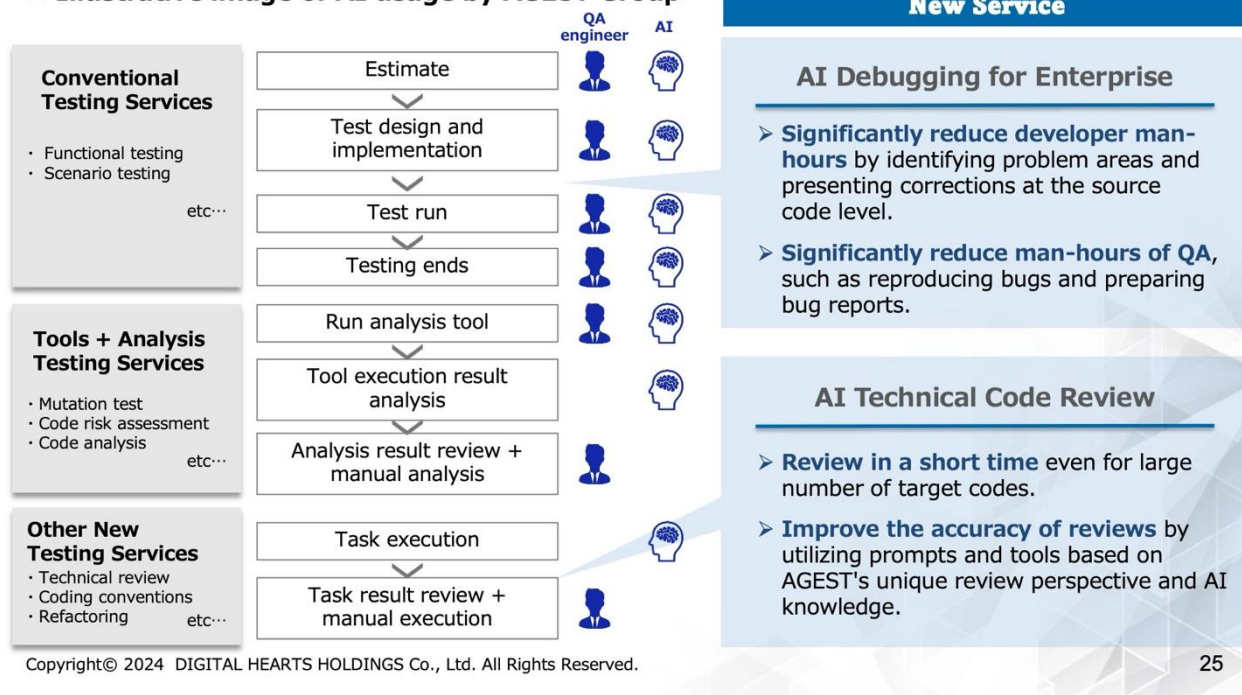
Then there is the status of our services. I know that clients and investors are often confused as to what we do when we say QA for Development.

We are not only consulting, but also service-oriented. Last year, we released about five of these services such as mutation test and code analysis, in order to increase market awareness by creating easy-to-understand services. I think we will complete the release of the QA for Development services by the end of this fiscal year.

In addition, I would like to develop the QA for DevOps service, which I mentioned earlier, into a concrete service, and release it this fiscal year.

3. Promote "Human-AI Teaming" to reduce client-development man-hours and make our operations more efficient.

■ Illustrative image of AI usage by AGESt Group



25

Next, and I think this is the most important point, we are making considerable progress in the use of AI. The basic idea is to utilize AI for what can be done using AI. However, the areas in which people need to be involved will be clearly defined and people will do it. Therefore, we are promoting a form of Human-AI Teaming. We are currently testing and developing the use of AI in all processes within the Company. We have already released our services to our clients. Two releases have been made, the first of which was released the day before yesterday, and that is the AI debugging service. This service is something like this: we carry out the testing. Behind that, we analyze the logs and read the code. The AI then analyzes the code and reports on which parts of the code have problems and how they should be corrected.

A testing company usually runs the tests and issues a test report, saying that there are some defects. The developer who receives the code must then conduct repeatability testing to identify where the problem was in the code, and then rewrite the code from there. Therefore, our AI-based debugging service will enable developers to reduce their debugging man-hours by about 50%. There are testing companies in the world, but I don't think there are any that offer services that go as far as this, which is why we have released this service.

Below is the AI Technical Code Review. This can also be reviewed via human review, of course, but by utilizing AI, we will be able to review large amounts of code in a short period of time. In addition, the review itself will be more accurate by using prompts and tools that leverage the review perspectives of our next generation of QA engineers and the knowledge of AI. Thus, when developers are writing code, it will be possible to identify where the problem is in the code as soon as it is written. This is exactly how we utilize AI in our QA for Development. In the future, we would like to further utilize AI in various situations in this area, not only to improve our own operational efficiency, but also to contribute to our clients' efficiency and cost reduction.

Recruitment and training of "Next-Generation QA engineers" as highly-skilled engineers capable of promoting "Shift-Left" and "Shift-Right" services.

Recruitment

Aiming for efficient recruitment of engineers, with strengthening of direct recruitment as the core of measures, in addition to expanding recruitment by conventional agents.

FY2024 Target for number of QA solution engineers

YoY Over +200 people

Strengthen the branding initiatives

- ✓ Presentation of a new career path as "Next-Generation QA engineers"
- ✓ Focusing on the attractiveness of "Shift-Left / Shift-Right" or "Advanced QA technologies" rather than merely acting as testing operator

Referral recruitment



Recruiting led by the businesses department



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Development

Develop mainly experienced engineers into the Next-Generation QA engineers through AGEST's unique educational structure.

AGEST's unique educational institution

AGEST Academy

Comprehensive knowledge of QA experts

Curriculum in line with ISTQB syllabus

Skill-level programs



Compliance with international standards of testing

AGEST's unique R&D institute

AGEST Testing Lab.

Research cutting-edge technologies through industry-university collaboration

Security testing	with University of Nagasaki
Testing methods	with University of Electro-Communications
Agile quality	with WASEDA University

26

Next, as for our foundation, AI is also important, but of course the number and quality of people is also a key point. During this period, we have made considerable progress in recruiting people through the use of our agents.

At the same time, we are working a bit on strengthening our branding. We are not just a testing company; we are offering a new career path as a Next-Generation QA engineer. Therefore, I believe that more and more people are changing jobs because they are attracted not only by the fact that we are a testing company, but also by the fact that they can learn new cutting-edge technologies and provide services as their own.

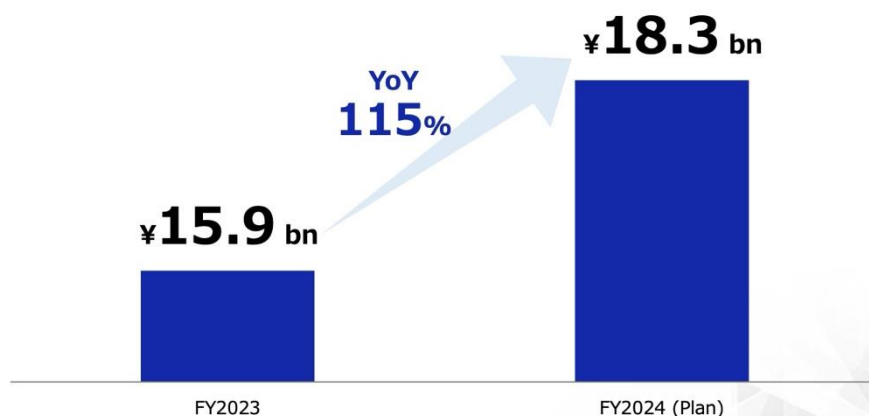
From this fiscal year onward, we will strengthen referral recruiting, and we will also strengthen division-led direct recruiting, with the goal of recruiting more people than last year and increasing the number of employees by 200 or more.

At the same time, we have also put considerable effort into training during this period. We have created our own educational institution called AGEST Academy. This is an education that complies with international standards, and we are also conducting research on security testing, software testing for AI, and agile testing through collaboration among three universities. We have also created a curriculum based on our unique know-how, and we hope to promote the development of human resources through education that only we can provide.

Targets of AGESt Group



Net sales



QA solution KPI

	FY2023		FY2024 (Plan)
Number of engineers	1,080 people	»	1,319 people
Number of clients with orders	872 companies	»	963 companies
Annual sales per client	¥15 mn	»	¥17 mn

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27

Lastly, on the scale of sales, last fiscal year, the new segment had JPY15.9 billion. On the other hand, we are deliberately and strategically downsizing businesses that are not very profitable. We are working to increase the growth rate of QA solutions, which are highly profitable, so naturally we target more than 120% growth in QA solutions. Since some of our businesses with low profitability will be downsized, we are aiming for 115% YoY growth to JPY18.3 billion in the current fiscal year.

After that, of course, unprofitable or less profitable businesses will be liquidated, and we want to become a company that can continuously achieve 120% or more. These are the specific KPIs that we are targeting. We have been putting this out for a long time, and we would like to achieve a total of 1,319 engineers. As for the number of customers with orders, approximately 1,000 companies. As for annual sales per customer, it is steadily increasing, and we aim to achieve JPY17 million per customer.

Last fiscal year, the profit margin deteriorated due to temporary costs incurred in preparation for AGESt's listing, but we will make a solid recovery this fiscal year and hope to live up to your expectations. That is all from me.

[END]