

Presentation Material

for the Fiscal Year Ended March 31, 2023

May 11, 2023

Tokyo Stock Exchange Prime Market: Code 3676

<https://www.digitalhearts-hd.com>

Summary of Business Results



Summary of Business Results

Record-high net sales and operating income

Net sales

¥**36,517** mn
(YoY 125.2%)

Operating income

¥**3,000** mn
(YoY 111.3%)

- The Enterprise Business, our focusing business, contributed the entire consolidated sales growth. The sales in the Entertainment Business also achieved double-digit YoY growth on the back of the booming game market.
- Operating income increased due to higher sales of higher-margin debugging businesses, despite acceleration of investing in AGEST, Inc.

Topics

1. Aggressive M&As for future growth

Sobal Corporation



Acquired approximately 130 test engineers

Absorption-type company split
(In August 2022)

GameWith, Inc.



Creating new value for the Entertainment Business

Capital and business alliance
(In June 2022)

GPC K.K



Strengthening the SAP business basement

Stock purchase
(In April 2023)

2. Announced the commencement of preparations for the Spin-Off Listing of AGEST, Inc. on May 11, 2023.

⇒Refer to P24 for details.

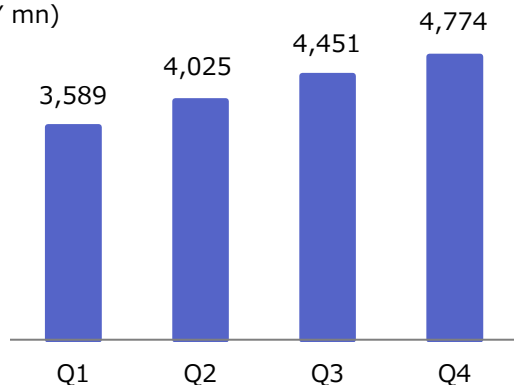
Accelerating strategic investment mainly in AGEST, Inc., launched in April 2022.
Growing net sales and improving segment income margin of the Enterprise Business, led by AGEST, Inc.

Enterprise Business

Net sales

Achieved growth exceeding the initial plan

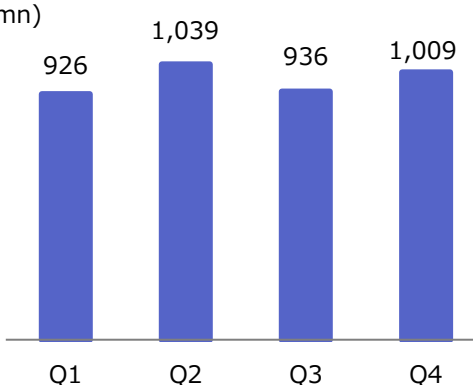
(JPY mn)



SG&A

Continued to control SG&A

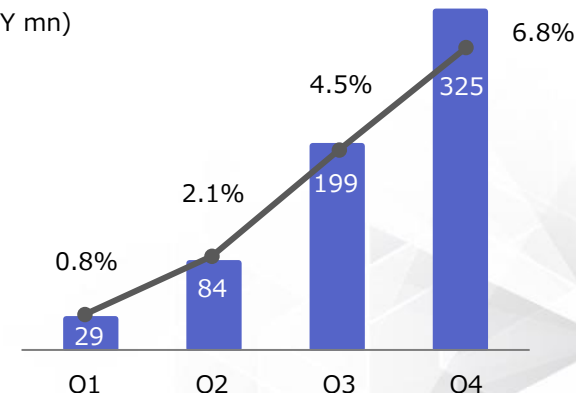
(JPY mn)



Segment income

Profit margin improved, despite continuous investments

(JPY mn)



AGEST, Inc.'s KPI

Numbers of QA engineers



FY2021

FY2022

361 People **>> 508** People

Number of clients with orders



FY2021

FY2022

475 companies **>> 558** companies

Net sales



FY2021*

FY2022

¥7.5 bn **>> ¥9.2** bn

Summary of Financial Results for FY2022

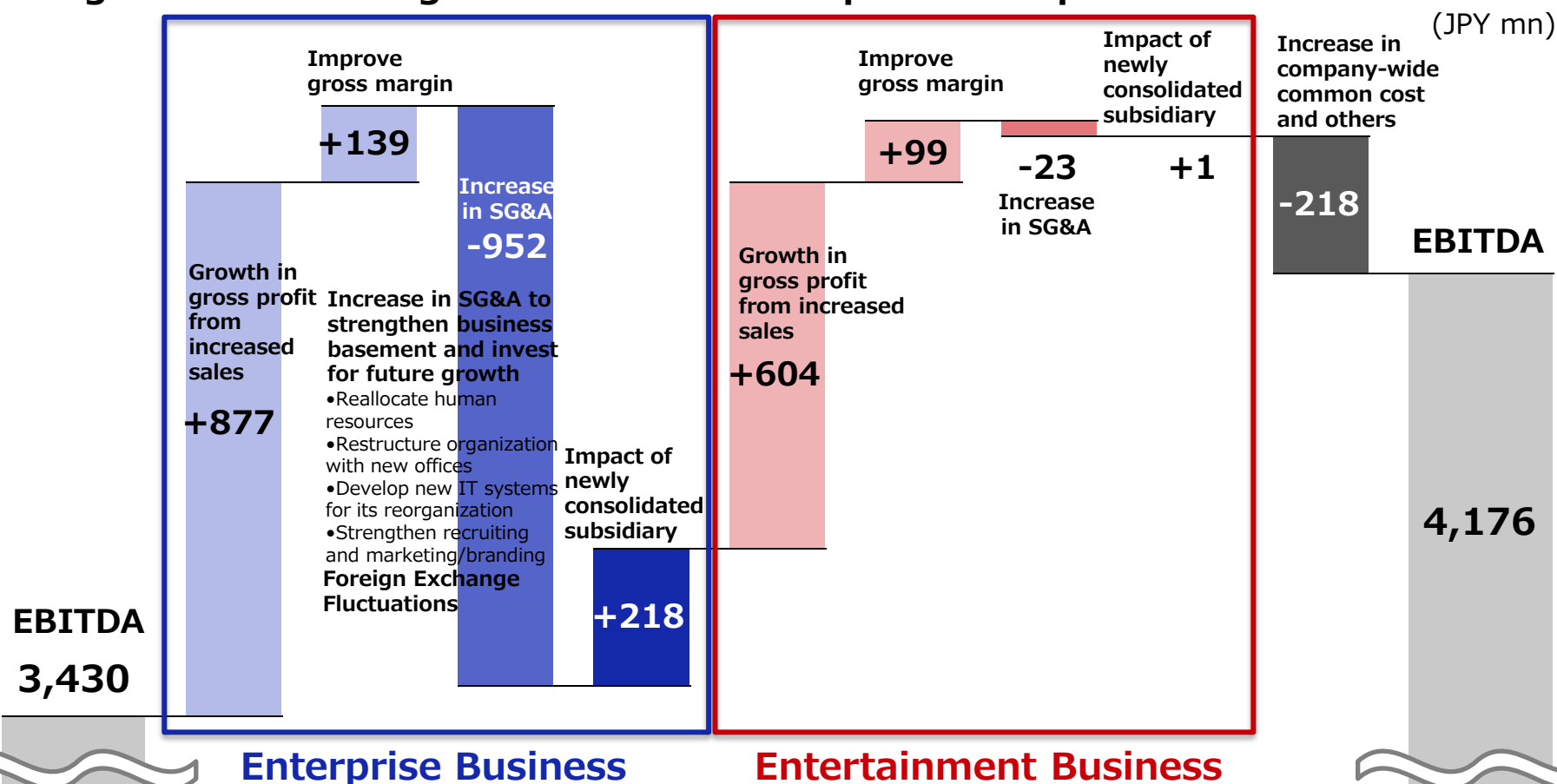


DIGITAL HEARTS HLDGS.

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%

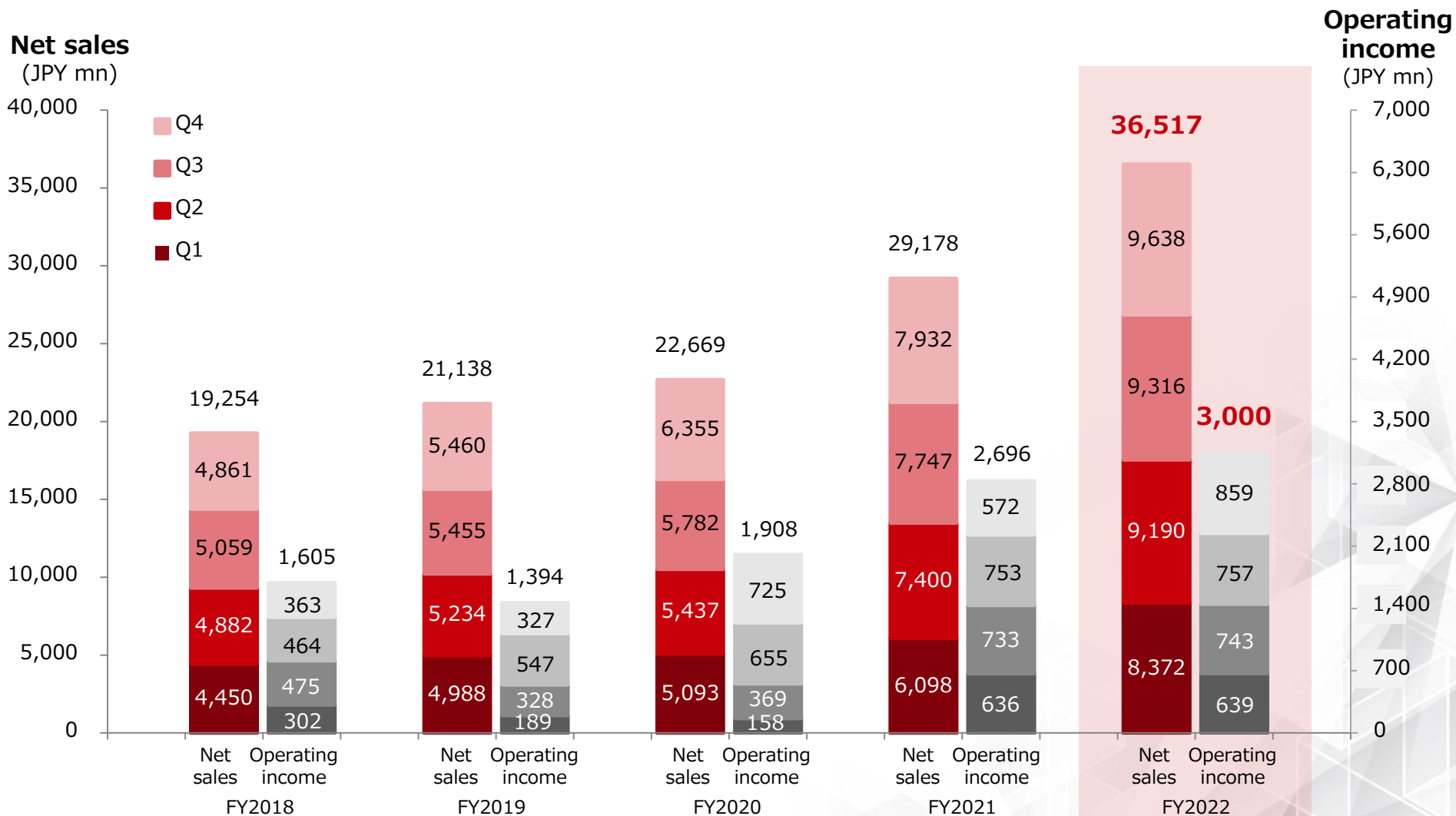
While aggressively investing in the Enterprise Business for its developing business basement and future growth, **EBITDA grew by 121.8% YoY** due to the growth of existing businesses and the positive impact of M&As.



FY2021

FY2022

Achieved a record-high net sales and Operating income
through both growth investment and business expansion mainly in Enterprise Business.



Consolidated Balance Sheets

(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

Consolidated Statements of Cash Flows

(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

Medium-Term Targets (FY2021-FY2023)



DIGITAL HEARTS HLDGS.

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

(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.

FY2022 Financial Results by Segment

Notice regarding earnings by segment

- Net sales by segment include inter-segment sales or transfers. Segment income is based on operating income.
- Some changes were made to the sub-segments of the Enterprise Business in Q1 FY2022. For this reason, the figures for FY2021 and earlier by sub-segments of the Enterprise Business are reclassified to reflect the change in sub-segments for comparison purposes.

Sub-segments in FY2022 are amended to reflect changes made to the services of the Enterprise Business.

■ FY2021 and earlier

Reportable segments	Main Services
Enterprise Business	
<u>System testing</u>	System testing Vulnerability diagnosis
<u>IT service /Security</u>	<u>System development</u> <u>Introduction of ERP and CRM</u> <u>Penetration test</u> Security monitoring IT support IT engineer platform service

■ From FY2022

Reportable segments	Main Services	Main Operating Companies
Enterprise Business		
<u>QA solution</u>	System testing Vulnerability diagnosis <u>System development</u> <u>Introduction of ERP and CRM</u> <u>Penetration test</u>	AGEST, Inc. LogiGear group CEGB Co., Ltd.
<u>IT services and others</u>	Security monitoring IT support IT engineer platform service	AGEST, Inc. identity Inc.
Entertainment Business		
Domestic debugging	Debugging	DIGITAL HEARTS Co., Ltd.
Global and others	Translation / LQA Game software development Customer support Marketing support, etc.	DIGITAL HEARTS Co., Ltd. DIGITAL HEARTS CROSS group FLAME Hearts Co., Ltd. Aetas, Inc.

*The changes are underlined

(Reason for Change)

- Through cross-selling initiatives, increasing in the number of projects providing "one-stop" service including development, testing, and security services.
- Aggressive M&As have led to an expansion in our range of solutions and group synergy improvement.

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%

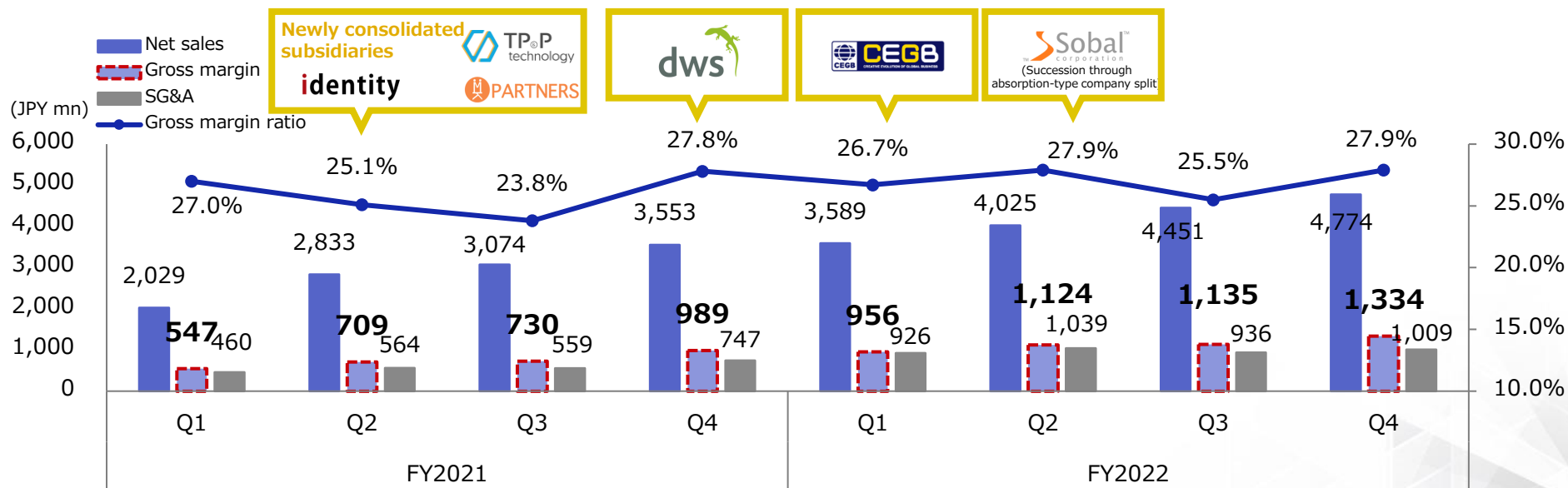
- **High sales growth YoY over 1.5 times** due to continuous **double-digit growth in existing businesses** and the **effects of M&As** conducted last year.
- **Turn to the profit growing trend in 2H** with the contribution of AGEST, Inc., the core subsidiary of the Enterprise Business, though profit 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%

Enterprise Business

Performance Trends

- 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**.



QA solution division

Number of clients with orders

FY2022 Q4

808 companies

FY2021 Q4

748 companies

Annual sales per client

FY2022 Q4

¥13 mn

FY2021 Q4

¥10 mn

Number of engineers

FY2022 Q4

1,009 People

FY2021 Q4

924 People

Sales ratio of Advanced testing and Next-generation QA

FY2022 Q4

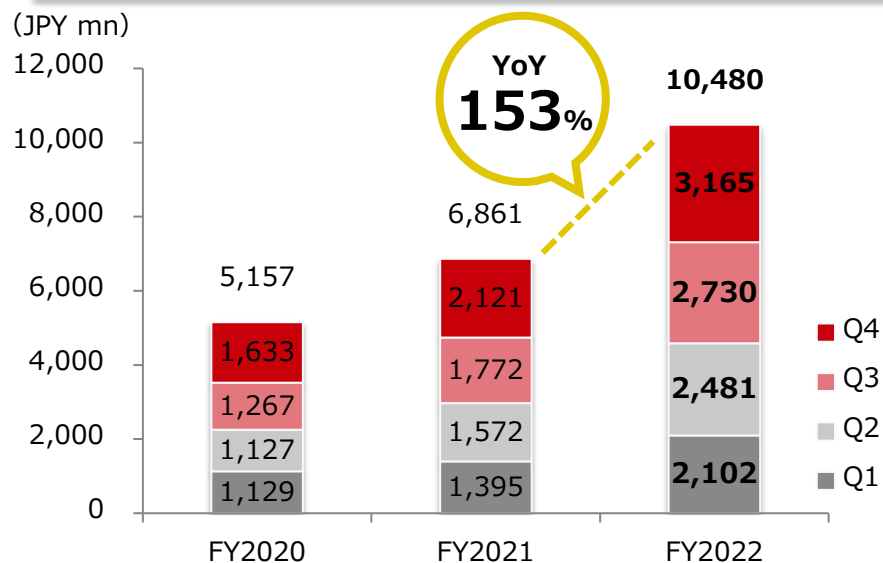
34.9%

FY2021 Q4

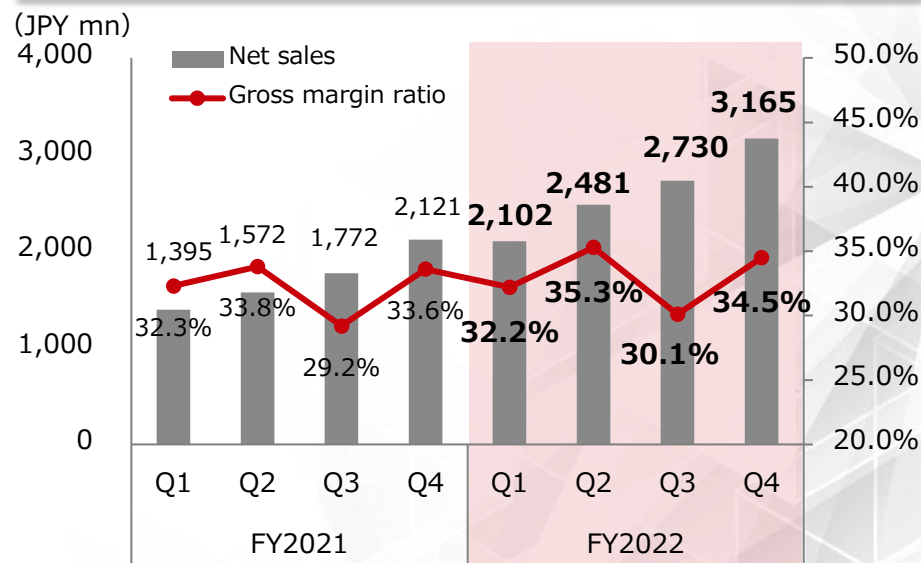
28.9%

- 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

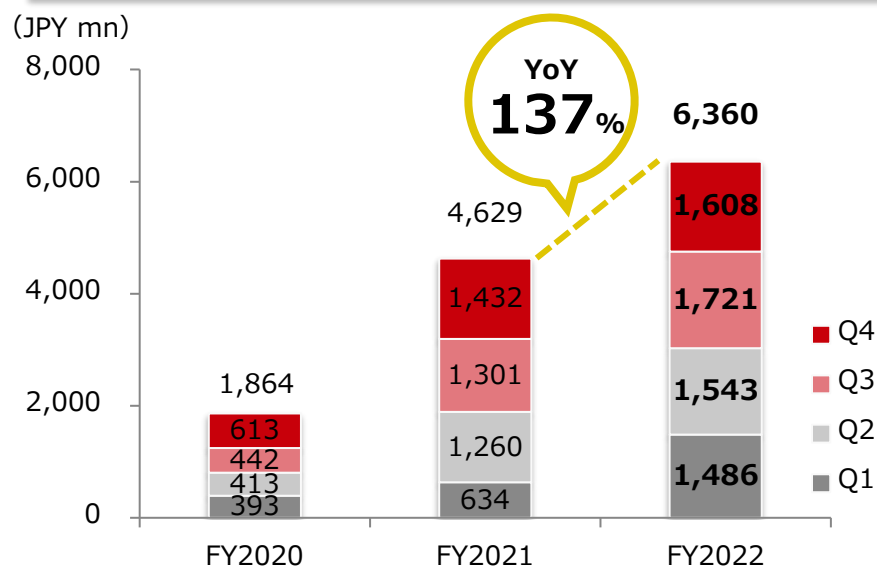


Net sales and Gross margin ratio

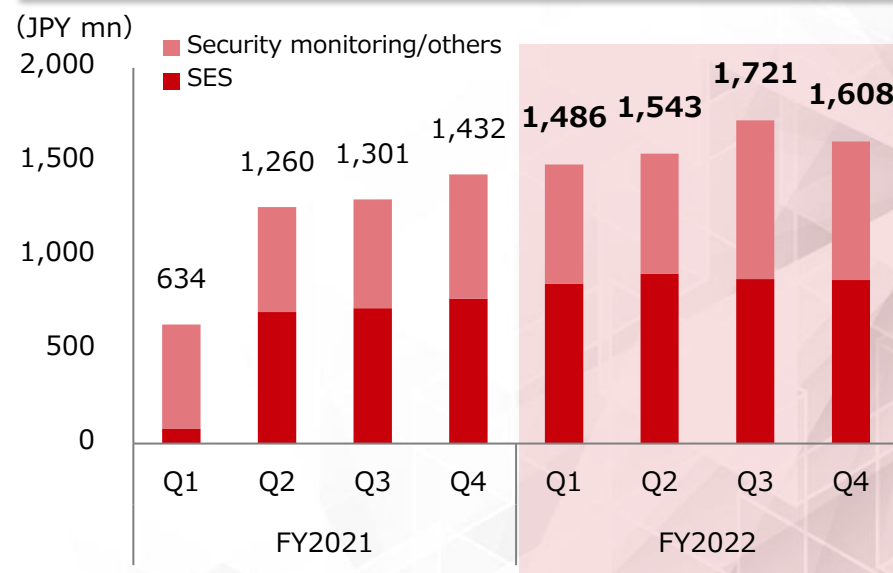


- The SES businesses grew steadily, as the number of engineers registered at **identity Inc.** reached to 27,000 people.
- Steady expansion of security monitoring services by capturing increasing demand against the backdrop of expansion of remote work, etc.

Quarterly sales



Quarterly sales by service

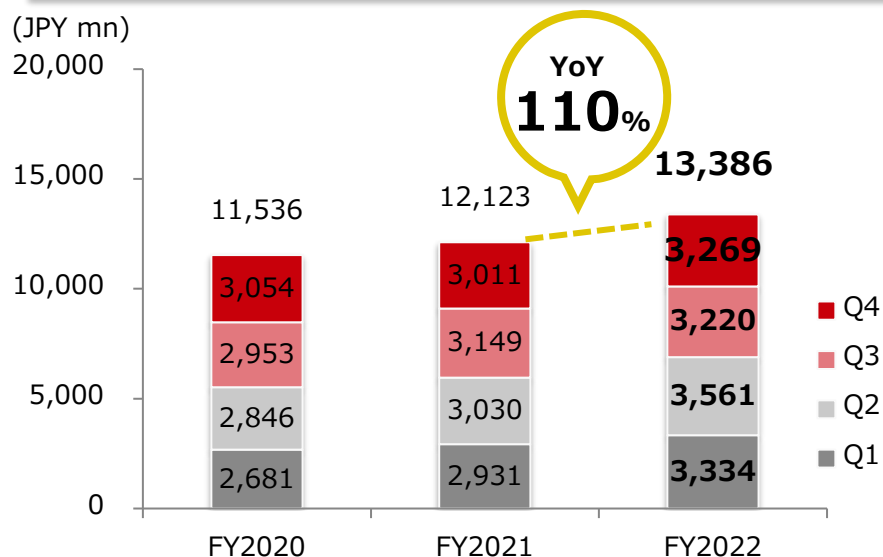


- **Achieve double-digit sales growth** in both the Domestic debugging and the Global and others, by steadily capturing growing demand against the backdrop of the booming console game market and accelerated overseas expansion of game content.
- **Segment income grew by double digits** thanks to sales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

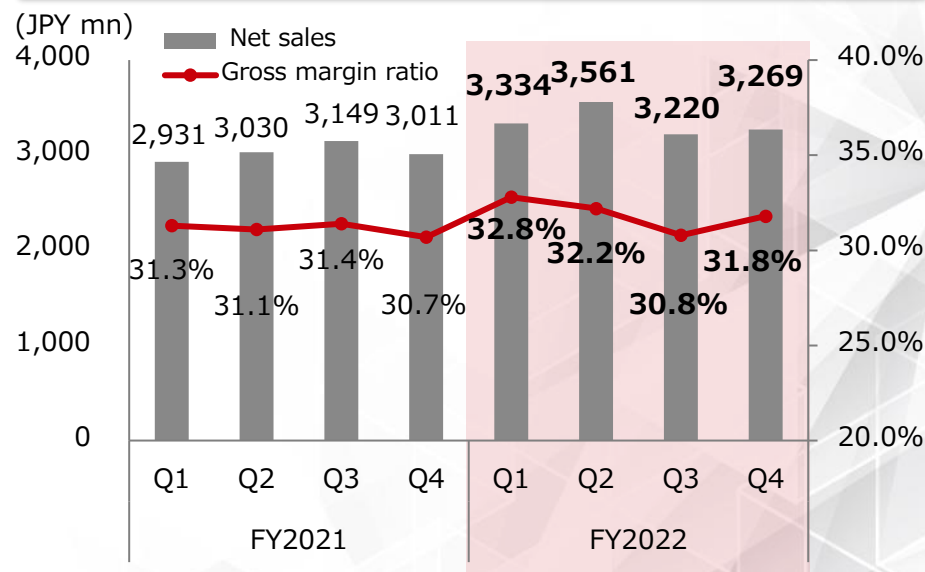
(JPY mn)	FY2021	FY2022	YoY Change
Net sales	17,687	19,815	112.0%
Domestic debugging	12,123	13,386	110.4%
Global and others	5,563	6,429	115.6%
Segment income	3,668	4,214	114.9%
EBITDA	3,938	4,620	117.3%

- 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

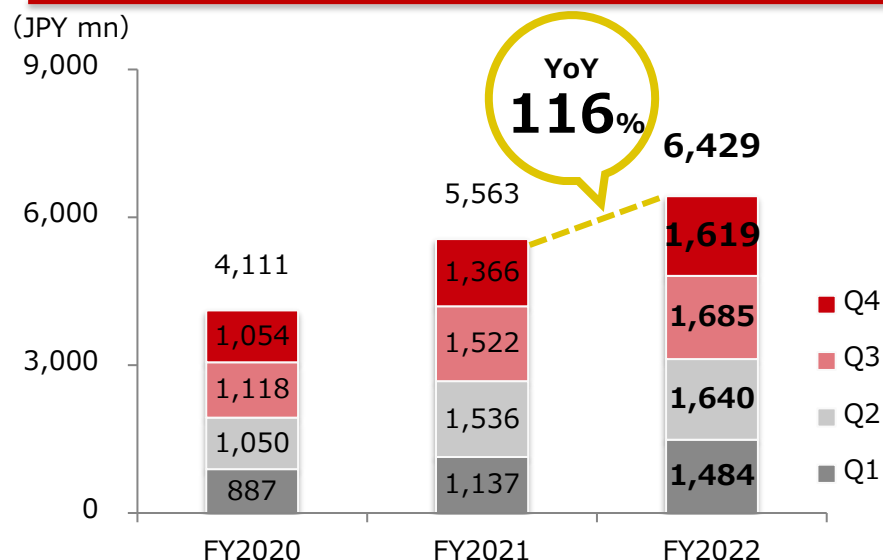


Net sales and Gross margin ratio

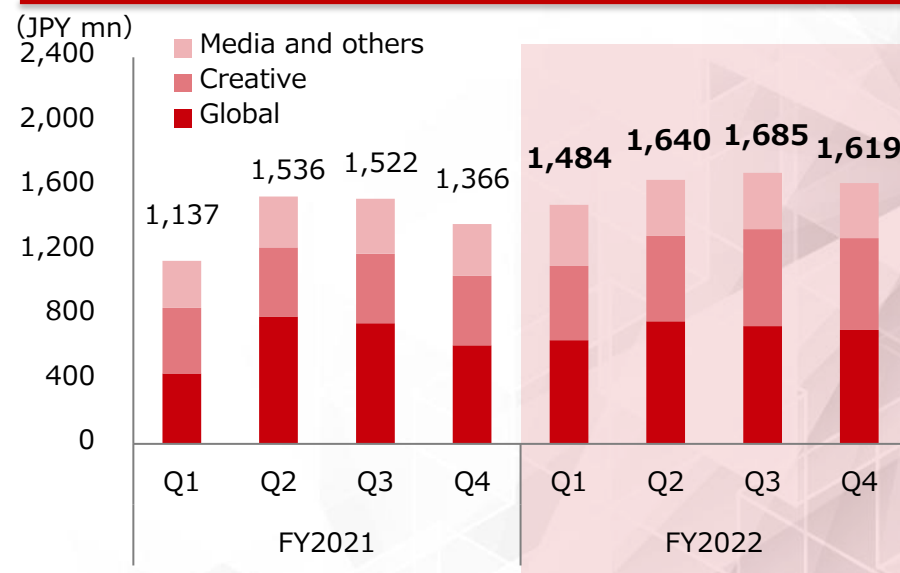


- **Achieved higher sales in all services** by strengthening cross-selling for major existing clients and expanding the range of languages for localization.
- Strengthening its capability of the global solution, such as **human resources for marketing business in South Korea** and the localization services 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



FY2023 Consolidated Financial Forecast

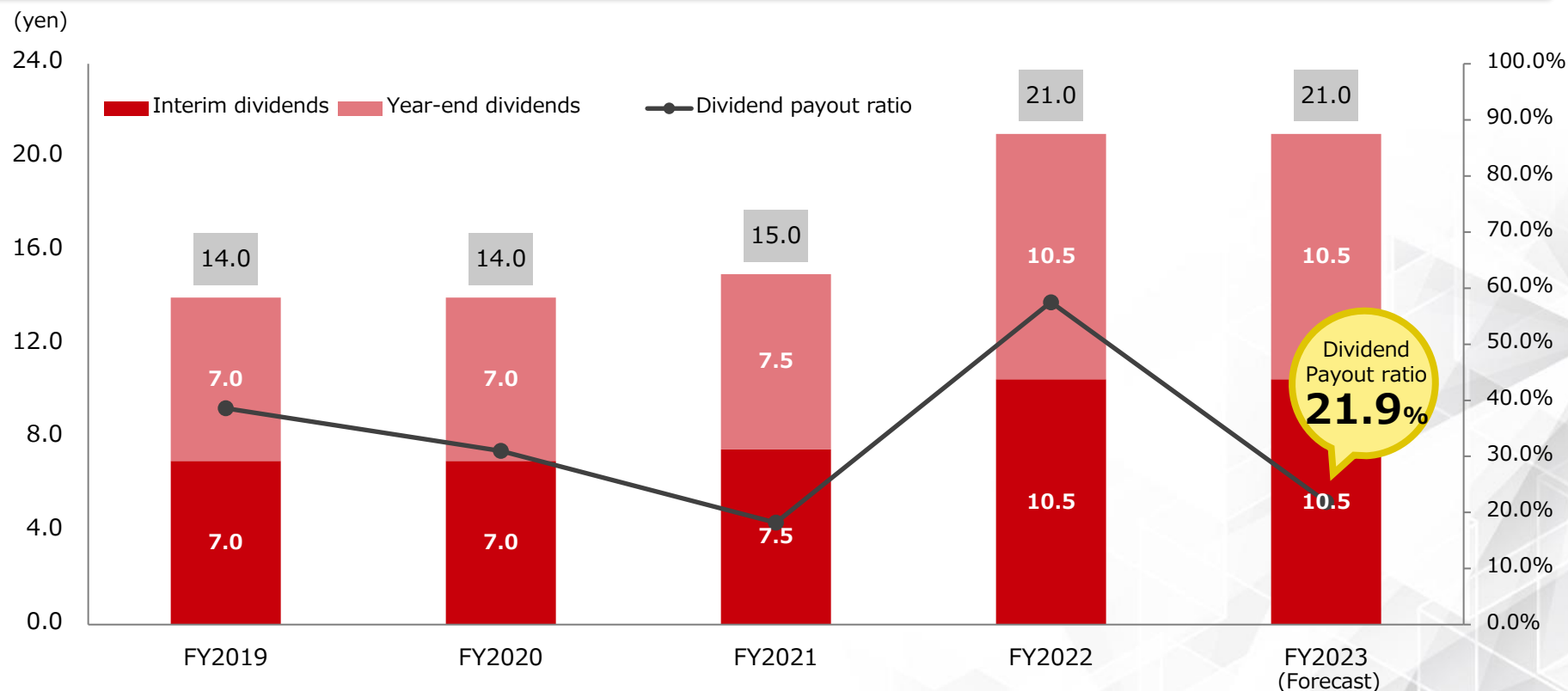
- Aim for **record-high net sales and operating income by the strong contribution of the Enterprise Business.**
- **Operating income growth for 4 consecutive years**, despite the expected cost of around 250 million yen for preparation for the Spin-Off Listing of AGEST, Inc.

(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%

Annual dividend is planned to be **¥21.0 (dividend payout ratio 21.9%)**, maintaining the same amount as the previous fiscal year.

Basic Policy to Return Profits to Shareholders

While securing sufficient internal reserves to invest in business growth and strengthen our management structure, stable dividends to shareholders with a payout ratio of 20% as the minimum target



Spin-Off Listing

Spin-Off Listing of AGESt, Inc.

aiming to accelerate the growth of the Enterprise Business and to achieve the regrowth of the Entertainment Business

“Second Founding”, “establishment of AGESt” and to be independent two listed entities by Spin-Off Listing with each different goal and strategy

FY2017 Consolidated Financial Results

Net sales
¥17.3 bn
Operating income
¥1.7 bn

FY2022 Consolidated Financial Results

Net sales
¥36.5 bn
Operating income
¥3.0 bn

Fully entered the enterprise field as the Company's “Second Founding”



Established AGESt, Inc., the core subsidiary of the Enterprise Business



Spin-Off Listing of AGESt, Inc.



Accelerating the pace of growth
Shifting from a stable growth to regrowth phase

FY2028 (Target)

New AGESt Group

Net sales ¥ 80.0 bn
Operating income ¥ 8.5 bn

New DH Group

Net sales ¥ 35.0 bn
Operating income ¥ 4.5 bn

Scheme of Spin-Off Listing

Commence the preparation of the Spin-Off Listing.
To use the Share-Distribution-Type Spin-Off scheme from the perspectives of “business independence,” “economic rationality” and “existing shareholder’s benefit”.

As is

Shareholders



Spin-Off

To be

Shareholders



Expected to deliver the shares of AGEST to the shareholders of DIGITAL HEARTS HLDGS as dividends in kind.

※ Tax exemption measures for gains and losses on the share transfer.

Listed holding company



DIGITAL HEARTS HLDGS.

Expected to be listed in conjunction with the Spin-Off

AGEST

Listed holding company



DIGITAL HEARTS HLDGS.

Enterprise Business

Subsidiaries

AGEST

LogiGear

...etc.

Entertainment Business

Subsidiaries

✓ DIGITAL HEARTS

...etc.

Subsidiaries

Shifted to the subsidiary of AGEST, Inc. through organizational restructuring

LogiGear

...etc.

New AGEST Group
(Enterprise Business)

No capital ties

Subsidiaries

✓ DIGITAL HEARTS

...etc.

New DH Group
(Entertainment Business)

Expected Effect of Spin-Off Listing

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

Expected Effect

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	<table><tr><td></td><td><u>FY2022*</u></td><td><u>FY2025</u></td><td><u>FY2028</u></td></tr><tr><td>Net sales</td><td>¥16.8 bn</td><td>¥32.0 bn</td><td>¥80.0 bn</td></tr><tr><td>Operating income</td><td>-</td><td>¥2.5 bn</td><td>¥8.5 bn</td></tr></table>		<u>FY2022*</u>	<u>FY2025</u>	<u>FY2028</u>	Net sales	¥16.8 bn	¥32.0 bn	¥80.0 bn	Operating income	-	¥2.5 bn	¥8.5 bn	<table><tr><td></td><td><u>FY2022*</u></td><td><u>FY2025</u></td><td><u>FY2028</u></td></tr><tr><td>Net sales</td><td>¥19.8 bn</td><td>¥25.0 bn</td><td>¥35.0 bn</td></tr><tr><td>Operating income</td><td>-</td><td>¥3.0 bn</td><td>¥4.5 bn</td></tr></table>		<u>FY2022*</u>	<u>FY2025</u>	<u>FY2028</u>	Net sales	¥19.8 bn	¥25.0 bn	¥35.0 bn	Operating income	-	¥3.0 bn	¥4.5 bn
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Net sales	¥19.8 bn	¥25.0 bn	¥35.0 bn																							
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New AGEST Group

To be the leading QA solution provider in the global market with the leading-edge quality technology

-Accelerate business expansion and investment in future growth-

- Pursue leading-edge quality technology and expand businesses globally by strengthening PP&T (People, Process, and Technology).

Key initiatives

1. Pursue leading-edge quality technology and expand business globally
2. Accelerate investment in human capital, technologies and M&As
3. Recruit utilizing the brand awareness as a listed company and strengthen human resources with a unique incentive system
4. Strengthen the management and governance system as a listed company
5. Flexible fund raising and quick investment decisions

New DH Group

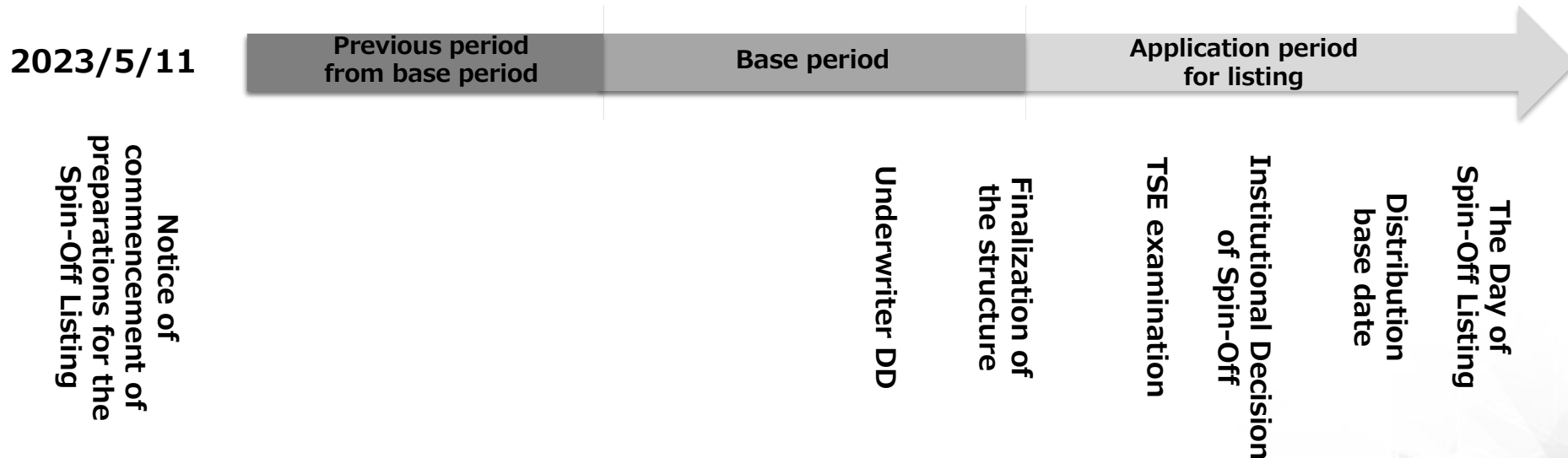
To be the Global Quality Partner in the Entertainment Industry

-Regrowth of existing businesses and creation of new businesses-

- Boost, revitalize and evolve the existing businesses, expand the global businesses not only in Asia but also in the U.S. and Europe, and challenge to develop new business opportunity.

Key initiatives

1. Leverage core competencies to add higher value and improve productivity of existing business
2. Expand the global business and take on the challenge of entering new businesses areas
3. Recruit and train human resources by leveraging its corporate culture with "Game" branding
4. M&As and strategic investments utilizing rich operating cash flow
5. Improve shareholder returns and expand growth investment



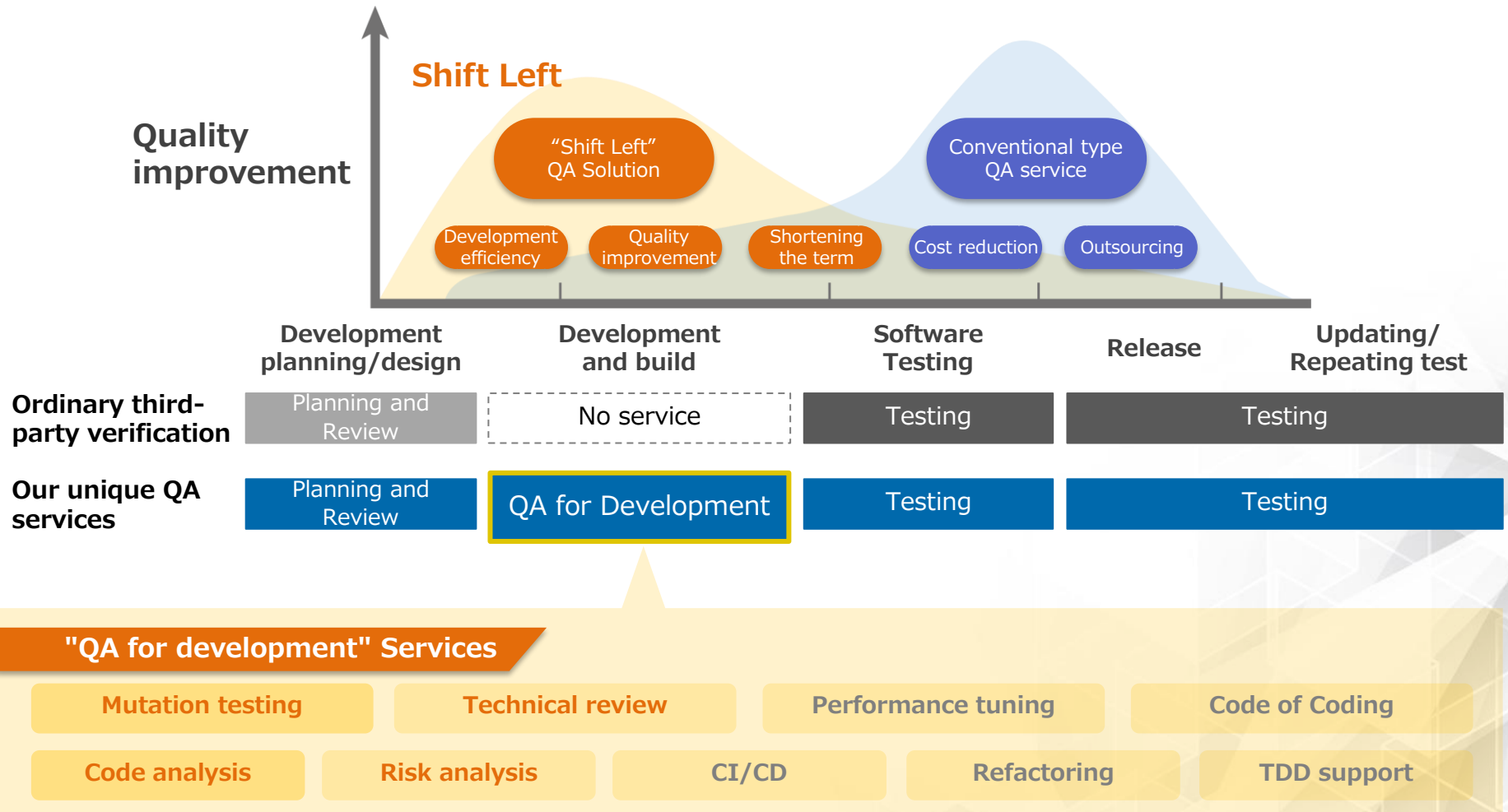
Preparation period for Spin-Off Listing

- ✓ Establishment of head office functions, including structure of management and governance
- ✓ Conclusion of a lead managing underwriter contract and audit contract
- ✓ Reorganization of group companies
- ✓ Appointment of Independent Director
- ✓ Establishment of Board of Corporate Auditors

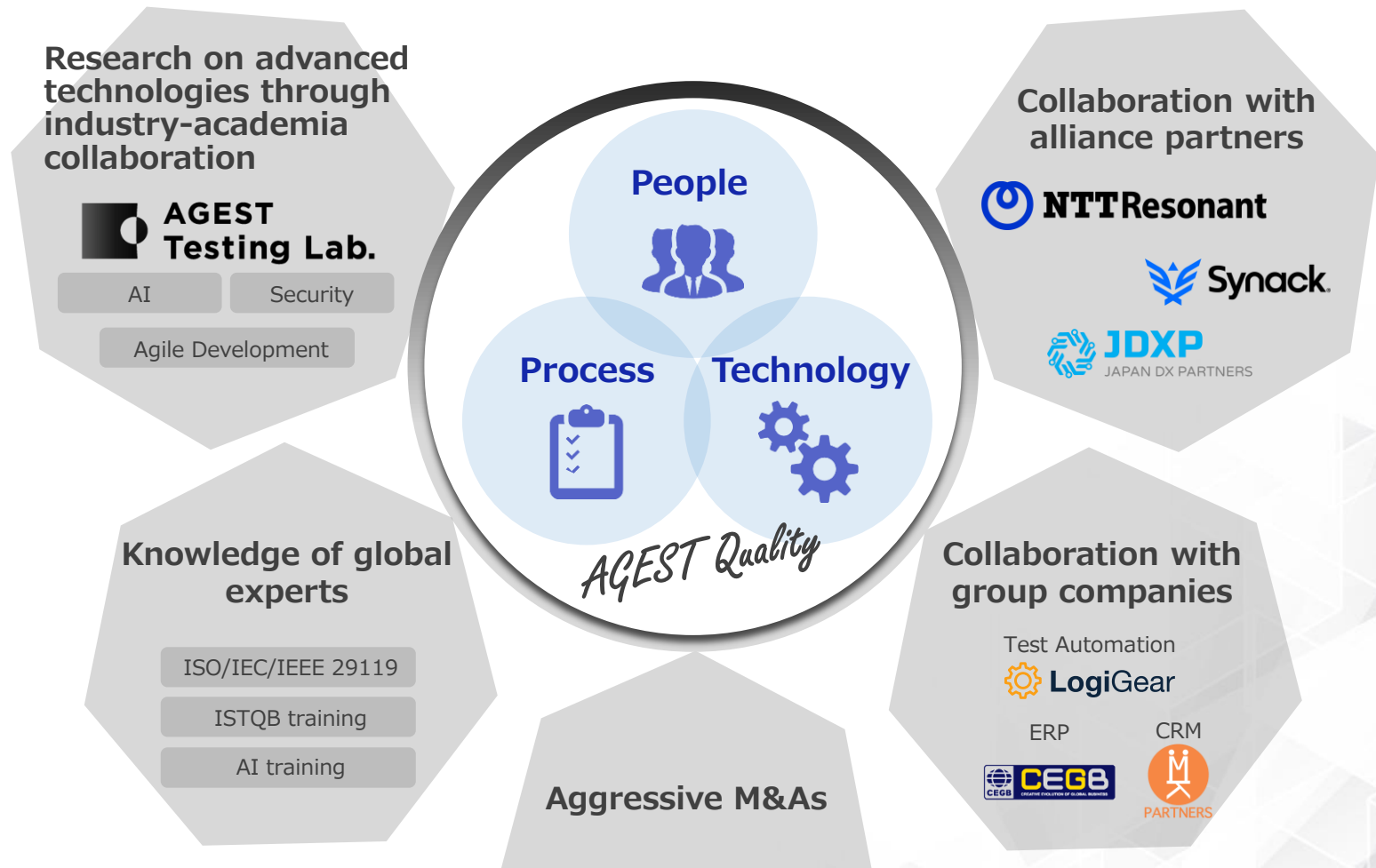
* Here is an example as an ordinary schedule image plan.
Actual schedules may be revised in the process of preparing for the Spin-Off Listing.

Enterprise Business Growth Strategy

Focus on the strategic investment in “Shift Left” QA solution, with strong demand from clients including advanced IT companies.
Provide our unique "QA for development" services to the market.



Further accelerate the strengthening of PP&T (people, processes, and technologies) launched in FY2022, to provide our unique "QA for development" service series.



Accelerate the increase in "Next-generation QA engineers," core engineers to provide "QA for development."

Next-generation QA engineers

The highest-class QA engineer with deep knowledge of both software development and software testing to contribute to support the quality improvement for all from development to post-release.

FY2022 (actual) **24 People** » FY2028 (Target) **500 People**

* Including foreign subsidiaries

Point1

Establish an unprecedented and attractive "Next-generation QA engineers" as the next job career for development engineers by utilizing the AGEST brand



- Appeal the career to support DX and Agile development with leading-edge quality technology.
- Support experienced engineers to challenge new QA careers.
- Strengthen recruitment with improving brand name of AGEST and unique know-how including checking processes.

Point2

AGEST's support system for changing from one's career from a development engineer to a Next-generation QA engineer



- AGEST academy, an internal educational institution, provides a wide range of opportunities to learn the QA fundamentals and leading-edge QA knowledge.
- Fully utilize the expertise of international software testing experts to develop and support engineers.
- Develop in-house knowledge sharing system and mutual learning cultures, and provide OJT opportunities and regular workshops such as LT (Lightning Talk).

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
* $ROIC = EBITDA \times (1 - \text{effective tax rate}) \div (\text{interest-bearing debt} + \text{shareholders' equity})$
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

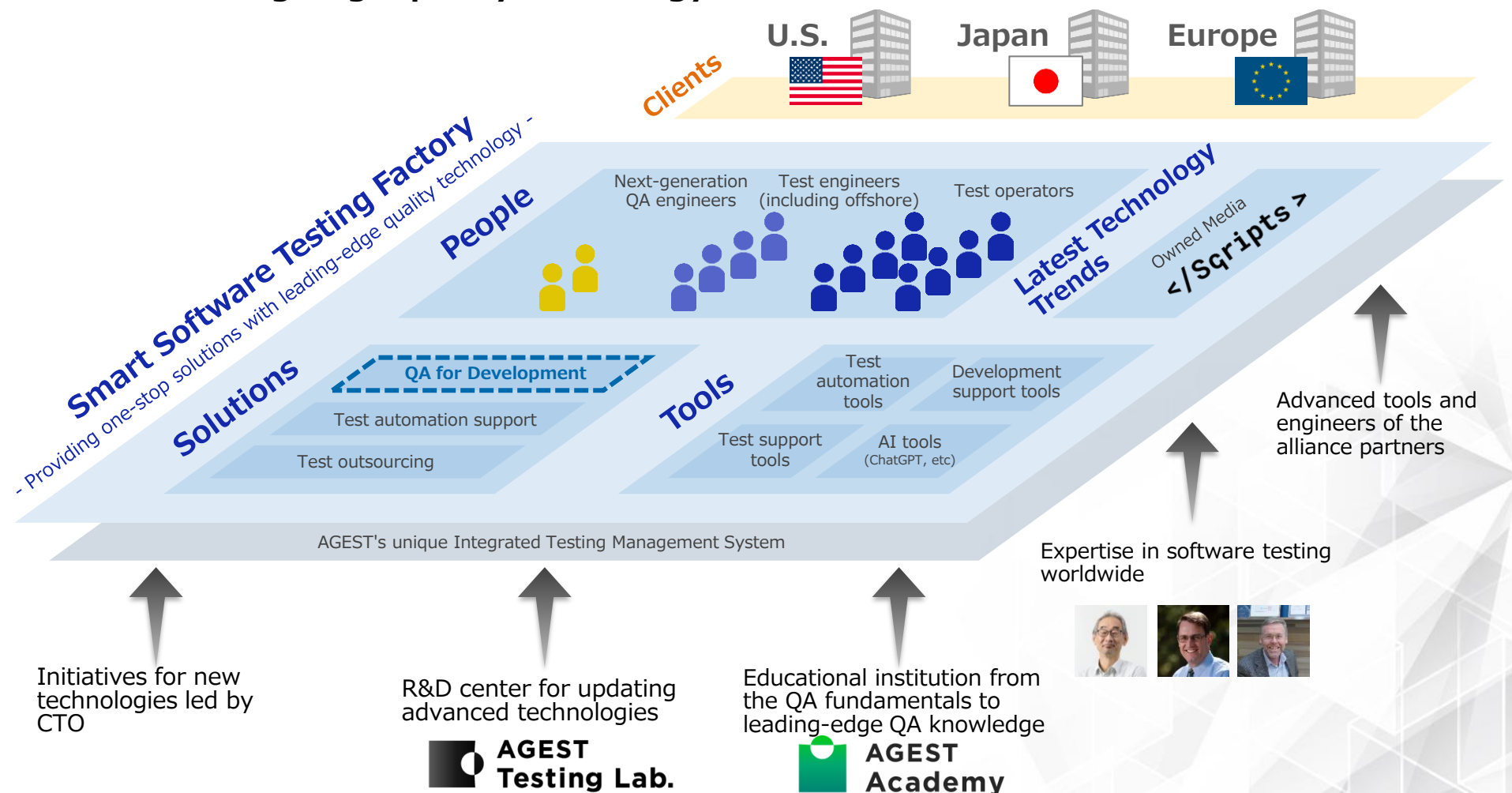
Number of projects

Around 2-3 projects per year as a plan

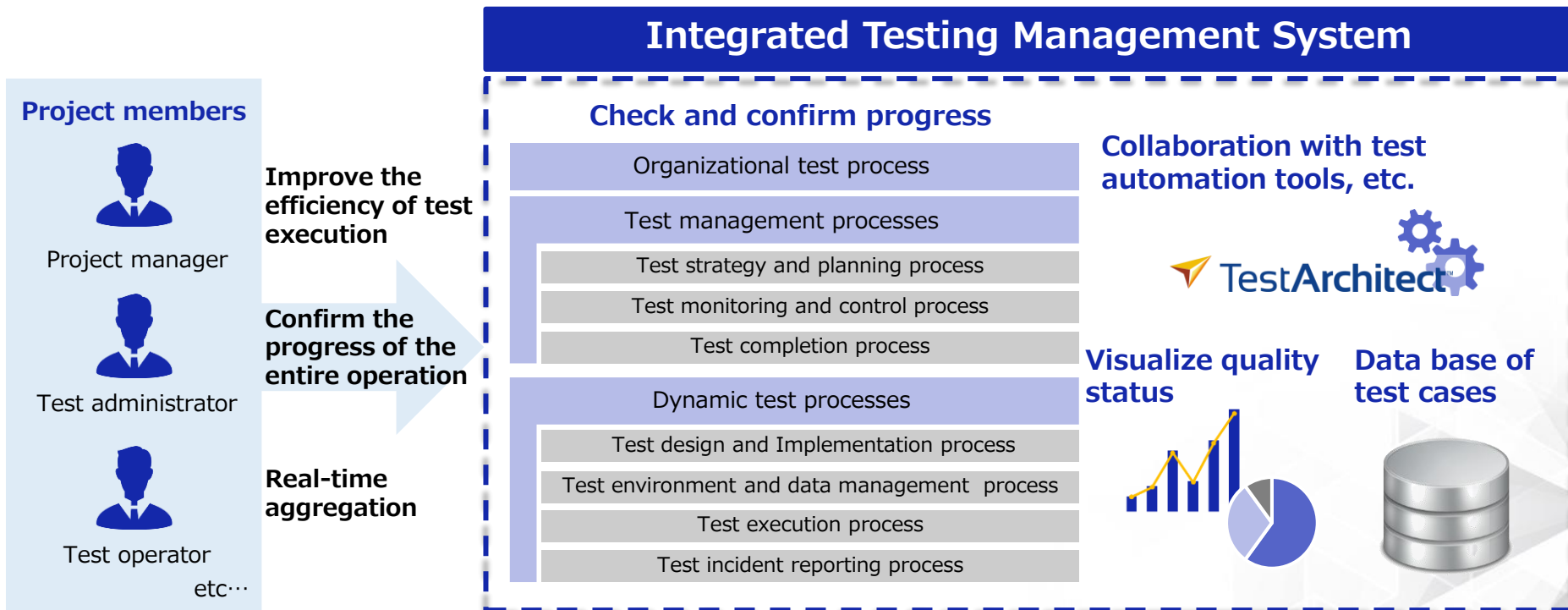
M&A initiatives

- 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

To develop "Smart Software Testing Factory (SSTF)," aiming to become the leading QA solution provider in the global market with the leading-edge quality technology.



Developing unique Integrated Testing Management System as the core system of Smart Software Testing Factory (SSTF).



Points

- Integrated management of test results in conjunction with third party's test execution tools
- Visualize quality and progress in real time
- In accordance with ISO/IEC/IEEE 29119 standard for software testing
- Planning to work with I18N (internationalization)

Sales Target

New AGEST Group

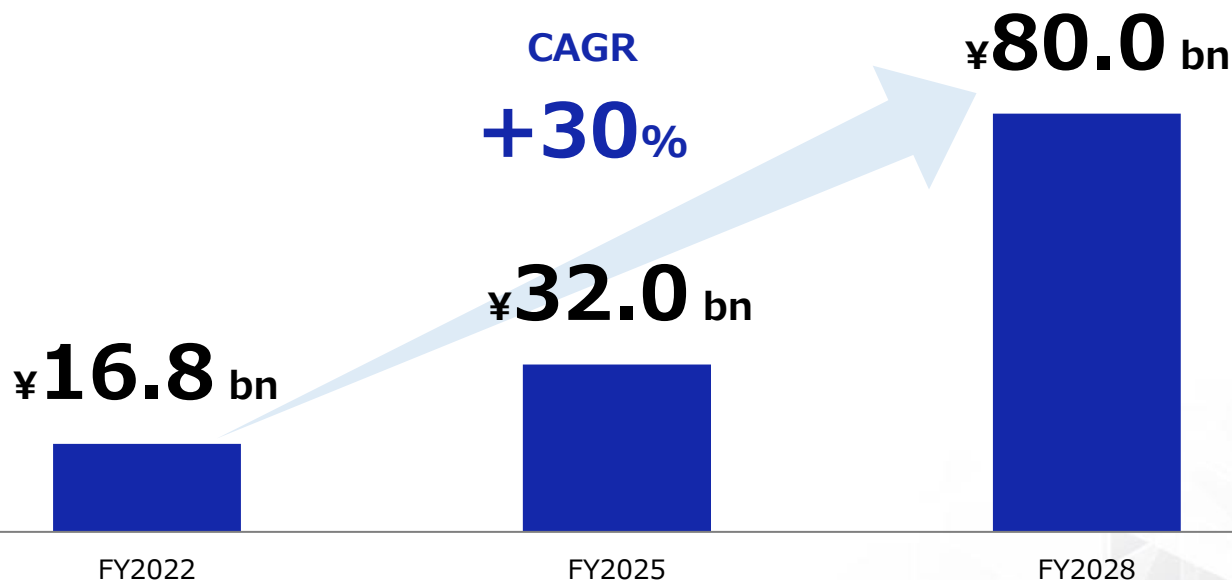
AGEST

LogiGear

identity

CEGB
CREATIVE EVOLUTION OF GLOBAL BUSINESS

...etc.



KPIs of QA solution div.

Number of engineers



1,009 People

1,600 People

3,000 People

Number of clients with orders



808 companies

1,500 companies

3,100 companies

Annual sales per client



¥**13** mn

¥**16** mn

¥**19** mn

Entertainment Business Growth Strategy

To be the “Global Quality Partner in the Entertainment Industry”,
evolving from “Domestic Game Debugging Company”.

Domestic debugging

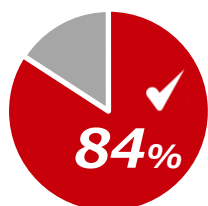
Global business

New business

Management resources cultivated in the game debugging business

Soft Power

Market leader in domestic debugging service*



High quality service

- Unique Quality Control Method “DHQ”
- Management and analysis tools etc...

Hard Power

Abundant test terminals



Smartdivices
7,169



Game consoles
3,019

Over 20 locations



*As of March 31, 2023

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 **30** countries

Native staff
Over **300** people



Make people smiling in the world
through contributing the entertainment industry

Aiming to make the regrowth of the Entertainment Business by "Evolving and Challenging" using the core competencies and management resources ever developed in debugging service.

1 Improve quality of services (Evolve added value and productivity)

- Improve and optimize clients' QCD through "DHQ" (Our unique quality-control method)
- Strengthen support service for product planning/development from the user's view
- Stabilize service quality by strengthening programs for hiring and training testers

2 Expand services (Evolve solution capabilities)

- Expand global network (Southeast Asia, North America, and Europe)
- Strengthen and expand solutions (Localization, customer support, marketing, etc.)
- Execute aggressive M&As and alliances

3 Challenge new business (Responsiveness to change)

- Respond to web3.0(NFT), Metaverse, new digital contents and services
- Support for non-game apps and web services
- Develop new services incorporating AI(ChatGPT, etc.) and other new technology

Market

- Outsourced QA services for game software
- Increase in the process of QA by expansion of total development size of game software
- Mature market with limited new entrants

Services

- Debugging of console and mobile game software
- Debugging of hardware for amusement devices such as arcade games and slot
- Support for development and planning, such as game review service

Our Position

- Leading market share in the domestic debugging
- Continuous and strong relationships with most of major game companies
- High competitiveness with abundant human resources and equipment, well prepared security systems, and rich service expertise

Growth Strategy

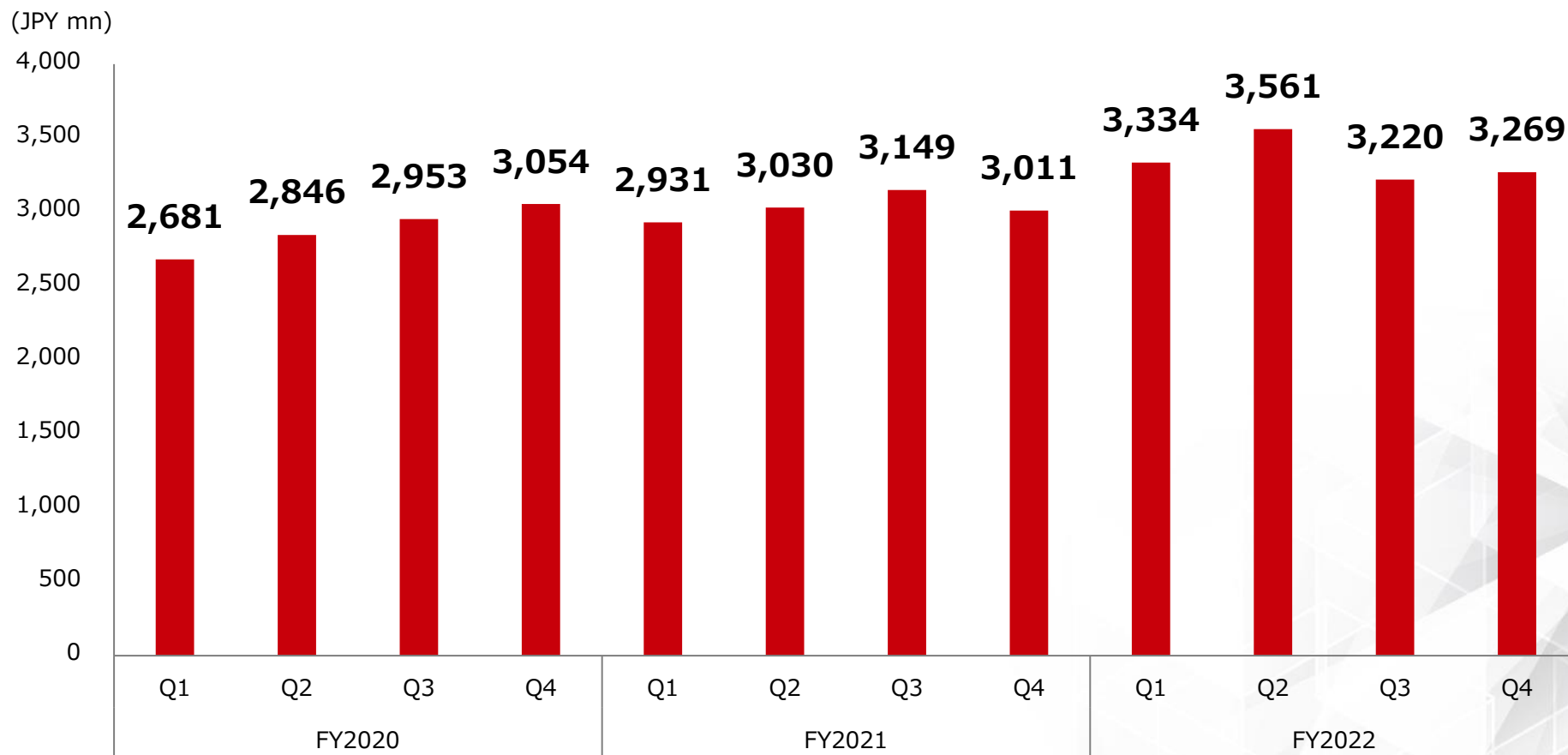
- Improve quality of services by “DHQ” (Improve added value)
- Develop infrastructures including new operation bases and tools (Stabilize service quality and improve productivity)
- Strengthen acquisition and training capabilities for human resources (Aiming to have 10,000 testers as a system)

In-house KPI

- Involvement rate for newly launching game titles
- Involvement rate with multiple services by each client
- Number of testers



Keep stable growth as our founding business



Improve the involvement ratio in both console and mobile games

Involvement ratio among top 100 new console game titles

* Only titles developed in Japan



Involvement ratio among top 200 new mobile game titles

* Only titles developed in Japan



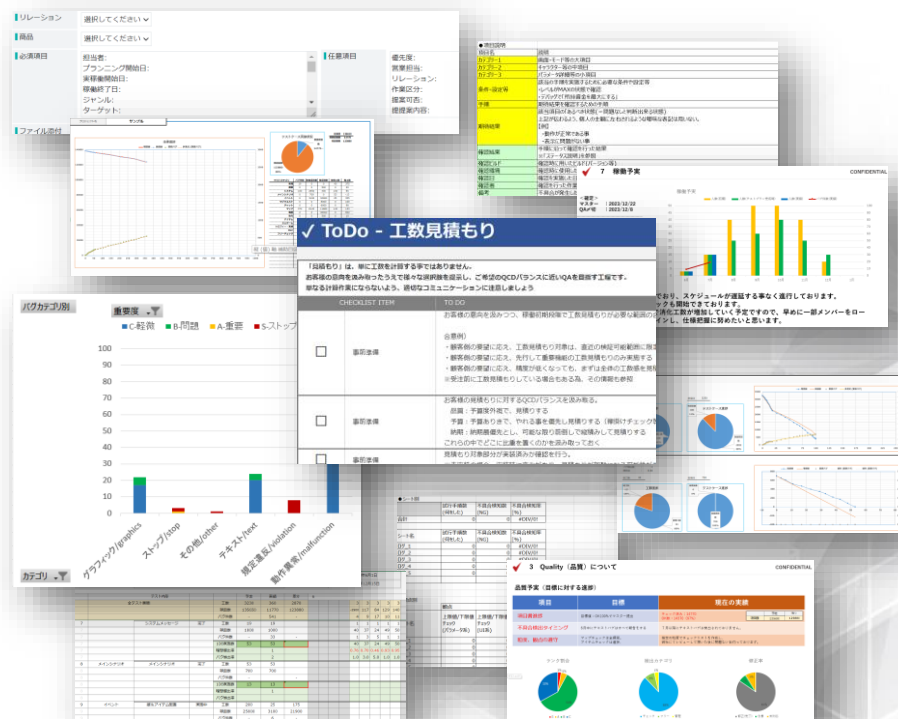
Initiative of Digital Hearts Quality (DHQ)

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



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

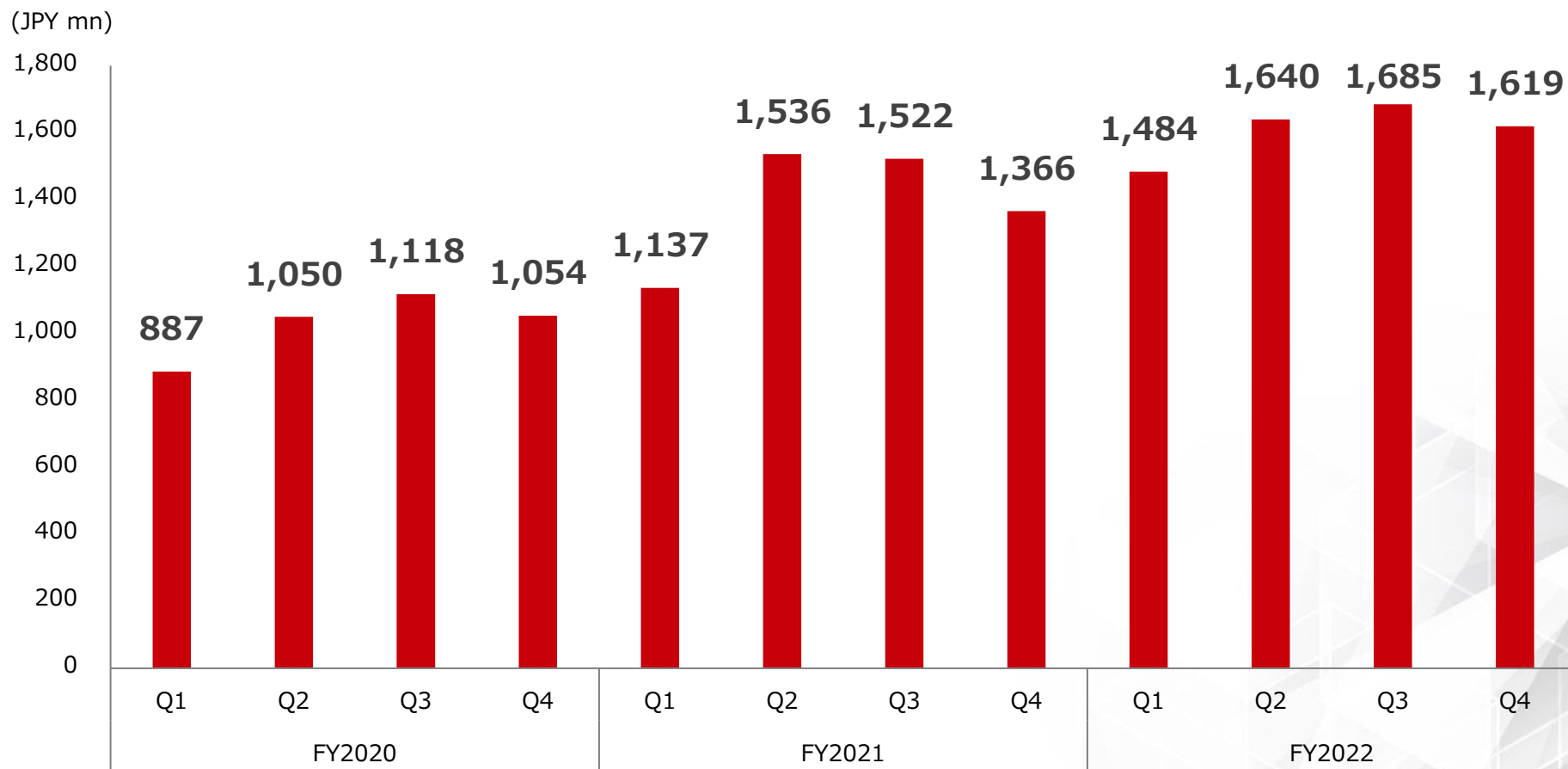
Growth Strategy

- 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

Rapid growth with expansion of existing businesses and the effects of M&As.



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

Market

- Game and app markets using Metaverse, Web3.0 (NFT), etc.
- Diversified services of digital contents such as videos, music, and manga(comics)
- Expectations for rapid expansion of the market

Services

- Debugging and reviewing services for new-type games and apps
- Translation, localization, customer support, and marketing for digital content
- Collaborated development and operation of new digital content and platforms

Our Position

- Business results for Metaverse, NFT-game and other debugging needs
- Opportunity to utilize our experiences and human resources for game software business to the new digital content services
- Strong relationships with game makers and digital content companies

Growth Strategy

- Improve quality of services by “DHQ” (Improve added value)
- Collaborate new businesses with game/non-game apps clients and other partner companies
- Improve service quality and speed by aggressive use of AI(CatGPT, etc.) and other IT technology

In-house KPI

- Sales ratio of new businesses
- Number of new businesses projects



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.

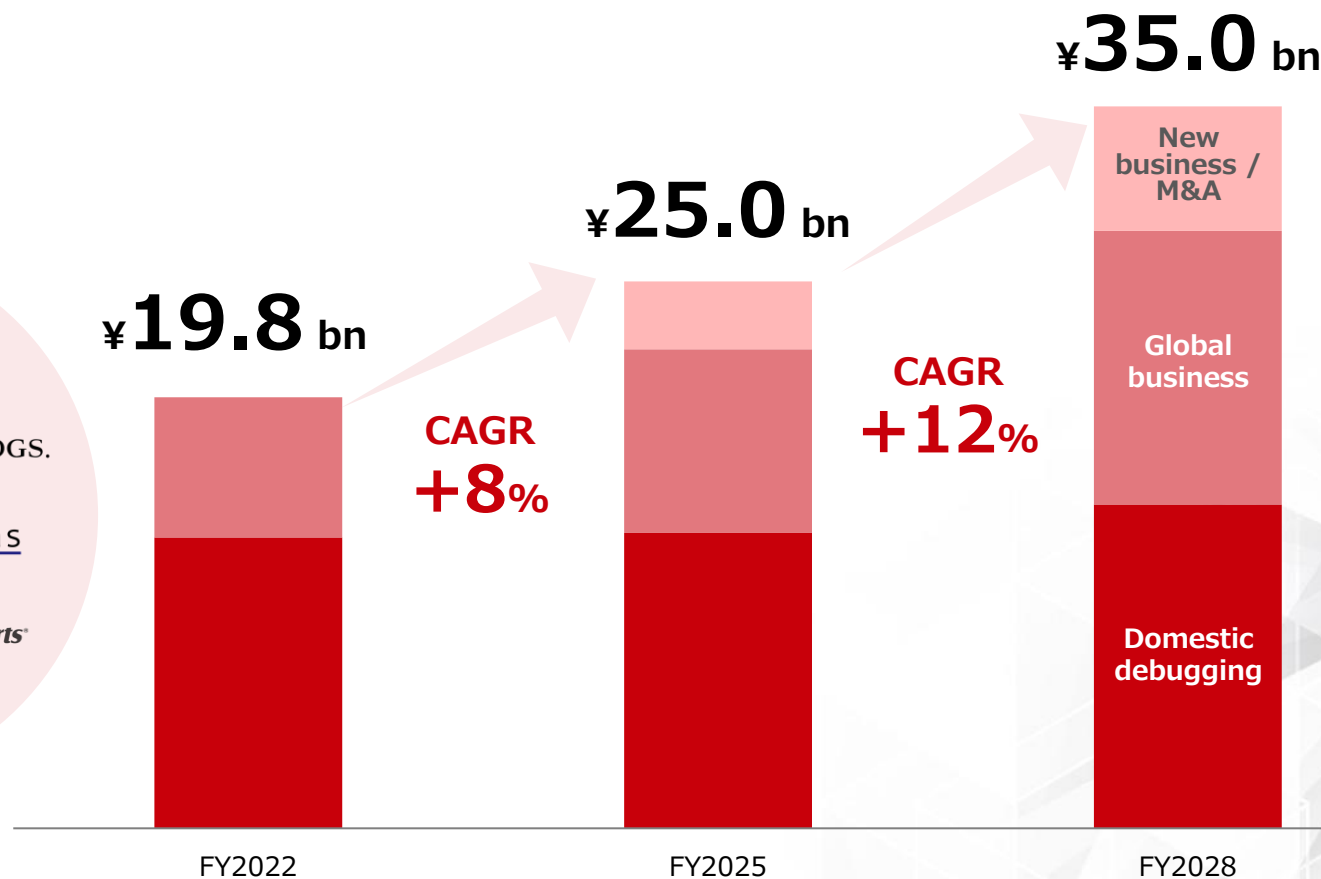
Projects in the Creative division

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.

Sales Targets



New DH Group

✓ DIGITAL HEARTS HLDGS.

✓ DIGITAL HEARTS [aetas](#)



FLAMEHearts

...etc.

Appendix

**One of the few
testing companies in Japan**



Ratio of
outside directors
50.0%



Employment creation
for more than

8,000 testers



**Business that supports
Digital security**



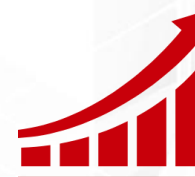
Foreign staff
members of more
than

30 nationalities



High sales growth of

CAGR 16% (*)



Our mission

SAVE the DIGITAL WORLD

Market environment

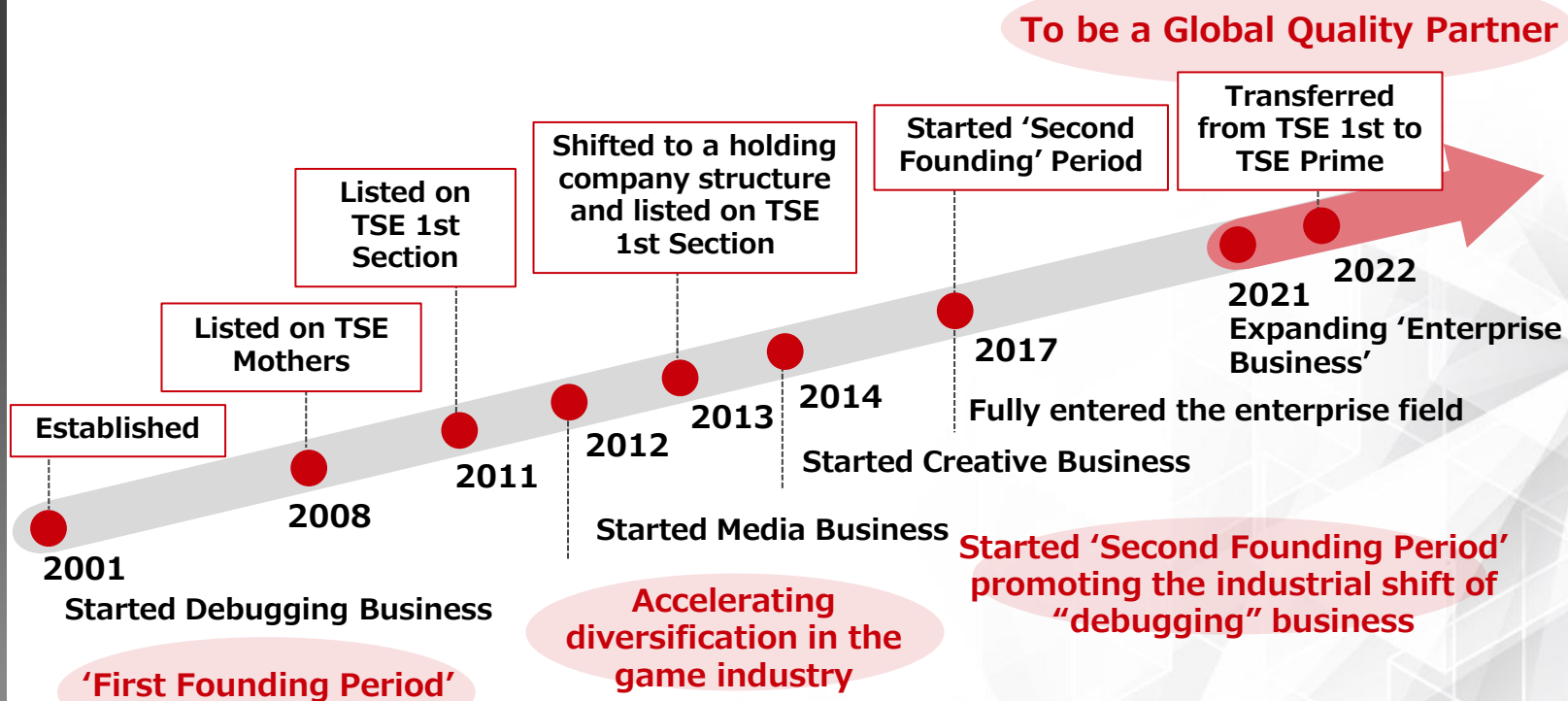
Growth of console game market

Growth of mobile game market

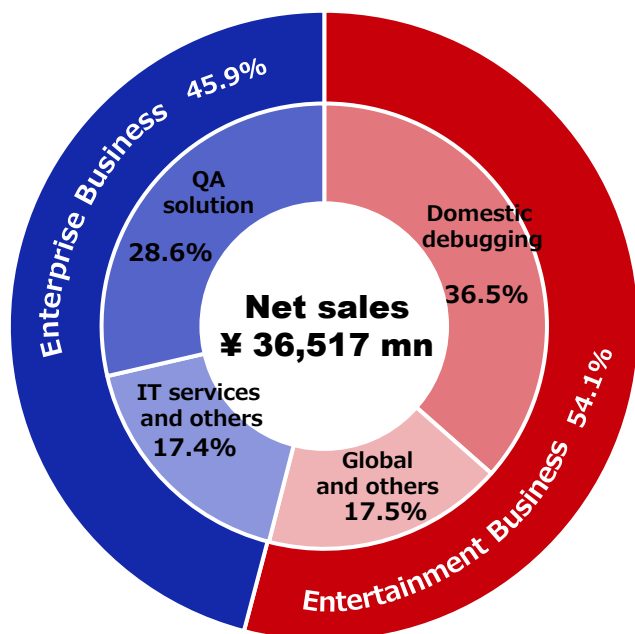
Expansion of IoT

Expansion of DX

History



Our core business: QA(Quality Assurance) and Debugging



Sales breakdown by segment (FY2022)

*Segments include inter-company sales and/or transfers.

Enterprise Business	QA solution	28.6%	➤ Testing for business systems incl. online ➤ Support for test automation ➤ Security test ➤ Introduction of ERP and CRM ➤ System development
	IT services and others	17.4%	➤ IT engineer platform service ➤ Security monitoring ➤ IT support
Entertainment Business	Domestic debugging	36.5%	➤ Debugging for console games, mobile games, etc.
	Global and others	17.5%	➤ Translation, LQA*, and localization for game software ➤ Marketing support for game launching in overseas markets ➤ Game development and CG development ➤ Game information site "4Gamer.net" ➤ Customer support

✓ **DIGITAL HEARTS HLDGS.**
(Holding Company)

(As of March 31, 2023)

Enterprise Business

AGEST, Inc.

System testing, Cyber-security, etc.



LogiGear Group

System testing, Test automation support



MK Partners, Inc.

Salesforce consulting



TPP SOFT, JSC

System development



DEVELOPING WORLD SYSTEMS LIMITED

Introduction and maintenance support for Oracle products



identity Inc.

IT freelance engineer platform service



CEGB Co., Ltd.

SAP implementation and operation support, system development support, etc.



Entertainment Business

DIGITAL HEARTS Co., Ltd.

Game debugging, Localization, etc.



DIGITAL HEARTS CROSS Group

Marketing support, etc.



DIGITAL HEARTS (Shanghai) Co., Ltd.

Game debugging, Localization, etc.



DIGITAL HEARTS USA Inc.

Game debugging, Localization, etc.



DIGITAL HEARTS Seoul Co., Ltd.

Game translation, Marketing support, etc.



Digital Hearts Linguitronics Taiwan Co., Ltd.

Game translation



FLAME Hearts Co., Ltd.

Game development and CG content development



Aetas, Inc.

Operation of a game information site, "4Gamer.net"



Establish PP&T as the Enterprise Business platform
by bringing together experts from the frontline of the software testing industry.

People



Dr. Juichi Takahashi

A pioneer in software testing in Japan. Holds a PhD in software testing and has published many works. Director and CTSO of AGESt, Inc., our subsidiary



Mr. Rex Black

Worldwide authority on software testing with many published works. Former president of the ISTQB.

Process



Mr. Yohei Takagi

The first Japanese [ISO/IEC/IEEE 29119 Training Trainer]. Executive Officer of AGESt, Inc., our subsidiary.



Dr. Stuart Reid

The founder of the ISTQB. The convener of ISO Software Testing Working Group 26, which has published software testing standard, "ISO /IEC/IEEE 29119."

Technology



Dr. Yasuharu Nishi Lecturer, the University of Electro-Communications

Researcher of AI products and President of NPO ASTER (Association of Software Test Engineering).



Dr. Hironori Washizaki Professor, WASEDA University

Researcher in agile development.



Dr. Masahiko Kato Professor, University of Nagasaki

Researcher in Security Testing.



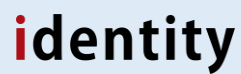
Mr. Kazutaka Jokura

A former CTO in DMM.com LLC. Worked on expanding and training the company's engineers for seven years. Our Chief Technology Officer.



Mr. Hung Nguyen

Worldwide authority on software testing. The co-author of the bible for test engineers. Founder of our subsidiary LOGIGEAR CORPORATION.

	Aims	Past M&As		
Enterprise Business	Engineer acquisition	 Software testing engineers in Japan	 Software development engineers in Vietnam	 Highly skilled domestic freelance engineers
	Technological capabilities	 Test automation tools Offshore in Vietnam	 Salesforce consulting	 Test automation tools for Oracle software   SAP expertise
Entertainment Business	Services to complement localization	 Japan's largest game information website "4Gamer.net"	 Game software development/CG content development	
	Geographical expansion	 Game translation in South Korea	 Game translation in Taiwan	 Marketing and promotion support in China and Asian countries

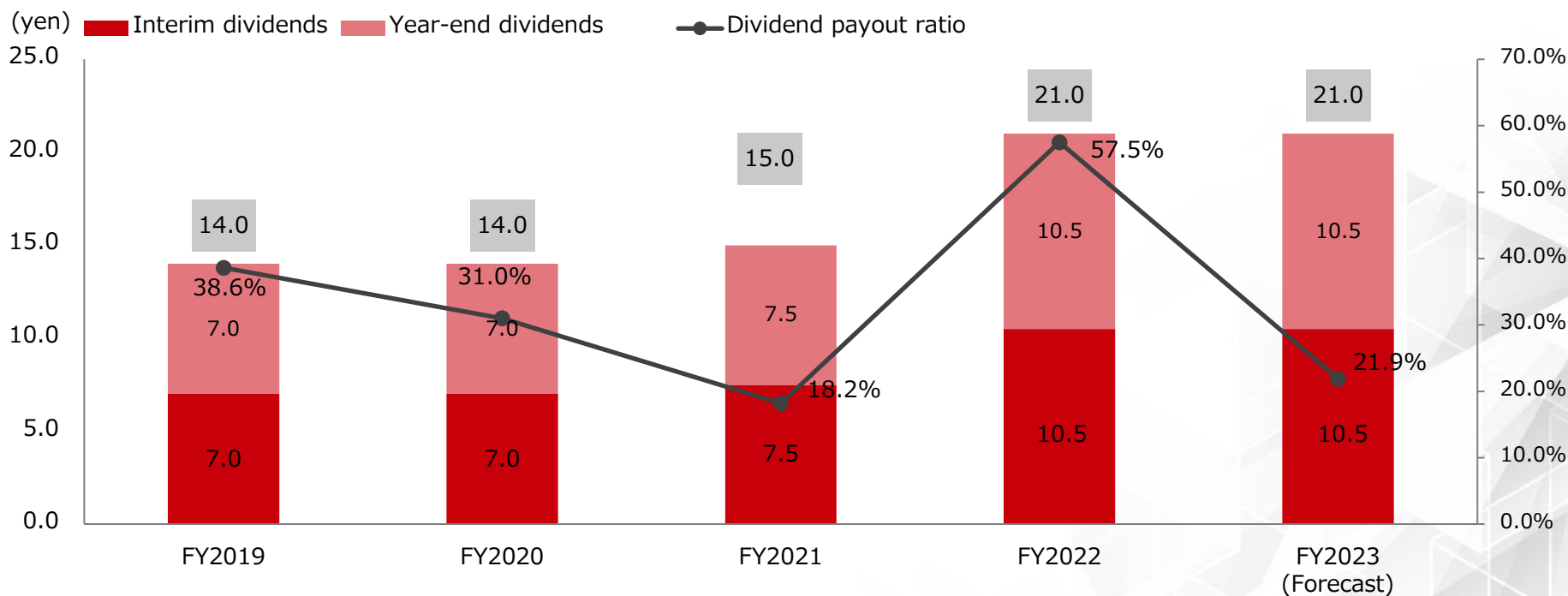
Consolidated Financial Statement

(JPY mn)	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Net sales	15,444	17,353	19,254	21,138	22,669	29,178	36,517
Enterprise Business	1,952	1,892	3,302	5,022	7,021	11,491	16,840
Entertainment Business	13,544	15,568	15,951	16,115	15,647	17,687	19,815
Adjustments	-52	-108	-0	-	-	-	-138
Operating income	1,906	1,735	1,605	1,394	1,908	2,696	3,000
Enterprise Business	203	-14	-226	-67	188	645	639
Entertainment Business	2,453	2,966	3,086	2,964	3,077	3,668	4,214
Adjustments	-750	-1,215	-1,254	-1,503	-1,356	-1,616	-1,853
Operating income margin	12.3%	10.0%	8.3%	6.6%	8.4%	9.2%	8.2%
Enterprise Business	10.4%	-	-	-	2.7%	5.6%	3.8%
Entertainment Business	18.1%	19.1%	19.3%	18.4%	19.7%	20.7%	21.3%
Profit attributable to owners of parent	795	1,200	1,575	792	974	1,778	799
Total assets	7,651	8,575	9,832	10,637	14,338	17,610	19,581
Current assets	6,221	6,813	7,403	7,453	9,744	10,392	12,528
Cash and deposits	3,344	3,894	4,197	3,739	5,076	5,208	6,456
Noncurrent assets	1,430	1,761	2,428	3,183	4,593	7,217	7,052
Goodwill	201	150	481	1,027	2,467	4,588	3,468
Total liabilities	4,793	5,005	4,819	5,198	8,024	10,044	10,107
Interest-bearing liabilities	1,646	1,610	1,764	2,553	4,797	5,590	5,106
Total net assets	2,858	3,570	5,012	5,438	6,314	7,566	9,474
Shareholders' equity	2,632	3,369	4,791	4,922	5,691	6,991	8,806
Shareholders' equity ratio	34.4%	39.3%	48.7%	46.3%	39.7%	39.7%	45.0%
Net cash	1,698	2,283	2,433	1,186	278	-382	1,350
Debt Equity Ratio	0.6	0.5	0.4	0.5	0.8	0.8	0.6
Net cash provided by operating activities	1,825	1,436	889	1,086	1,416	3,077	2,850
Net cash used in investing activities	-610	-618	62	-1,018	-1,813	-2,537	-1,903
Net cash provided by (used in) financing activities	-69	-250	-693	-515	1,730	-546	141
ROE	29.2%	40.0%	38.6%	16.3%	18.4%	28.0%	10.1%
Dividend Payout Ratio	32.3%	20.9%	18.0%	38.6%	31.0%	18.2%	57.5%

Basic Policy to Return Profits to Shareholders

While securing sufficient internal reserves to invest in business growth and strengthen our management structure, stable dividends to shareholders with a payout ratio of 20% as the minimum target

Changes in dividends





Major risks

Countermeasures

1. Leakage of confidential information

- Prohibiting staff members from bringing personal items into the test room
- Physical security measures including access control with fingerprint authentication and the installation of security cameras
- Introduction of a personal reference system that applies to all registered testers

2. Obsolescence of existing services by technological innovation

- Focusing on the application of the latest technologies, including a test automation project
- The development of new services to improve added value

3. Reduction of productive population in Japan

- Developing internal training programs that will enable the active participation of members with diverse generational, racial, and other backgrounds
- Strategically acquiring human resources through our overseas offices

4. Expansion of corporate acquisition and new businesses

- In-depth market research and due diligence
- Reducing risks by building a system for appropriate business management after acquisition

(Ref.) Our Aims for Sustainable Value Creation

Our Major Initiatives and Sustainable Development Goals (SDGs)

Human resource

To resolve the shortage of IT human resource

- Internal support system for obtaining software test certification of "JSTQB".
- Provide world-class test engineer training program in "AGEST Academy" for employees.
- Provide educational opportunities through collaborations with METI, local governments including Osaka and Gunma prefecture, correspondence high schools, NPOs, and career transition support offices.



Human resource

Workplace for diverse human resources

- Provide workplaces for diverse people such as students, part-timers, young actors and musicians, and people with disabilities at test centers with over 3,000 people every day.
- Provide employment opportunities through the operation of the Tokyo Metropolis-Certified Social Firm.
- Employ foreign nationalities of more than 30 countries/areas, such as Asia, Europe and the U.S., who engage in translation/linguistic debugging service, etc.



Technology

To realize a secure and safe digital society

- Established "AGEST Testing Lab. " to promote research on new software testing methods to support the evolving software society through industry-academic collaboration.
- Launched factory cyber security solutions to Japan market collaboratively with four companies including Siemens K.K.



Communities

To revitalize local community and resolve IT disparities

- Create jobs throughout nationwide test centers (Lab.) and promote teleworking/work-from-home style by Remote Debugging service.
- Contribute to cyber security measures for local communities and SMEs by acquiring a certification from Information-technology Promotion Agency, Japan (IPA).



Terms	Definition
Enterprise Business	Our service-based business segment for non-gaming enterprise software, which provides software testing and cyber security. It is the main driver of growth in our corporate group due to the massive digital transformation currently sweeping through society.
Entertainment Business	Our service-based business segment for the game and entertainment industries, which provides debugging and localization. It is our “cash cow”, primary stream of revenue in Japan and continues to see extensive growth in the global market.
System Testing	This is a term used in our Enterprise Business and the same meaning of software testing. System testing comprises detection of system bugs for enterprise resource planning (ERP) software, websites, business apps, etc.
Debugging	This is a term used in our Entertainment Business. We run tests and find software bugs from the perspective of the user. Debugging generally refers to the identification and correction of errors, but we specialize in identifying and reporting them. Mobile games comprise two-thirds of our debugging requests, with console games making up the other third.
QA	An abbreviation for Quality Assurance. It includes both of software testing and game debugging.
LQA	An abbreviation for Linguistic Quality Assurance. LQA focuses on finding and fixing in-game linguistic errors that occur when translating from a foreign language.
Test Engineer	Engineers who conduct software testing. It has not been popular yet in Japan as a job career and Japan currently has a shortage of test engineers, we often recruit IT engineers and provide them the necessary training.
Tester	Staff members who carry out debugging. Most of our testers are registered part-time workers. Some are trained to work as test engineers or cybersecurity specialists.
Console Games	A game played using dedicated hardware such as the Nintendo Switch or PlayStation.
Qualitist	Our uniquely coined term for specialists who contribute to the quality of software. It refers to all IT specialists such as test engineers and cybersecurity specialists in our Enterprise Business, as well as testers, translators, 2D/3D graphic designers, etc. that work in our Entertainment Business.



DIGITAL HEARTS HLDGS.

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