DIGITAL HEARTS HLDGS.

Fact Book 2022

DIGITAL HEARTS HOLDINGS Co., Ltd.

Tokyo Stock Exchange Prime Market (Code:3676)

Mission

SAVE the DIGITAL WORLD

In recent years, more and more aspects of our daily life have become supported by digital services and software.
As a "Global Quality Partner" specializing in software testing, we have been supporting various clients in improving the quality of their software development.
We are pursuing the creation of a safe and reliable digital society by providing our unique value with clients through our diverse human resources and our technological capabilities.

DIGITAL HEARTS HLDGS.

Contents

History

2001

2001
Founded as the Company Specialized in "Debugging"

Expanded the field of "Debugging" service

2007
The first Japanese company to receive the Authorized Xbox 360® Test Program (AXTP)

2008
Public company listed on TSE Mothers

Started overseas expansion

Established subsidiaries in the U.S., Korea and Thailand

2011

2011
Shifted to the First Section of the TSE

2012

Accelerating diversification in the game industry

4Gamer.net

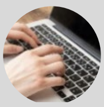
Started the Game Media Business by M&A

2013
Shifted to a pure holding company structure

2014
Rapid expansion of Creative Businesses

2017

"Second Founding Period" The industrial shift of debugging service



Aggressively investing in human capital such as test engineers

2018
Expansion of Security Business

2019
Strengthened the test automation service

2021 Certified as Global Partner in ISTQB*

*ISTQB…International Software Testing Technician's Qualification

2022

2022
The group reorganization aiming to accelerate the growth of Enterprise Business

2022
Transferred from the First Section of the TSE to the TSE Prime

To be a Global Quality Partner

Top Message

To be an "indispensable company" supporting the digital society in the era of Digital Transformation by constantly evolving with challenge

President and CEO, Yasumasa Ninomiya

Against the backdrop of the acceleration of Digital Transformation in recent years, a wide variety of digital services are rapidly increasing. The use of IT has become a source of corporate competitiveness not only in IT companies who develop and provide digital services, but in all industries, including retail, finance, real estate, and others. On the other hand, the shortage of IT personnel in Japan is becoming increasingly serious, and the risk of defects and security risks associated with the increasing complexity of digital services is rising year by year. As a result, we believe there is an extremely large business opportunity for software testing service providers like us.

Our group is focused on expanding the Enterprise Business, which is currently centered on testing web systems and business systems, with the Debugging Business, which involves the game debugging service to detect the defects in game software, as our origin. Since the start of full-scale operation of the Enterprise Business in 2018, we have expanded our engineers and services, and developed the business basement. As a result, we have rapidly grown to a level exceeding 10 billion yen in sales in the year ended March 31, 2022. In order to further accelerate this pace of growth by meeting our clients' diversifying needs in the future, we need to further improve our expertise as a unique software testing company in addition to continuing to strengthen our business basement.

In order to take on these new challenges, we implemented a major group reorganization on April 1, 2022. We spun out the Enterprise Business and newly formed the core subsidiary of the Enterprise Business called "AGEST, Inc." ("AGEST"), which was one of the business divisions of a main subsidiary. AGEST has become an engineer-first company, completely different from our group companies to date, and we plan to promote a variety of initiatives to create "QA (Quality Assurance) solutions" that we do not have in the past.

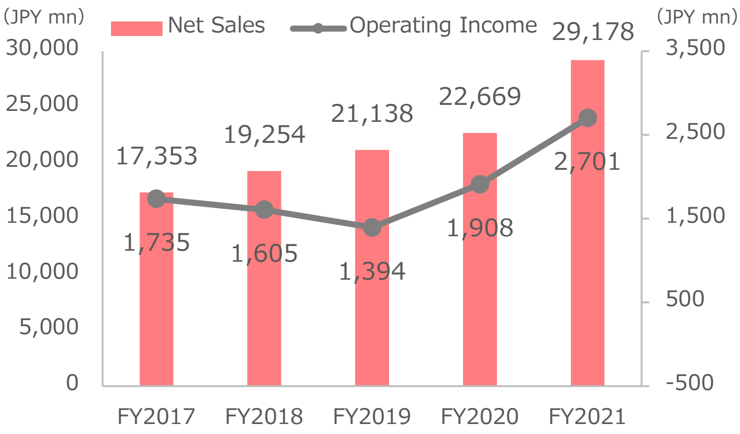
Especially, in AGEST, we have established close relationships with the world's leading members, including Mr. Black and Mr. Hung, the worldwide authority for software testing, and Dr. Reid, the convener of ISO Software Testing Working Group 26, which developed the world's first global standard for software testing process. With these collaborations, we will have new training programs to further enhance engineers' skill and will develop testing processes that comply with global standards. And we are also promoting R&D aimed at utilizing leading-edge technologies through industry-academia collaborations, and expanding our capabilities through aggressive M&As. We are aiming to evolve into a "indispensable company supporting Digital Transformation" that can provide optimal QA solutions at a high level to meet diversifying client demands.

We will continue to take on new challenges with our corporate mission of "SAVE the DIGITAL WORLD." We look forward to your continued understanding and support.

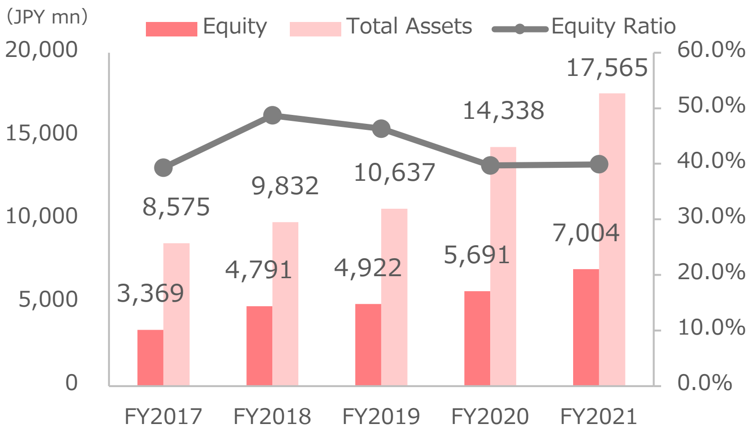
Financial / Non-financial Highlights

Financial Highlights

■ Net Sales / Operating Income



■ Equity / Total Assets



Non-financial Highlights

(As of March 31, 2022)

Resolving the shortage of IT human resources

Boundary:1

Number of IT human resources incl. Qualitist*

10,660 people

*Qualitist...Our original term for specialist contributing to the quality incl. engineers

Empowering women in the work place

Boundary:2

Ratio of female managers

11.8%

Create a safe and secure digital society

Boundary:3

Number of system test projects per year

3,253 projects

Create a safe and secure digital society

Boundary:3

Number of monitoring PCs in SoC (Security Operation Center)

530K

Boundary

1. The entire group
2. Domestic group companies excl. overseas
3. AGEST, Inc. / DIGITAL HEARTS Co., Ltd.

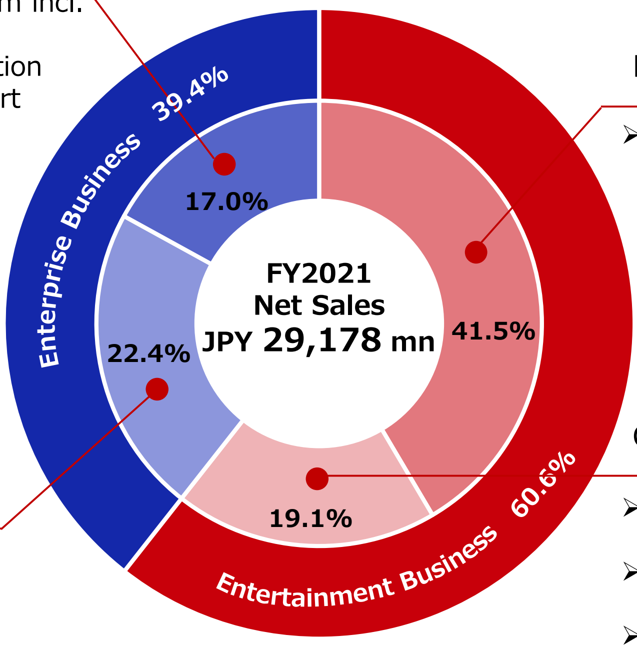
Business Activities

System Testing

- Testing for enterprise system incl. website
- Supporting for test automation
- DevOps/Agile testing support

Domestic Debugging

- Debugging for console games and mobile games



IT service / Security

- Development support of IT systems
- ERP support
- IT maintenance and operational support
- Security monitoring

Global and others

- Translation, LQA*, and localization for game software
- Marketing support for game launching in overseas markets
- Game development and CG development
- Planning and operation of game information site "4Gamer.net"

*LQA… Linguistic Quality Assurance

Financial Results by Segment

(JPY mn)	FY2017	FY2018	FY2019	FY2020	FY2021
Net Sales	17,353	19,254	21,138	22,669	29,178
Enterprise Business	1,892	3,302	5,022	7,021	11,491
System Testing	1,084	1,395	2,414	3,581	4,954
IT service / Security	808	1,907	2,608	3,439	6,537
Entertainment Business	15,568	15,951	16,115	15,647	17,687
Domestic Debugging	12,503	12,012	12,356	11,536	12,123
Global and others	3,065	3,939	3,759	4,111	5,563
Adjustments	-108	-0	-	-	-
Segment Income	1,735	1,605	1,394	1,908	2,701
Enterprise Business	-14	-226	-67	188	649
Entertainment Business	2,966	3,086	2,964	3,077	3,668
Adjustments	-1,215	-1,254	-1,503	-1,356	-1,616
Segment Income Margin	10.0%	8.3%	6.6%	8.4%	9.3%
Enterprise Business	-	-	-	2.7%	5.7%
Entertainment Business	19.1%	19.3%	18.4%	19.7%	20.7%

Features of Each Business

Enterprise Business

(As of March 31, 2022)

1. ISTQB Global Partner
(One of three companies in Japan)

ISTQB Global Partner
International Software Testing Qualifications Board

*ISTQB...International Software Testing Technician's Qualification

2. Diverse test automation tools

TestArchitect, Autify, mabl, Panaya, WORKSOFT, Selenium, appium

3. Supported by global authorities in software testing


Dr. Stuart Reid


Mr. Rex Black

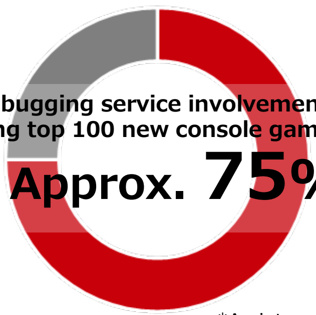

Mr. Hung Nguyen


Mr. Juichi Takahashi

Entertainment Business

(As of March 31, 2022)

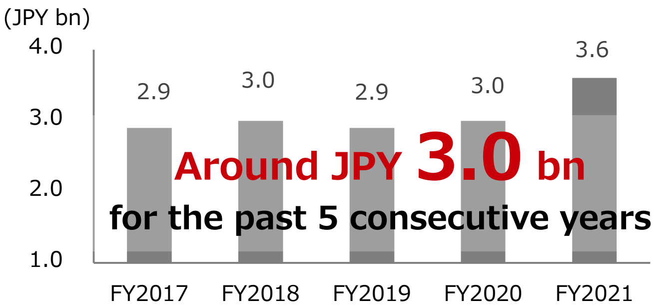
1. Market Leader
in domestic debugging service



*An internal investigation

2. Approx. 8,000
registered testers

3. Strong operating profit



4. Abundant and wide variety of test terminals


Game consoles
2,054


Smart devices
6,782

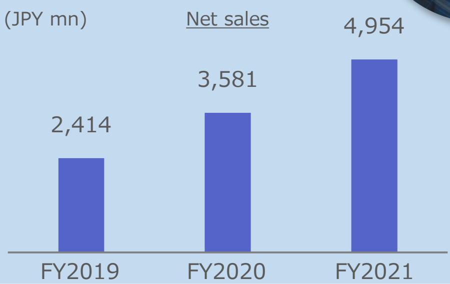
FY2021 Overview by Segment

Enterprise Business

Net Sales	Segment Income
JPY **11,491** mn	JPY **649** mn
(YoY 163.7%)	(YoY 344.8%)

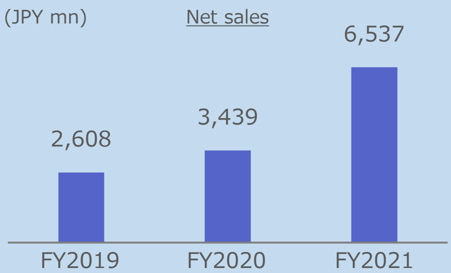
System Testing

- Contribution of newly joined companies through M&As and others, MK Partners and TPP SOFT since Q2 and DEVELOPING WORLD SYSTEMS since Q4 in FY2021.
- Organic growth of net sales **YoY 120%,** excluding the effects of M&As.



IT service / Security

- Achieved **YoY growth of over 120% in all categories** of Security, Maintenance/operation, and System development/SES services.
- Contribution of newly acquired identity Inc. since Q2 in FY2021.

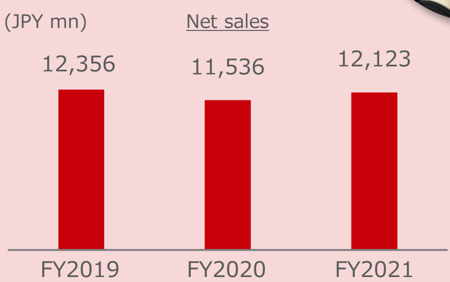


Entertainment Business

Net Sales	Segment Income
JPY **17,687** mn	JPY **3,668** mn
(YoY 113.0%)	(YoY 119.2%)

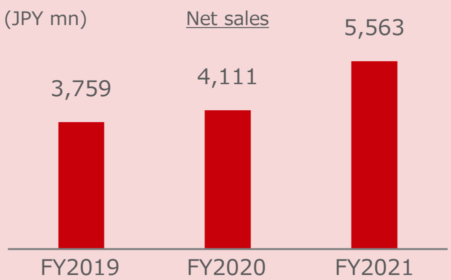
Domestic Debugging

- The growth in the Domestic Debugging division has **been driven by its services for console games.**
- **Full-year gross margin ratio was 31.1%, improved by 2.5P YoY,** due to higher sales and operational reforms, even with a rise in national minimum wages in the market.



Global and others

- Achieved **double-digit sales growth in every Global, Creative, and Media services.**
- Newly consolidated DIGITAL HEARTS CROSS group contributed since Q2 in FY2021.

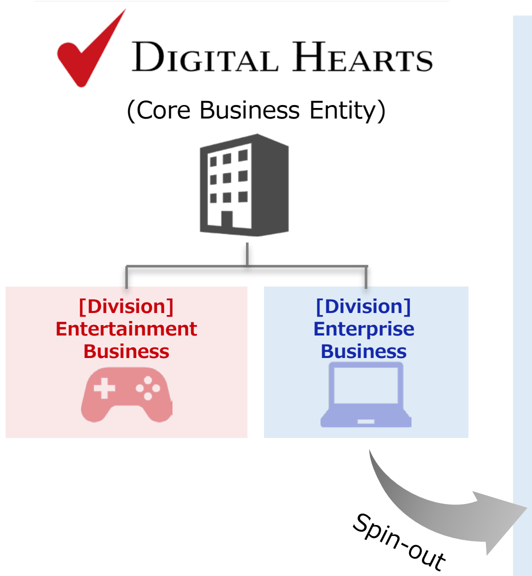


Topics

01 Three M&As for future growth of Enterprise Business in FY2021

identity Inc.	DEVELOPING WORLD SYSTEMS LIMITED	CEGB Co., Ltd.
Developing SES business utilizing a pool of highly-skilled freelance engineers	A gold partner of Oracle. Support for the introduction, maintenance, and operation of Oracle system in the U.K. and the U.S.	Consulting for SAP introduction and operation, and system development support
Expansion of the pool of engineers	**Acquisition of expertise in specialized areas**	**Acquisition of expertise in specialized areas**

02 Formed AGEST, Inc. a core Enterprise Business, through a group-wide reorganization on April 1, 2022



From April 1, 2022

AGEST

(AGility + AGile development + TESTing + BEST)

Aims of the organizational restructuring

1. Recruitment and retention of highly-skilled test engineers and IT specialists
2. Development of new software testing solutions utilizing advanced technologies
3. Establishment of advanced education systems to foster human resources capable of responding to the rapidly changing market environment (Lifelong recurrent education)

Separating the Enterprise and Entertainment Businesses

to further enhance expertise and create new value in each business domain

Growth Strategy

Rapid expansion of the Enterprise Business sustained by the highly profitable foundation of the Entertainment Business

M&A

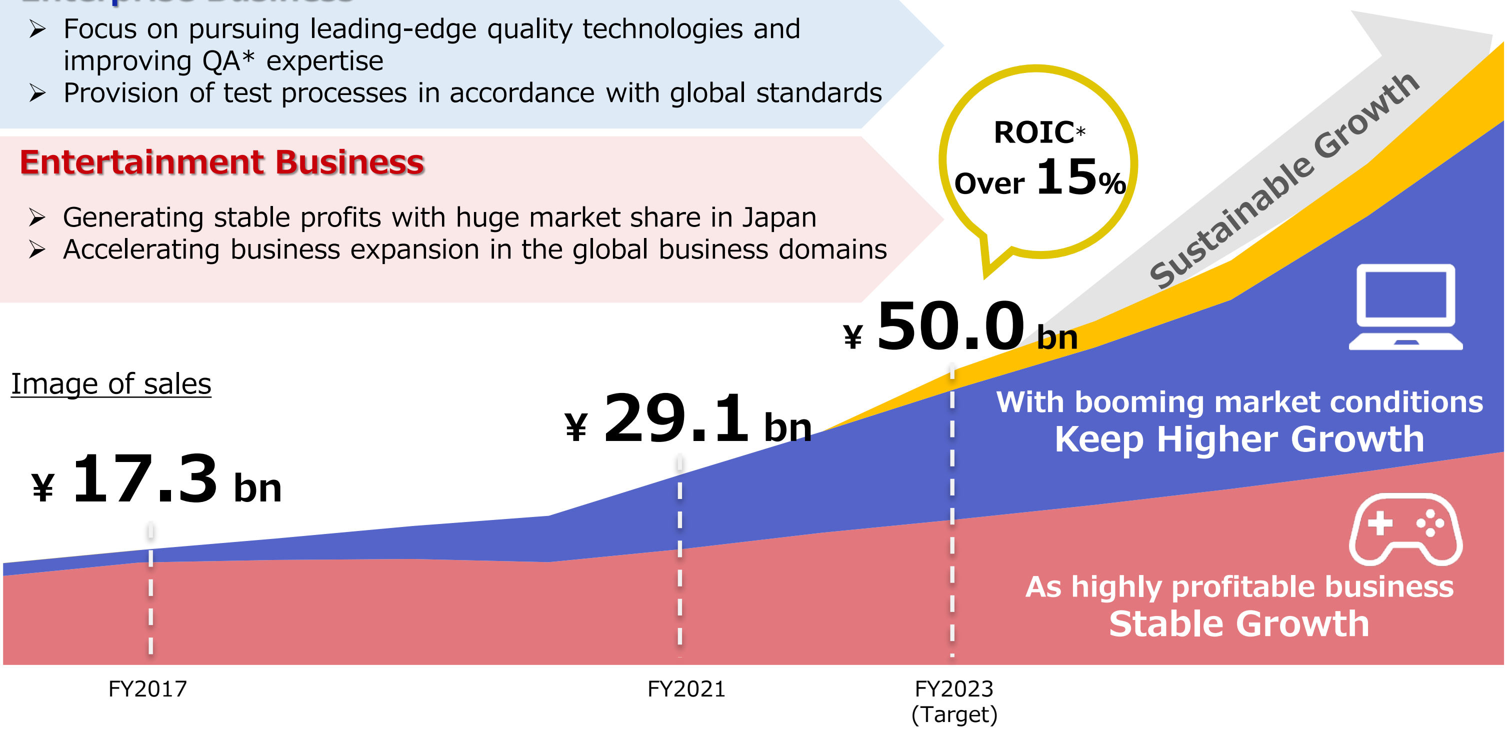
- Keep M&A strategy to expand the pool of engineers and improve technological capabilities such as test automation

Enterprise Business

- Focus on pursuing leading-edge quality technologies and improving QA* expertise
- Provision of test processes in accordance with global standards

Entertainment Business

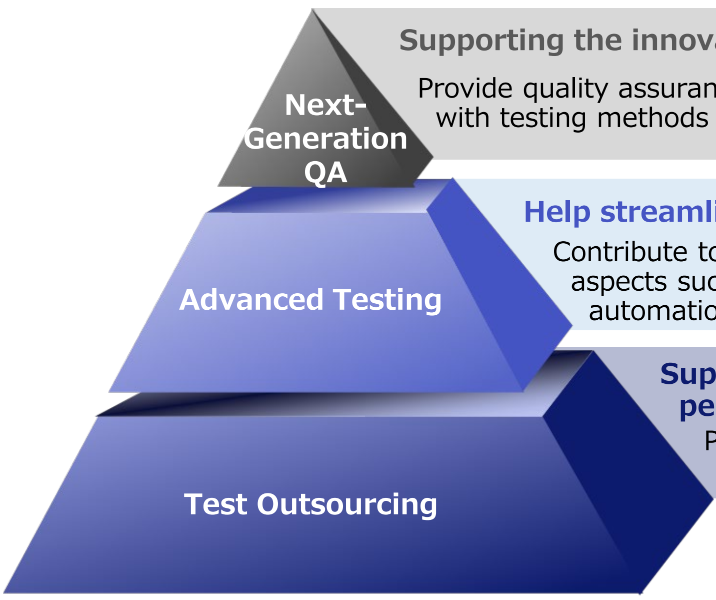
- Generating stable profits with huge market share in Japan
- Accelerating business expansion in the global business domains



*QA=Quality Assurance
*ROIC=EBITDA×(1-effective tax rate)÷(interest-bearing debt+shareholders' equity)

Vision of Enterprise Business

By utilizing leading-edge quality technologies, to become a service provider of optimum QA solutions at a high level to diversifying needs



Supporting the innovation of clients' business with rich user experience

Provide quality assurance service in areas such as CASE and Smart City, with testing methods not developed yet in the market.

Help streamline the testing process by leveraging technology

Contribute to improve quality of software including non-functional aspects such as security, or efficiency of testing processes with automation tools.

Supporting the testing process from a third-party perspective

Providing outsourcing services to support clients with insufficient experiences and resources for software testing.

Growth Strategy

Enterprise Business - Major initiatives

**With a view to develop "Next-Generation QA",
to develop three areas of the quality, such as human resources, technologies, and processes according to global standards**

People

Established "AGEST Academy" to study software testing knowledge both academically and practically, to standardize engineer skills and improve capability of the group

AGEST Academy

- Test engineer training programs along "ISTQB*" syllabus, **supported by Mr. Black.**
- **CYBER BOOT CAMP** to learn practical skills from **active ethical hackers.**
- Providing an **AI test training program supervised by Dr. Reid.**

*ISTQB...International Software Testing Technician's Qualification

Supported by

Mr. Black
Former President of the ISTQB.

Mr. Nguyen
Worldwide authority to software testing.

Mr. Takahashi
A pioneer in software testing in Japan.

Technology

Established "AGEST Testing Lab." to promote research and development of new testing methods through industry-university collaboration

Research activities in AGEST Testing Lab.

- Adaptation of Software Testing to **AI Products.**
- Research on **agile testing.**
- R&D on **security testing using fuzzing testing methods.**

Collaborate with

Dr. Nishi
The University of Electro-Communications

Dr. Washizaki
WASEDA University

Dr. Kato
University of Nagasaki

Process

In early compliance with an international standard to be the leading company in the testing industry

Compliance with "ISO/IEC/IEEE 29119"

- **Improve the accuracy and quality of testing services** by developing a testing process in compliance with the global standard.
- Have a single global standard of testing quality with all internal engineers by providing this training program.

Supported by

Dr. Reid
The founder of the ISTQB. The convener of ISO Software Testing Working Group 26, which has published software testing standard.

Directors and Audit & Supervisory Board Members

Directors

Representative Director, President and CEO
Yasumasa Ninomiya

Born in 1972. He served as a director of U-NEXT Co., Ltd. (currently USEN-NEXT Holdings) and executives of its group companies. Joined us in 2017 and promoted the launch of Enterprise Business as a director in charge of this division. Appointed Representative Director, President and CEO in 2021.

Grounds for election

He has been supervising operating activities as a director since 2019 and responsible for the management of entire group as a Representative Director, President and CEO since 2021. Based on his knowledge and experience in management, he is expected to continue to lead our group management and contribute to the enhancement of our corporate value.

Director and Chairman
Eiichi Miyazawa

Born in 1972. He established the original business of DIGITAL HEARTS in 2001 and rapidly expanded it by launching a unique business model utilizing diverse human resources such as core gamers. In 2013, shifting to a holding company structure, he became its Representative Director, President and CEO, and in 2017 he was appointed Director and Chairman.

Grounds for election

He was the founder of the Company and has led the management of the Group since its founding. He also has extensive experience, achievements and knowledge in management, and he is expected to continue contributing to the enhancement of our corporate value in the future.

Director, Executive Vice President and CFO
Toshiya Tsukushi

Born in 1965. After working for a consulting company and a financial institution, he promoted the formulation of growth strategies as a director, executive officer and CFO of Nissen Holdings Co., Ltd. Joined us in 2017 and promoted M&A deals as Director and CFO. Appointed Director, Executive Vice President and CFO in 2021.

Grounds for election

As Director, Executive Vice President and CFO since 2021, he has been promoting group-wide business management and M&As both in Japan and overseas. He also has extensive knowledge and experience, including serving for many years as a businesses manager and CFO at a holding company. He is expected to continue to drive the management of our group and contribute to the enhancement of our corporate value.

Independent

Outside Director
Takashi Yanagiya

Born in 1951. At Nomura Securities Co., Ltd., he served as Representative Director, Senior Managing Director and as other titles of officers. Appointed as our Outside Director in 2014.

Grounds for election

He is expected to provide valuable advice with our board of directors from his extensive experience as a corporate manager, to supervise our management from an objective standpoint, and to be involved in the selection of our candidates for directors and the determination of executive remuneration as members of the Nomination and Remuneration Committee from an objective and neutral standpoint.

Independent

Outside Director
Emiko Murei

Born in 1969. She is a certified public accountant, and currently serves as the head of her own accounting firm while serving as an associate professor of Aoyama Gakuin University Graduate School of Professional Accountancy. Appointed as our Outside Director in 2022.

Grounds for election

As a certified public accountant and a faculty member of a university, she is expected to provide advices to our board of directors on sustainability, finance, and accounting. She is also expected to supervise our management from an objective standpoint, and to be involved in the selection of our executive candidates and decisions on executive compensation, etc. as a member of the Nomination and Remuneration Committee from an objective and neutral standpoint.

Outside Director
Ryo Chikasawa

Born in 1984. He is qualified as an attorney and currently serves as a partner lawyer at Mori Hamada & Matsumoto. Appointed as our Outside Director in 2022.

Grounds for election

He is qualified as an attorney and is expected to provide advices to our board of directors on corporate governance and compliance. He is also expected to supervise our management from an objective standpoint, and to be involved in the selection of our executive candidates and decisions on executive compensation, etc. as a member of the Nomination and Remuneration Committee from an objective and neutral standpoint.

* Ryo Chikasawa does not report to the Tokyo Stock Exchange as an independent director in accordance with the internal regulations of the law office to which he belongs.

Directors and Audit & Supervisory Board Members

Audit & Supervisory Board Members

Standing Audit & Supervisory Board Member
Masahide Date

Born in 1971. After working for KAIBUNDO PUBLISHING CO., LTD., he joined DIGITAL HEARTS Co., Ltd. in 2002. After serving in the Accounting Section Manager of the Administration Department, he was appointed as an Audit & Supervisory Board Member of the company in 2005. Appointed as our Audit & Supervisory Board Member in 2013.

Grounds for election

He has experience in accounting at DIGITAL HEARTS Co., Ltd. and many years of experience as an Audit & Supervisory Board Member. He possesses knowledge of our company in general and accounting. He is expected to utilize this knowledge in our auditing.

Audit & Supervisory Board Member
Keiya Kazama

Born in 1975. Holds certified public accountant and tax accountant qualifications. After working for Deloitte Touche Tohmatsu (currently Deloitte Touche Tohmatsu LLC), he joined DIGITAL HEARTS Co., Ltd. in 2010. He served as General Manager of the Administration Division, Executive Officer, and Director at this company. Appointed as our director in 2013. Appointed as our Audit & Supervisory Board Member in 2018.

Grounds for election

He has extensive knowledge of the company's business, finance and accounting. He has qualifications as a certified public accountant and certified public tax accountant and many years experience as the manager of the finance and accounting departments of our group companies. He is expected to utilize these knowledge in our audits.

Independent

Outside Audit & Supervisory Board Member
Toshifumi Nikawa

Born in 1948. After working for financial institutions including The Mitsubishi Bank, Ltd. (currently MUFG Bank, Ltd.), he was appointed Outside Audit & Supervisory Board Member of DIGITAL HEARTS Co., Ltd. in 2008. Appointed as our Outside Audit & Supervisory Board Member in 2013.

Grounds for election

He has many years of working experience at a financial institution and specialized knowledge and experience in finance and accounting. He is expected to utilize them in our audits.

Independent

Outside Audit & Supervisory Board Member
Yoko Okano

Born in 1975. She is qualified as an attorney. She has been affiliated with Gokita and Miura Law Office since 2006. Appointed as our Outside Audit & Supervisory Board Member in 2021.

Grounds for election

As an attorney, she has abundant knowledge of corporate legal affairs and compliance, and she is expected utilize these knowledge in its audits.

Skill Matrix of Directors

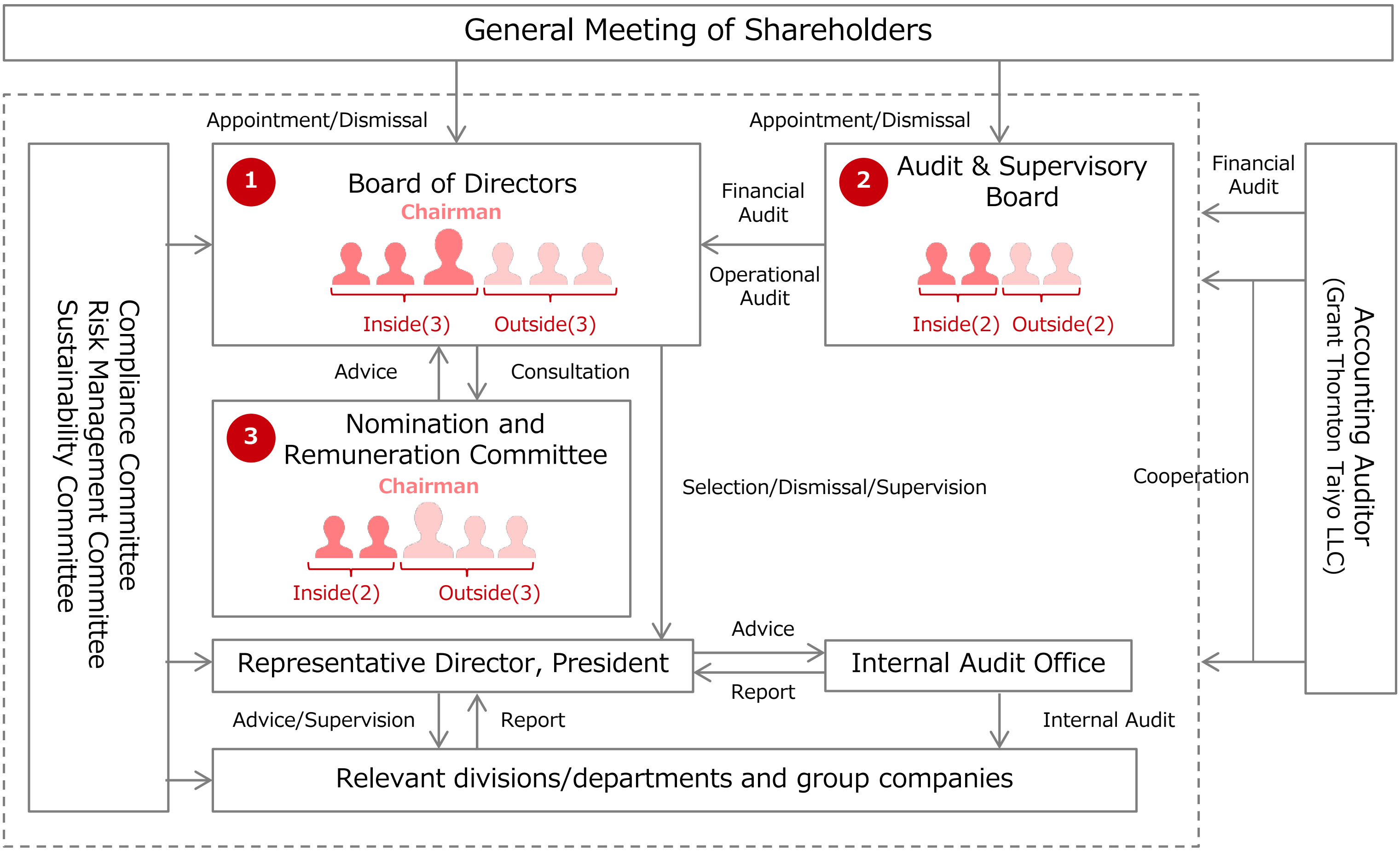
Name	In office number of years	Expertise and experience					
		Corporate management / Global	Finance / Accounting / M&A	Legal affairs / Risk management	ESG / Sustainability	IT (QA, DX and Security)	Sales / Marketing
Yasumasa Ninomiya	3	●			●	●	●
Eiichi Miyazawa	9	●			●	●	●
Toshiya Tsukushi	4	●	●	●	●	●	
Takashi Yanagiya	8	●	●	●	●		●
Emiko Murei	-		●		●		
Ryo Chikasawa	-	●	●	●	●		

Corporate Governance

Basic Philosophy

Our Mission is "SAVE the DIGITAL WORLD."
Based on this Mission, we are building a corporate governance system with the transparency of its management and the monitoring/supervisory functions in order to further enhance our corporate value through activities responding to the expectation from stakeholders including shareholders, clients, business partners, employees, and local communities.

Corporate Governance Structure



1 Board of Directors

Consists of members from diverse backgrounds, including entrepreneurs, corporate management experiences in various industries, certified public accountants, and lawyers, and holds discussions from a diverse perspective.

2 Audit & Supervisory Board

Members with specialized knowledge and experience in finance, accounting, compliance, etc., audit the execution of duties by directors.

3 Nominating and Remuneration Committee

Ensure fairness and objectivity in decision-making regarding executive compensation, etc. Resolved by and reported to the Board of Directors after consulting with the Nomination and Compensation Committee on important personnel at the Company and its major subsidiaries.

Consolidated Balance Sheet

(JPY thousand)

Assets	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Total assets	7,651,602	8,575,286	9,832,330	10,637,014	14,338,792	17,565,361
Current assets	6,221,222	6,813,750	7,403,762	7,453,227	9,744,997	10,392,881
Cash and deposits	3,344,688	3,894,356	4,197,616	3,739,104	5,076,396	5,208,746
Notes and accounts receivable-trade	1,942,047	2,480,648	2,724,434	2,985,211	4,097,817	-
Notes and accounts receivable-trade and contract assets	-	-	-	-	-	4,411,554
Securities	-	-	-	165,046	155,250	34,506
Inventories	8,263	14,924	20,814	43,005	44,143	17,367
Deferred tax assets	74,743	80,997	-	-	-	-
Income taxes receivable	305,634	7,483	27,895	214,147	2,478	47,112
Other	551,733	349,744	464,908	346,384	430,074	741,693
Allowance for doubtful accounts	-5,889	-14,404	-31,907	-39,673	-61,162	-68,099
Noncurrent assets	1,430,380	1,761,536	2,428,568	3,183,787	4,593,794	7,172,479
Property, plant and equipment	298,100	473,564	558,027	579,192	598,606	693,353
Buildings	354,425	451,334	485,695	587,138	605,431	722,403
Accumulated depreciation	-170,087	-161,867	-186,454	-210,467	-238,942	-281,667
Buildings, net	184,337	289,467	299,240	376,671	366,488	440,736
Vehicles	5,695	6,005	6,005	6,005	6,005	5,227
Accumulated depreciation	-5,695	-1,666	-3,111	-4,075	-4,718	-870
Vehicles, net	-	4,339	2,894	1,930	1,287	4,357
Tools, furniture and fixtures	480,609	575,727	663,682	669,941	728,571	869,126
Accumulated depreciation	-378,237	-405,705	-433,438	-493,343	-520,078	-639,321
Tools, furniture and fixtures, net	102,371	170,022	230,243	176,598	208,492	229,805
Land	-	-	17,568	17,568	17,568	17,568
Lease assets	45,359	45,359	45,359	45,359	45,359	31,976
Accumulated depreciation	-33,968	-35,623	-37,279	-38,934	-40,590	-31,090
Lease assets, net	11,391	9,735	8,080	6,424	4,769	886
Intangible assets	238,748	286,854	763,380	1,379,280	2,670,718	5,094,713
Goodwill	201,300	150,368	481,218	1,027,617	2,467,888	4,763,421
Other	37,448	136,486	282,161	351,663	202,830	331,292
Investments and other assets	893,530	1,001,117	1,107,160	1,225,313	1,324,469	1,384,412
Investment securities	299,213	268,293	190,868	192,839	191,529	236,595
Long-term loans receivable	-	-	-	-	30,000	40,000
Deferred tax assets	55,837	109,416	202,242	251,257	326,200	305,068
Lease and guarantee deposits	490,839	596,561	672,033	728,696	694,359	736,487
Other	50,214	27,120	53,888	62,038	92,027	74,441
Allowance for doubtful accounts	-2,573	-274	-11,873	-9,519	-9,648	-8,181

Consolidated Balance Sheet

(JPY thousand)

Liabilities	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Total liabilities	4,793,103	5,005,154	4,819,664	5,198,545	8,024,039	9,989,021
Current liabilities	3,759,464	3,929,183	4,192,428	5,134,811	7,904,503	9,679,346
Short-term loans payable	1,630,840	1,600,000	1,704,882	2,546,384	4,728,935	5,421,296
Lease obligations	2,339	3,766	1,721	1,768	4,930	-
Accounts payable-other	271,919	574,794	479,262	507,165	1,048,155	1,361,001
Accrued expenses	779,123	986,180	907,311	903,379	950,828	1,184,413
Income taxes payable	686,718	259,408	593,491	550,653	453,655	511,871
Accrued consumption taxes	214,915	204,112	255,427	441,233	396,647	405,580
Provision for bonuses	62,733	64,227	86,272	44,153	53,893	100,190
Provision for directors' bonuses	-	-	-	-	-	39,184
Provision for loss on order received	400	-	-	-	-	-
Other	110,474	236,693	164,059	140,072	267,457	655,808
Noncurrent liabilities	1,033,638	1,075,971	627,235	63,734	119,536	309,674
Convertible bonds	1,017,200	1,017,200	508,600	-	-	-
Long-term loans payable	2,620	-	50,960	-	63,893	169,674
Lease obligations	10,524	6,757	6,699	4,930	-	-
Net defined benefit liability	-	-	36,397	43,361	41,923	45,891
Deferred tax liabilities	-	-	-	-	-	456
Asset retirement obligations	2,065	16,625	13,708	13,714	13,719	90,256
Other	1,228	35,387	10,869	1,727	-	3,396
Net assets	**FY2016**	**FY2017**	**FY2018**	**FY2019**	**FY2020**	**FY2021**
Total net assets	2,858,499	3,570,132	5,012,666	5,438,469	6,314,752	7,576,339
Shareholders' equity	2,590,564	3,340,904	4,763,783	4,898,105	5,642,705	6,776,238
Capital stock	300,686	300,686	300,686	300,686	300,686	300,686
Capital surplus	277,510	331,729	366,598	355,735	331,509	-
Retained earnings	4,164,899	5,113,524	6,408,407	6,904,318	7,575,673	9,021,248
Treasury stock	-2,152,531	-2,405,036	-2,311,908	-2,662,635	-2,565,164	-2,545,696
Accumulated other comprehensive income	42,242	28,652	28,162	24,202	48,564	228,022
Valuation difference on available-for-sale securities	5,557	2,679	323	168	581	8,921
Foreign currency translation adjustment	36,685	25,972	27,839	24,033	47,983	219,101
Subscription rights to shares	-	-	13,363	13,363	13,363	-
Non-controlling interests	225,691	200,575	207,356	502,797	610,119	572,078
Total liabilities and net assets	7,651,602	8,575,286	9,832,330	10,637,014	14,338,792	17,565,361

Consolidated Statement of Income

(JPY thousand)

Consolidated Statement of Income	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Net sales	15,444,767	17,353,218	19,254,610	21,138,200	22,669,577	29,178,789
Cost of sales	10,938,558	12,394,477	13,791,192	15,566,267	16,235,984	20,787,432
Gross profit	4,506,208	4,958,740	5,463,418	5,571,932	6,433,592	8,391,357
Selling, general and administrative expenses	2,599,562	3,222,876	3,857,859	4,177,866	4,524,898	5,690,326
Operating income	1,906,646	1,735,864	1,605,558	1,394,065	1,908,694	2,701,031
Non-operating income	128,216	57,554	109,273	22,705	80,664	112,615
Interest income	717	491	135	1,350	2,598	2,520
Foreign exchange gains	-	-	-	-	-	12,239
Dividends income	15	15	15	-	-	-
Share of profit of entities accounted for using equity method	-	8,729	-	-	-	-
Gain on investment in partnership	6,752	5,612	5,961	1,205	-	13,212
Subsidy income	90,927	21,822	91,901	5,134	62,296	70,107
Surrender value of insurance	-	6,240	-	-	-	-
Other	29,803	14,643	11,259	15,015	15,769	14,535
Non-operating expenses	37,574	10,800	63,550	44,394	13,964	34,739
Interest expenses	3,736	2,918	3,147	5,356	6,212	11,927
Share of loss of entities accounted for using equity method	2,282	-	3,983	5,968	1,425	5,395
Foreign exchange losses	1,763	745	211	5,346	2,741	-
Commission for purchase of treasury shares	456	6,239	-	-	-	-
Commission paid	11,725	48	19,848	5,864	252	10,288
Bond issuance expenses	1,801	-	-	-	-	-
Loss on bond retirement	-	-	7,629	15,258	-	-
Settlement package	-	-	24,041	-	-	-
Other	15,808	848	4,687	6,600	3,332	7,127
Ordinary income	1,997,288	1,782,618	1,651,281	1,372,376	1,975,394	2,778,908
Extraordinary income	17,903	2,112	733,470	-	55,696	83,086
Subsidy income	-	-	-	-	55,196	-
Gain on sales of noncurrent assets	3,354	2,112	-	-	-	1,233
Gain on sales of shares of subsidiaries and associates	-	-	-	-	-	707
Gain on forgiveness of debts	-	-	-	-	-	67,782
Gain on sales of investment securities	-	-	733,470	-	-	-
Gain on reversal of subscription right to shares	14,548	-	-	-	-	13,363
Other	-	-	-	-	500	-
Extraordinary loss	573,835	151,913	51,511	75,944	526,705	112,684
Loss on sales of noncurrent assets	175	-	-	-	-	-
Loss on retirement of noncurrent assets	3,737	1,066	-	-	18,298	32,270
Office transfer expenses	44,330	25,806	8,492	16,002	44,187	14,513
Business structure improvement expenses/ Loss on liquidation of business, etc.	-	24,988	43,019	37,414	10,509	-
Organizational restructuring expenses	-	-	-	-	-	53,742
Impairment loss	495,353	2,739	-	22,527	395,511	12,156
Loss on valuation of investments in securities	30,239	97,312	-	-	-	-
Loss on sales of investment securities	-	-	-	-	2,689	-
Loss related to COVID-19	-	-	-	-	55,509	-
Income before income taxes	1,441,356	1,632,817	2,333,240	1,296,432	1,504,385	2,749,310
Income taxes-current	667,698	562,482	756,413	547,721	600,575	729,951
Income taxes-deferred	-26,399	-59,271	-10,760	-48,496	-70,544	12,435
Total income taxes	641,299	503,210	745,653	499,224	530,030	742,386
Profit	800,057	1,129,606	1,587,586	797,207	974,355	2,006,923
Profit attributable to non-controlling interests	4,988	-70,567	12,010	5,077	-136	226,224
Profit attributable to owners of parent	795,068	1,200,174	1,575,576	792,130	974,492	1,780,699

Consolidated Statement of Comprehensive Income

(JPY thousand)

Consolidated Statement of Comprehensive Income	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Profit	800,057	1,129,606	1,587,586	797,207	974,355	2,006,923
Other comprehensive income	2,216	-16,709	-760	1,683	9,713	253,995
Valuation difference on available for sale securities	1,472	-2,877	-2,356	-154	413	8,339
Foreign currency translation adjustment	743	-13,832	1,596	1,838	9,300	245,655
Comprehensive income	802,273	1,112,896	1,586,826	798,891	984,068	2,260,919
Comprehensive income attributable to owners of the parent	796,269	1,186,583	1,575,086	788,169	976,794	1,987,844
Comprehensive income attributable to non-controlling interests	6,004	-73,686	11,739	10,721	7,274	273,074

Consolidated Statement of Cash Flows

(JPY thousand)

Cash flows from operating activities	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Net cash provided by operating activities	1,825,268	1,436,316	889,656	1,086,745	1,416,917	3,077,118
Income before income taxes	1,441,356	1,632,817	2,333,240	1,296,432	1,504,385	2,749,310
Depreciation and amortization	118,817	197,433	135,801	174,617	198,365	257,104
Impairment loss	495,353	2,739	-	22,527	395,511	12,156
Amortization of goodwill	112,011	76,931	118,154	164,063	215,794	470,928
Increase (Decrease) in allowance for doubtful accounts	-41,437	8,549	9,903	-3,000	15,292	1,861
Increase (Decrease) in provision for bonuses	-11,045	1,494	3,676	-42,119	5,777	29,343
Increase (decrease) in provision for directors' bonuses	-	-	-	-	-	39,184
Interest and dividends income	-733	-506	-150	-1,363	-2,612	-2,534
Interest expenses	3,736	2,918	3,147	5,356	6,212	11,927
Foreign exchange losses (gains)	1,763	449	525	18,017	2,741	-12,239
Share of (profit) loss of entities accounted for using equity method	2,282	-8,729	3,983	5,968	1,425	5,395
Loss (Gain) on investments in partnership	-6,752	-5,612	-5,961	-1,205	-	-13,212
Loss (Gain) on sales of investment securities	30,239	97,312	-733,470	-	2,694	-
Gain on forgiveness of debts	-	-	-	-	-	-67,782
Share-based compensation expenses	-	111,598	133,196	136,892	90,014	38,146
Loss (Gain) on sales of property, plant and equipment	-3,179	-2,112	-	-	-	-
Gain on sales of noncurrent assets	-	-	-	-	-	-1,233
Loss on retirement of noncurrent assets	3,737	1,066	-	-	18,298	32,270
Loss (gain) on sales of shares of subsidiaries and associates	-	-	-	-	-	-707
Settlement package	-	-	24,041	-	-	-
Office transfer expenses	44,330	25,806	8,492	16,002	44,187	14,513
Business structure improvement expenses/Loss on liquidation of business, etc.	-	24,988	43,019	37,414	10,509	-
Gain on reversal of subscription rights to shares	-14,548	-	-	-	-	-13,363
Decrease (Increase) in notes and accounts receivable - trade	290,168	-539,197	-204,891	-10,567	-701,207	393,148
Decrease (Increase) in inventories	43,787	-1,825	-5,595	-22,205	-1,137	27,752
Subsidy income	-	-	-	-	-55,196	-70,107
Loss related to COVID-19	-	-	-	-	55,509	-
Organizational restructuring expenses	-	-	-	-	-	53,742
Increase (Decrease) in accounts payable - other	-175,386	286,201	-165,082	13,633	173,476	-295,968
Increase (Decrease) in accrued expenses	30,572	208,465	-117,352	-206,861	28,756	-104,956
Increase (Decrease) in accrued consumption taxes	17,163	-10,803	45,105	185,139	-52,972	-32,756
Decrease (Increase) in other current assets	-29,530	-94,497	-158,841	-43,411	-69,989	-52,545
Increase (Decrease) in other current liabilities	-75,612	101,873	349	-2,549	-9,128	280,451
Other	-39,502	31,099	-55,636	-31,596	-7,221	-8,880
Subtotal	2,237,592	2,148,457	1,415,654	1,711,184	1,869,486	3,740,949
Interest and dividends income received	798	581	150	1,350	26	1,917
Interest expenses paid	-3,850	-2,928	-3,228	-5,356	-5,672	-8,272
Income taxes paid	-772,732	-955,180	-501,782	-628,327	-649,797	-704,194
Income taxes refund	415,754	290,979	6,242	27,894	214,140	2,478
Office transfer expenses paid	-52,292	-25,806	-8,492	-	-10,952	-2,454
Business structure improvement expenses paid / Loss on liquidation of business paid, etc.	-	-19,785	-18,888	-20,000	-	-
Proceeds from subsidy income	-	-	-	-	55,196	46,695
Payments related to COVID-19	-	-	-	-	-55,509	-

Consolidated Statement of Cash Flows

(JPY thousand)

Cash flows from investing activities	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Net cash used in investing activities	-610,152	-618,565	62,284	-1,018,402	-1,813,519	-2,537,418
Purchase of property, plant and equipment	-109,086	-292,677	-84,352	-150,211	-99,495	-186,762
Proceeds from sales of property, plant and equipment	14,604	2,112	-	-	-	2,270
Purchase of intangible assets	-33,774	-69,274	-157,025	-106,637	-220,988	-192,709
Purchase of investment securities	-212,002	-118,734	-55,775	-10,563	-	-83,060
Proceeds from redemption of investment securities	-	50,000	-	-	-	-
Proceeds from sales of investment securities	-	-	841,826	215	2,749	54,962
Payments for purchase of investments in subsidiaries resulting in change in scope of consolidation	-200,136	-	-377,961	-597,799	-1,309,417	-1,813,502
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	-	-	-	6,382	-	-
Proceeds from distribution of investment in partnerships	17,987	11,120	13,780	2,836	-	13,212
Proceeds from transfer of business	-	-	-	-	500	-
Payments for acquisition of businesses	-	-31,197	-99,167	-71,922	-65,868	-148,883
Payments for acquisition of businesses (contingent consideration)	-	-	-	-	-18,666	-56,193
Payments for lease and guarantee deposits	-119,566	-253,871	-95,732	-104,260	-44,920	-129,330
Proceeds from collection of lease and guarantee deposits	18,430	83,922	48,570	15,314	30,890	9,849
Collection of loans receivable	-	-	28,657	-	-	-
Decrease (Increase) in short-term loans receivable	-	-	-	-	-2,042	2,728
Payments of long-term loans receivable	-	-	-	-	-30,000	-10,000
Proceeds from cancellation of insurance funds	12,396	-	-	-	-	-
Payments for asset retirement obligations	-	-	-	-	-55,015	-
Other	995	34	-535	-1,758	-1,245	-
Cash flows from financing activities	**FY2016**	**FY2017**	**FY2018**	**FY2019**	**FY2020**	**FY2021**
Net cash used in financing activities	-69,677	-250,606	-693,955	-515,831	1,730,291	-546,569
Increase (Decrease) in short-term loans payable	300,436	0	104,882	800,000	2,026,750	620,989
Proceeds from long-term loans payable	-	-	-	-	66,510	-
Repayments of long-term loans payable	-13,000	-35,244	-	-4,298	-49,001	-168,393
Proceeds from issuance of bonds	1,015,398	-	-	-	-	-
Redemption of bonds	-	-	-516,229	-523,858	-	-
Proceeds from non-controlling interests for investment	45,000	76,500	-	-	-	-
Proceeds from share issuance to non-controlling shareholders	-	-	-	32,000	-	-
Purchase of treasury stock	-652,877	-6,092	-	-500,047	-154	-246
Cash dividends paid	-233,305	-253,005	-273,314	-296,472	-302,026	-314,428
Cash dividends paid to non-controlling interests	-20,034	-20,034	-20,034	-20,034	-10,017	-20,034
Liquidating dividends paid to non-controlling interests	-	-	-1,919	-	-	-
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-155,945	-10,389	-	-1,400	-	-664,456
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-	-	1,400	-	-	-
Repayments of lease obligations	-8,614	-2,339	-2,104	-1,721	-1,768	-
Advances for purchase of treasury shares	-346,735	-	-	-	-	-
Proceeds from issuance of subscription rights to shares	-	-	13,363	-	-	-
Effect of exchange rate change on cash and cash equivalents	1,393	-2,259	279	-11,023	7,378	139,218
Net increase in cash and cash equivalents	1,146,832	564,884	258,265	-458,511	1,341,068	132,349
Cash and cash equivalents at the beginning of period	2,197,856	3,344,688	3,894,356	4,162,616	3,704,104	5,041,396
Increase in cash and cash equivalents from newly consolidated subsidiary	-	-	9,994	-	-	-
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	-	-15,215	-	-	-3,776	-
Cash and cash equivalents at the end of period	3,344,688	3,894,356	4,162,616	3,704,104	5,041,396	5,173,746

Key Management Indicators etc.

Key Management Indicators

(JPY million)	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Net sales	15,444	17,353	19,254	21,138	22,669	29,178
Enterprise Business	1,952	1,892	3,302	5,022	7,021	11,491
Entertainment Business	13,544	15,568	15,951	16,115	15,647	17,687
Adjustments	-52	-108	-0	-	-	-
Operating income	1,906	1,735	1,605	1,394	1,908	2,701
Enterprise Business	203	-14	-226	-67	188	649
Entertainment Business	2,453	2,966	3,086	2,964	3,077	3,668
Adjustments	-750	-1,215	-1,254	-1,503	-1,356	-1,616
Operating income margin	12.3%	10.0%	8.3%	6.6%	8.4%	9.3%
Enterprise Business	10.4%	-	-	-	2.7%	5.7%
Entertainment Business	18.1%	19.1%	19.3%	18.4%	19.7%	20.7%
Profit attributable to owners of parent	795	1,200	1,575	792	974	1,780
Total assets	7,651	8,575	9,832	10,637	14,338	17,565
Current assets	6,221	6,813	7,403	7,453	9,744	10,392
Cash and deposits	3,344	3,894	4,197	3,739	5,076	5,208
Noncurrent assets	1,430	1,761	2,428	3,183	4,593	7,172
Goodwill	201	150	481	1,027	2,467	4,763
Total liabilities	4,793	5,005	4,819	5,198	8,024	9,989
Interest-bearing liabilities	1,646	1,610	1,764	2,553	4,797	5,590
Total net assets	2,858	3,570	5,012	5,438	6,314	7,576
Shareholders'equity ratio	2,632	3,369	4,791	4,922	5,691	7,004
Shareholders' equity ratio	34.4%	39.3%	48.7%	46.3%	39.7%	39.9%
Net cash	1,698	2,283	2,433	1,186	278	-382
Debt Equity Ratio	0.6	0.5	0.4	0.5	0.8	0.8
Net cash provided by operating activities	1,825	1,436	889	1,086	1,416	3,077
Net cash used in investing activities	-610	-618	62	-1,018	-1,813	-2,537
Net cash provided by (used in) financing activities	-69	-250	-693	-515	1,730	-546
ROE	29.2%	40.0%	38.6%	16.3%	18.4%	28.1%

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.
In addition, the Company's basic policy for dividends from retained earnings is to pay interim dividends and year-end dividends twice a year. The Company's Articles of Incorporation provide that both dividends are determined by resolution of the Board of Directors in order to enable flexible implementation.

	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Annual dividends per share (yen)	11.5	11.5	13.0	14.0	14.0	15.0
Dividend Payout Ratio	32.3%	20.9%	18.0%	38.6%	31.0%	18.2%

* On October 1, 2016, the Company conducted a two-for-one stock split on common stock. As a result, the annual dividend for FY2016 is calculated based on the amount retroactively adjusted to take into account the impact of these splits.

Non-financial Information

Materiality	Item	Boundary	FY2020	FY2021
Promotion of diversity and human resources development				
—	Number of employees	4	1,431	1,683
Empowering women in the work place	Number of women	3	253	294
	Ratio of women	3	21.6%	22.7%
	Number of female managers	3	11	13
	Ratio of female managers	3	10.7%	11.8%
Employment of foreigners	Number of foreign employees in all employees	3	92	111
	Ratio of foreign employees	3	7.9%	8.6%
	Number of nationalities	3	27	31
Employment of people with disabilities	Number of employees with disabilities in all employees	3	67	66
	Ratio of employees with disabilities in all employees	3	5.72%	4.05%
Responsibility to employees				
Employee work environment protection	Acquisition rate of paid holidays	2	76.3%	73.4%
	Acquisition rate of childcare leave	2	26.7%	25.0%
	Number of occupational accidents (fatal accidents) in the last 3 years	2	0	0
Employee personnel development	Number of International Software Testing Qualifications Board qualification holders	4	368	365
	Total number of people who have completed the CyberBootCamp	1	126	179
	Number of Registered Information Security Specialist Examination successful applicants	1	16	20
	Number of Certified Ethical Hacker qualification holders	1	10	14
Create a safe and secure digital society				
Cyber security measures	Number of monitoring PCs in SoC (Security Operation Center)	1	370K	530K
	Number of vulnerability diagnosis pages	1	16,968	15,807
	Number of system test projects	1	2,923	3,253
Resolving the shortage of IT human resources	Number of IT human resources incl. Qualitist *	4	4,517	10,660
	Total number of Debugger & Tester	1	773,157	773,453
	Debug / test operation ratio outside the Tokyo metropolitan area	1	87.2%	90.5%
	Number of bug training participants	1	223	322

*Qualitist...Our original term for specialist contributing to the quality incl. engineers

Boundary

1. AGEST, Inc. / DIGITAL HEARTS Co., Ltd.
2. DIGITAL HEARTS HOLDINGS Co., Ltd. / AGEST, Inc. / DIGITAL HEARTS Co., Ltd. / DIGITAL HEARTS PLUS Co., Ltd.
3. The entire domestic group companies
4. The entire group companies including overseas

Company Profile / Share-related Information

Company Profile	
Company Name	DIGITAL HEARTS HOLDINGS Co., Ltd.
Headquarters	3-20-2 Nishi-Shinjuku, Shinjuku-ku, Tokyo
Date Established	October 1, 2013
Representative Position and Name	President and CEO, Yasumasa Ninomiya
Share Capital	300,686 thousand yen (As of March 31, 2022)
Number of Consolidated Employees	1,683 (As of March 31, 2022)

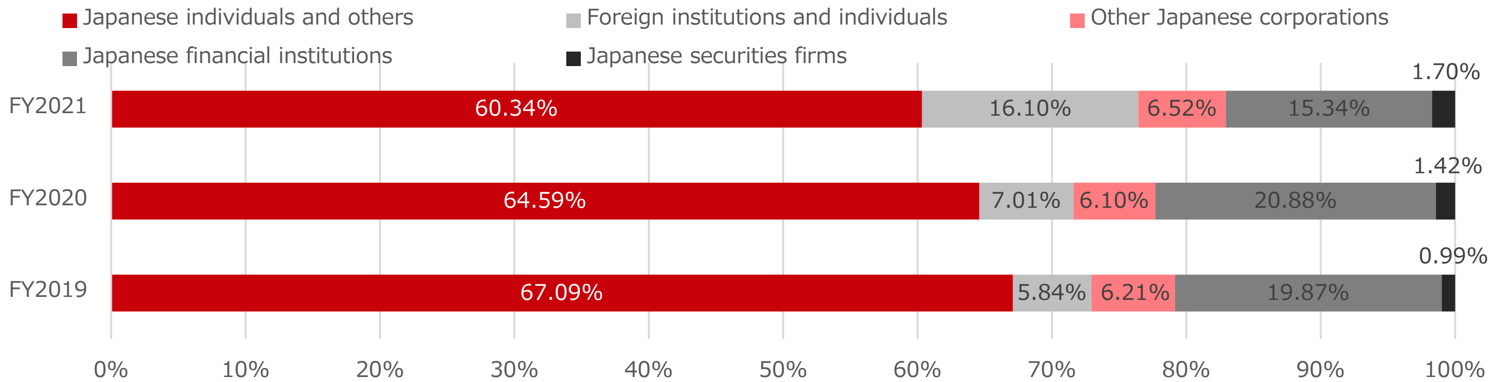
Share-related Information	
Total number of issuable shares	76,800,000
Number of issued shares	23,890,800
Number of shareholders	5,605 (As of March 31, 2022)
Stock exchange	TSE Prime Market (As of April 4, 2022)
Securities code	3676
Shareholder registry administrator	Mitsubishi UFJ Trust and Banking Corporation

Major Shareholders

Shareholders	Number of shares (share)	Shareholding ratio (%)
Eiichi Miyazawa	9,184,714	42.46
NORTHERN TRUST CO. (AVFC) RE FIDELITY FUNDS	1,882,156	8.70
The Master Trust Bank of Japan, Ltd. (Trust account)	1,837,900	8.50
Custody Bank of Japan, Ltd. (Trust Account)	1,383,400	6.40
A-1 LLC	1,324,900	6.13
FIDELITY INVESTMENT TRUST : FIDELITY JAPAN FUND	307,692	1.42
STATE STREET BANK AND TRUST COMPANY 505103	231,000	1.07
UBS AG LONDON A/C IPB SEGREGATED CLIENT ACCOUNT	220,300	1.02
FIDELITY INVESTMENT TRUST : FIDELITY PACIFIC BASIN FUND	193,000	0.89
NORTHERN TRUST CO. (AVFC) SUB A/C NON TREATY	147,000	0.68
Total amount	16,712,062	77.26

*2,260,031 treasury shares are excluded from the number of shares above.
*Shareholding ratio are calculated based on the total number of issued shares less the number of shares in treasury stock.

Condition of Distribution by Shareholder



* 2,260,031 treasury shares are included in "Japanese individuals and others."

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