DIGITAL HEARTS HLDGS.

Presentation Material

for the Nine Months Ended December 31, 2024

February 6, 2025

Tokyo Stock Exchange Prime Market: Code 3676
https://www.digitalhearts-hd.com/

Executive Summary

【Notice regarding Earnings by Segment】
・ Net sales by segment include inter-segment sales or transfers.
  Segment income is based on operating income.
・ Segment classification was changed from Q1 FY2024.
  For this reason, the figures for FY2023 by segment are reclassified to reflect the change in segment and comparisons are made.

Executive Summary for Q3 FY2024

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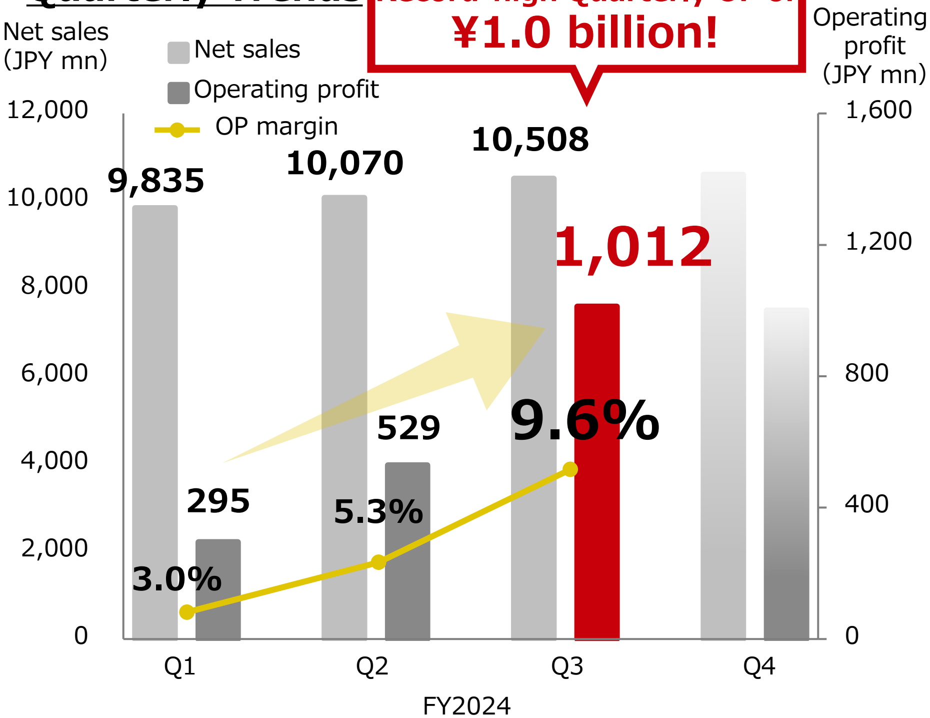
Achieved a quarterly record-high operating income of ¥1 billion in Q3, by promoting growth strategy focused on each unique business of DH and AGEST group. Developing the growth potential and foundation of both businesses, aiming for Spin-Off Listing by the end of 2025.

Consolidated net sales	Consolidated operating income	Profit attributable to owners of parent
¥30,414 mn (YoY 106.1%) UP	¥1,837 mn (YoY 129.2%) UP	¥1,369 mn (YoY —) UP

Quarterly Trends



■ Q3 (nine months) FY2024

(Net Sales)

- DH Group Business achieved sales growth. Rapid growth 111% YoY in "Global and others" and steady sales growth in "Domestic debugging."
- AGEST Group Business achieved strong sales growth 115% YoY in its mainstay domestic QA solution.
- Progress rate of 74% against the full year sales target of ¥41 billion.

(Operating profit)

- Profit growth 119% YoY thanks to strong sales growth in DH Group Business.
- AGEST Group Business generated over 2.5 times YoY income of ¥276 million due to significantly improved utilization ratio with sales expansion.
- Progress rate of 72% against the full year OP target of ¥2.5 billion. Exceeding the company forecasts in Q3 for both businesses.

Summary for Q3 FY2024 by Segment

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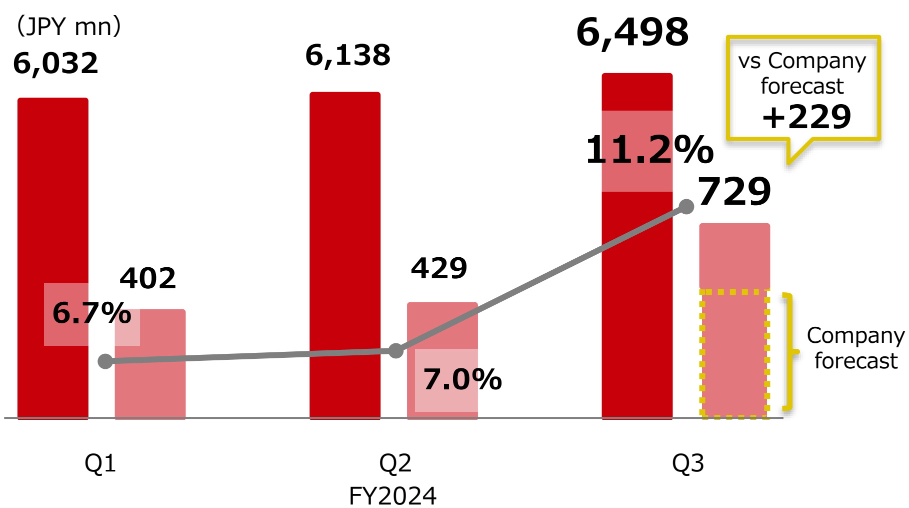
Both businesses continue to grow at a steady pace. Well progressed against the company forecasts. Aiming to achieve the full year targets after the busiest season Q4.

DH Group Business

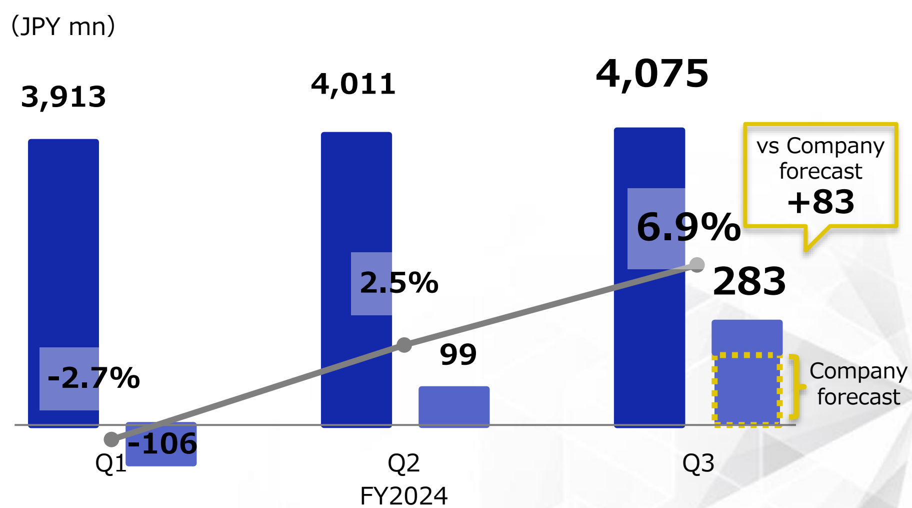
Net sales	¥18,669 mn (YoY 106.5%)	Segment income	¥1,561 mn (YoY119.0%)



- **Double-digit rapid sales growth of Global and others**, reaching to 46% sales out of whole DH Group sales in Q3.
- **Steady growth of Domestic debugging** by its strategic operating activities even amid weak domestic game market.
- **Strengthen internal infrastructure for future demand expansion**.

AGEST Group Business

Net sales	¥12,001 mn (YoY 103.0%)	Segment income	¥276 mn (YoY 251.8%)



- Despite the impact of client-side reschedule of a particular project in Q1, turned profitable in Q2 and achieved **segment income of ¥283 million in Q3 with record-high level income margin of approx. 7%**.
- **Expecting to achieve the further sales and profit growth** in the busiest season of Q4.
- Promoting differentiation through **the utilization of AI in software testing** with the strong demand trend in Japan.

Already getting orders for over 50 projects (*1) just soon after the launch of new translation service with "ella" as a unique game-specialized AI translation engine.
Adding European languages/FIGS in February 2025 for further growth.

ella translation service

Make a revolution in the global expansion of games!

■ Features

1. Realize emotional translation **reflecting the worldview of games and the individuality of each character**.
2. Realize overwhelming speed by **reducing time by approx. 40%** compared to conventional type of translation. (*2)
3. Securing high quality through **reviews by native staff who are familiar with game titles** and do not compromise on "Entertainment Quality".

■ Supported Languages

Asia : Japanese / Chinese(Simplified / Traditional) / Korean

Europe and America : English / **French** (New) / **Italian** (New) / **German** (New) / **Spanish** (New)

News

Expanding the floors of test centers, Kyoto Lab. and Nagoya Lab. to strengthen the capability to prepare for increasing project orders within 2025.

Kyoto Lab. has **expanded and doubled the floor space** for "debugging" service and **improve the working environment** by renovating the interior of the center.

Refreshment room of Kyoto Lab.

*1 As of January 31,2025, including trial orders
*2 The case of translating 1 million Japanese letters into English and reviewing by native staffs.

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Released β version of “TFACT” a unique test management tool utilizing AI in January 2025.

Already received over 100 inquiries. Started the collaboration with Remote TestKit(*) service of NTT Resonant Technology Inc. for using it for the joint verification and other projects.

TFACT
Testing Factory
AGEST AI Assist

■ Features

1. AI performs to support engineers for each process, such as advance preparation, results verification, and analysis. Different from just executing test automation.
2. Efficient collaboration with test automation tools.
3. **Reduce testing number of man-hours by 30%** through the introduction of “TFACT”.

Step0
Interactive AI

Step1
AI test tool “TFACT”
January 2025～

Step2
Self-sustaining AI
2026～

Final Step
Fully autonomous AI
202X～

“TFACT” x AGEST's unique “Next-Generation QA engineers” to improve testing speed, provide advanced QA, and resolve engineer shortage.

* Remote TestKit …A cloud service provided by NTT Resonant Technology Inc. that allows remote verification of actual devices such as smartphones.

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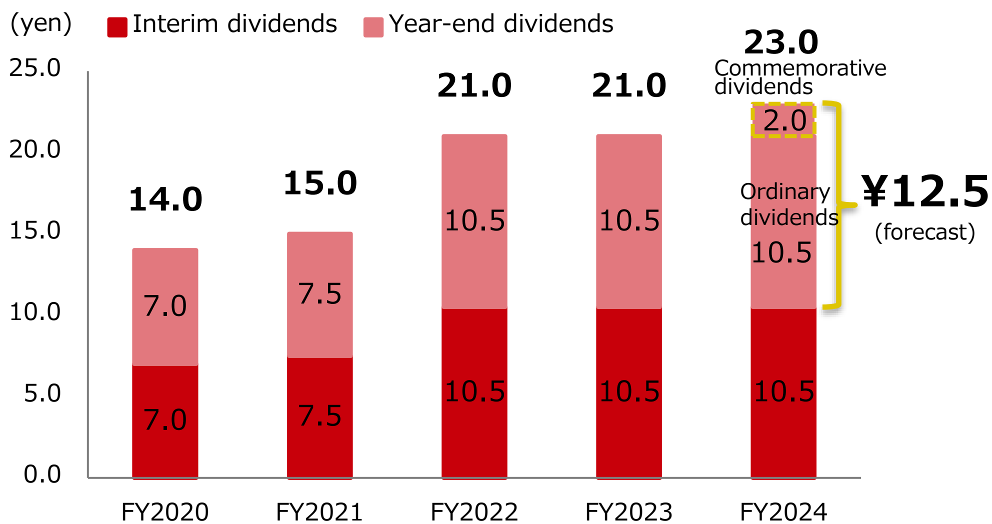
Commemorative dividends and shareholder benefit for its 25th year since its foundation. (*)

■ Commemorative dividends

Planning **commemorative dividends of ¥2.0 per share**, adding to the original year-end dividends plan of ¥10.5.



■ Commemorative shareholder benefit

Eligible shareholder

Shareholders who hold 500 shares (5 units) or more of our shares among the shareholder listed on or recorded in the shareholder register as of the record date (March 31, 2025) are eligible.

Details of commemorative shareholder benefit

For each eligible shareholder

QUO card

10,000 yen equivalent

News

TV Program "OHARINA! (TOKYO MX)" introduced our company's initiatives in its "SHITTOKUKIGYO" section.

Introducing our growth strategy including our business activities and Spin-Off Listing as about five minutes short movie in Japanese language.

https://www.youtube.com/watch?v=6p_t_zNpEUg

* Counting from the foundation of our predecessor, DIGITAL Hearts Ltd.

(References) Aims of the Spin-Off Listing

To make two businesses listed individually with clearly different businesses value creation strategies separately. To maximize the potential of each business through management focus and optimal capital policy.

DH Group Business

- ➢ Well established and differentiated business model
- ➢ Clear value proposition
- ➢ Horizontal and vertical expansion of core businesses (global expansion)

Investing in new locations and achieving stable growth

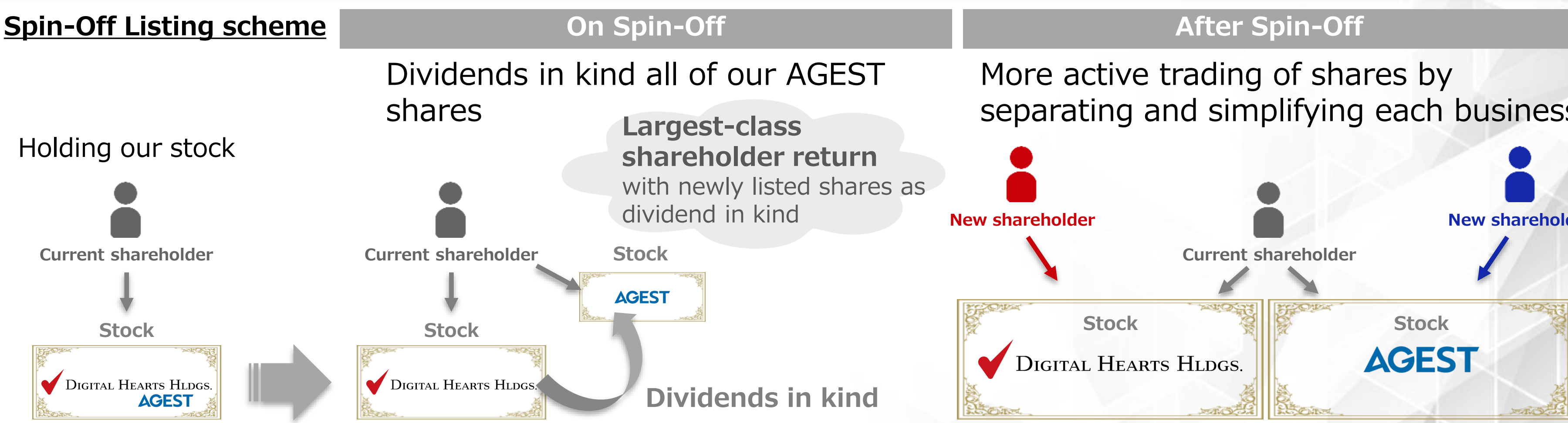
AGEST Group Business

- ➢ Changing and innovative business model
- ➢ Businesses value created by innovation
- ➢ Expand added value of technologies and specialists

Investing in technology and growing with innovation

- ✓ Expect to improve medium-term profitability with more focused management and optimal capitalization policies to attract new shareholder.
- ✓ By evaluating an inherent value of an individual business in the market, a stock price converges to its intrinsic value.
- ✓ By eliminating conglomerate discounts, it develops simple and easy-to-understand stock prices.

Spin-Off Listing scheme



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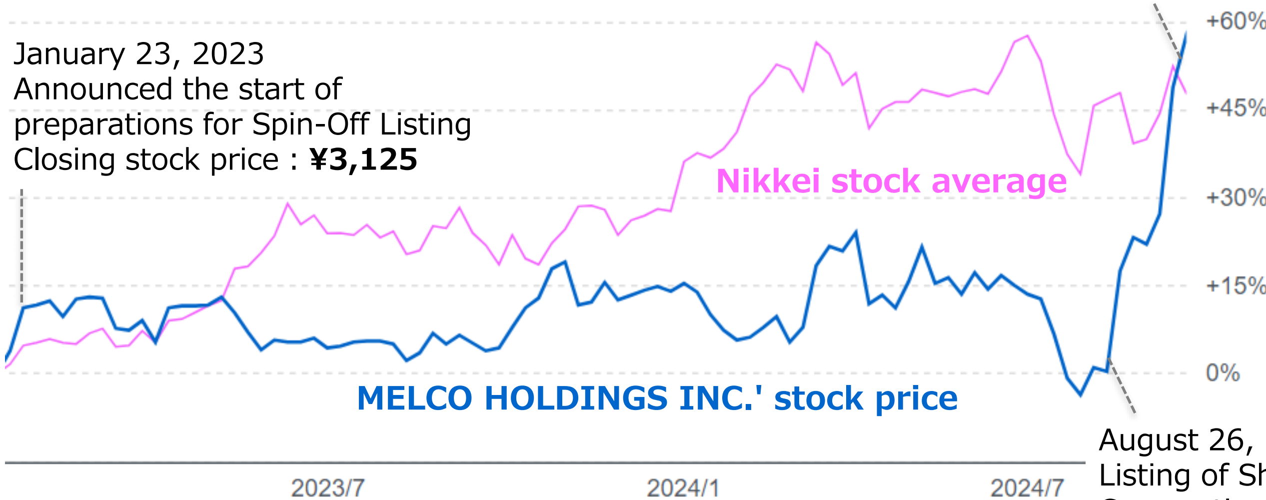
Example of MELCO HOLDINGS INC. (Separated Shimadaya Corporation from MELCO HOLDINGS INC. by Spin-Off Listing)

Schedule	
January 23, 2023	Announced the start of preparations for the Spin-Off Listing
May 13, 2024	Announced that Spin-Off Listing will be submitted to the annual general meeting of shareholders
June 26, 2024	Resolved Spin-Off Listing at the annual general meeting of shareholders
August 26, 2024	Listing of Shimadaya Corporation was approved by the Tokyo Stock Exchange
September 26, 2024	Last trading day to receive rights
September 30, 2024	Record date for distribution
October 1, 2024	Effective date of dividends in kind, Shimadaya Corporation listed on the Tokyo Stock Exchange, and distributed.

September 26, 2024
Last trading date to receive rights
Closing stock price : **¥3,820**



August 26, 2024
Listing of Shimadaya
Corporation was approved
Closing stock price ：**¥2,979**

October 1, 2024
Day of Spin-Off Listing

MELCO HOLDINGS' closing stock price

¥2,259

Shimadaya' closing stock price

¥1,667

Sum of closing stock price of MELCO HOLDINGS and Shimadaya

¥3,926

Summary of Business Results for the Nine Months Ended December 31, 2024

Digital Hearts Hldgs.

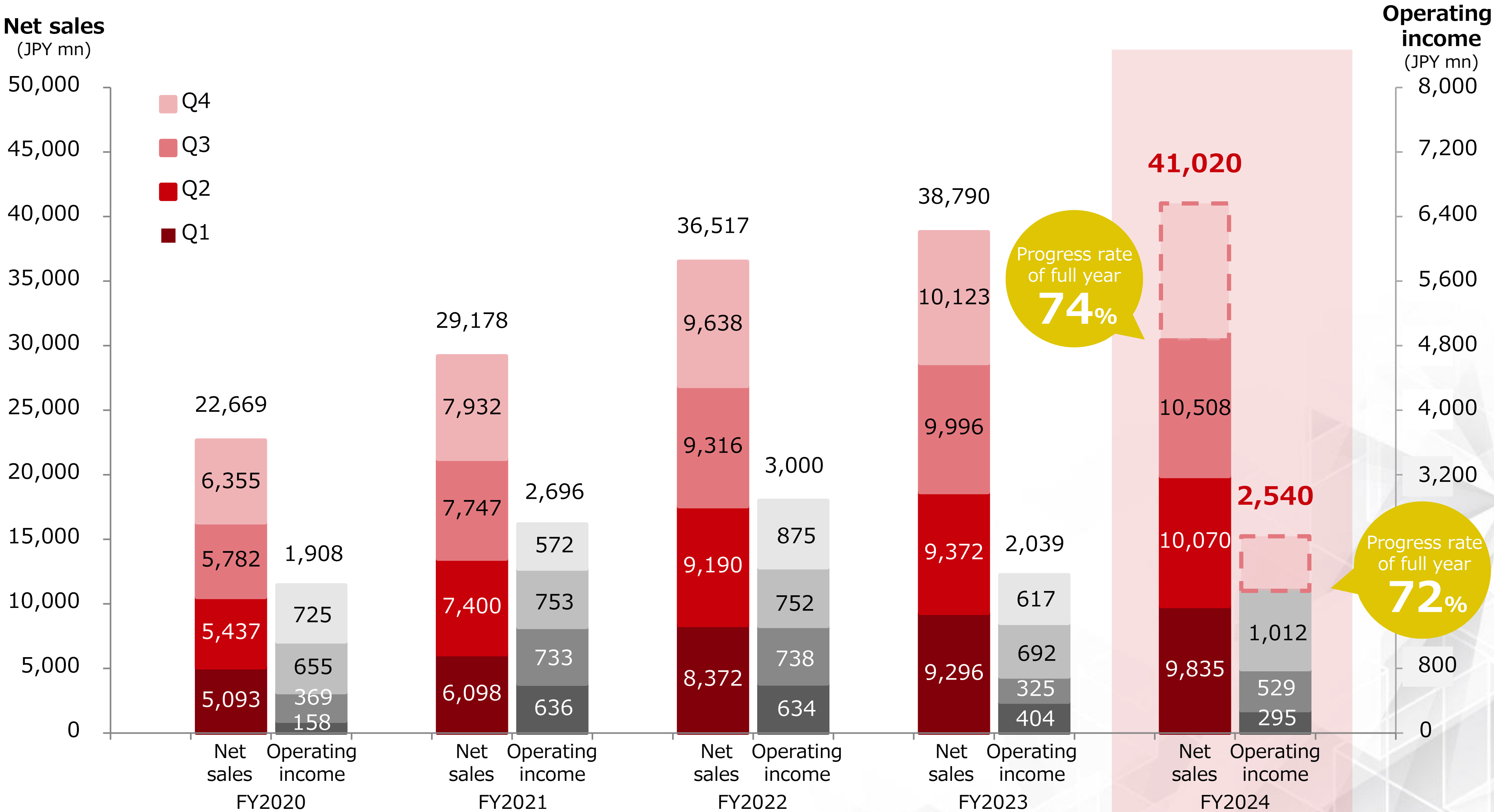
- Both DH Group and AGEST Group Biz achieved **sales growth and double-digit profit growth**.
- **AGEST Group Biz has turned profitable** after temporarily profit declined in Q1.
- **Net income turned profitable** from the previous year, due to recovery from impairment losses of the foreign testing-service subsidiaries in Q2 FY2023 and a gain on the sale of subsidiaries' shares in Q3 FY2024.

(JPY mn)	Q3 FY2023	Q3 FY2024	YoY Change	
Net sales	28,666	30,414	1,748	106.1%
Cost of sales	21,181	22,679	1,498	107.1%
Cost of sales (%)	73.9%	74.6%		+0.7 points
Gross profit	7,484	7,734	249	103.3%
SG&A	6,062	5,896	-165	97.3%
Operating income	1,422	1,837	415	129.2%
Operating income margin	5.0%	6.0%		+1.1 points
Ordinary income	1,525	1,702	177	111.6%
Profit attributable to owners of parent	-76	1,369	1,445	—
EBITDA	2,198	2,582	383	117.5%

Trend in Net Sales and Operating Income

DIGITAL HEARTS HLDGS.

Record-high quarterly Operating income of ¥1,012 million in Q3 (Oct-Dec) FY2024.
Sales were almost as planned, and Operating income progressed at a pace exceeding the plan.



Consolidated Balance Sheets

DIGITAL HEARTS HLDGS.

(JPY mn)	Q4 FY2023 (As of March 31, 2024)	Q3 FY2024 (As of December 31, 2024)	Change from Q4 FY2023
Total assets	21,103	19,911	-1,191
Current assets	13,526	13,557	30
Cash and deposits	6,858	7,208	349
Noncurrent assets	7,576	6,354	-1,222
Property, plant and equipment	1,491	1,498	7
Intangible assets	2,908	1,677	-1,230
Goodwill	2,313	989	-1,323
Investments and other assets	3,177	3,178	1
Total liabilities	12,250	10,147	-2,103
Current liabilities	12,026	9,907	-2,118
Short-term loans	7,095	4,800	-2,295
Noncurrent liabilities	224	240	15
Total net assets	8,852	9,763	911
Shareholders' equity	7,685	8,599	913
Accumulated other comprehensive income	729	727	-1
Non-controlling interests	436	436	0
Total liabilities and net assets	21,103	19,911	-1,191

FY2024 Consolidated Financial Forecast

DIGITAL HEARTS HLDGS.

- **Revised its full-year forecasts on December 11, 2024**, after taking into account the impact of the exclusion of identity Inc. from consolidation of the Company.
- The revised forecasts keep **the sales growth and double-digit profit growth in both businesses**.
- **Expecting net income to increase 10 times YoY** due to recovery from the impairment losses in the previous FY2023 and due to a gain on sales of subsidiaries' shares in this Q3 FY2024.

(JPY mn)	Full-year FY2023	Full-year FY2024 Forecast (As of December 11, 2024)	YoY Change
Net sales	38,790	41,020	105.7%
DH Group	23,488	24,720	105.2%
AGEST Group	15,975	16,490	103.2%
Adjustments	-674	-190	―
Operating income	2,039	2,540	124.5%
DH Group	1,734	2,040	117.6%
AGEST Group	305	500	163.7%
Operating income margin	5.3%	6.2%	+0.9 points
Ordinary income	2,059	2,470	120.0%
Profit attributable to owners of parent	176	1,900	1,073.9%

Financial Results of Q3 FY2024 by Segment

【Notice regarding Earnings by Segment】
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  Segment income is based on operating income.
・ Segment classification was changed from Q1 FY2024.
  For this reason, the figures for FY2023 by segment are reclassified to reflect the change in segment and comparisons are made.

(References) Segment changes

Segment disclosures in "DH Group" and "AGEST Group" since FY2024 in preparation for Spin-Off Listing.

■ Before FY2023

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

■ After FY2024

* The changes are **<u>Underlined</u>**

Reporting segment		Main services	Main operating companies
DH Group Business		**<u>Holding company expenses</u>**	DIGITAL HEARTS HOLDINGS Co., Ltd.
	Domestic debugging	Game debugging **<u>Other software debugging, etc</u>** **<u>(partial subcontracting of AGEST work, etc.)</u>**	DIGITAL HEARTS Co., Ltd.
	Global and others	Translation and LQA Marketing support Game development support Customer support **<u>IT engineer platform service</u>**	DIGITAL HEARTS Co., Ltd. DIGITAL HEARTS CROSS Group FLAME Hearts Co., Ltd. Aetas, Inc. identity Inc. (*1)
AGEST Group Business			
	QA solution	System test Security test System development Introduction of ERP and CRM	AGEST, Inc. LOGIGEAR CORPORATION CEGB Co., Ltd. GPC K.K
	IT services and others	Security monitoring Maintenance and operation support	AGEST, Inc.
Adjustments		Inter-segment transactions	-

*1 On December 25, 2024, we transferred all shares of identity Inc.

Summary of Financial Results by Segment

DIGITAL HEARTS HLDGS.

(JPY mn)		Q3 FY2023	Q3 FY2024	YoY Change
Net sales		**28,666**	**30,414**	**106.1%**
	DH Group	17,527	18,669	106.5%
	AGEST Group	11,646	12,001	103.0%
	Adjustments	-507	-256	—
Operating income		**1,422**	**1,837**	**129.2%**
	DH Group	1,312	1,561	119.0%
	AGEST Group	109	276	251.8%
EBITDA		**2,198**	**2,582**	**117.5%**
	DH Group	1,735	2,034	117.2%
	AGEST Group	463	547	118.2%

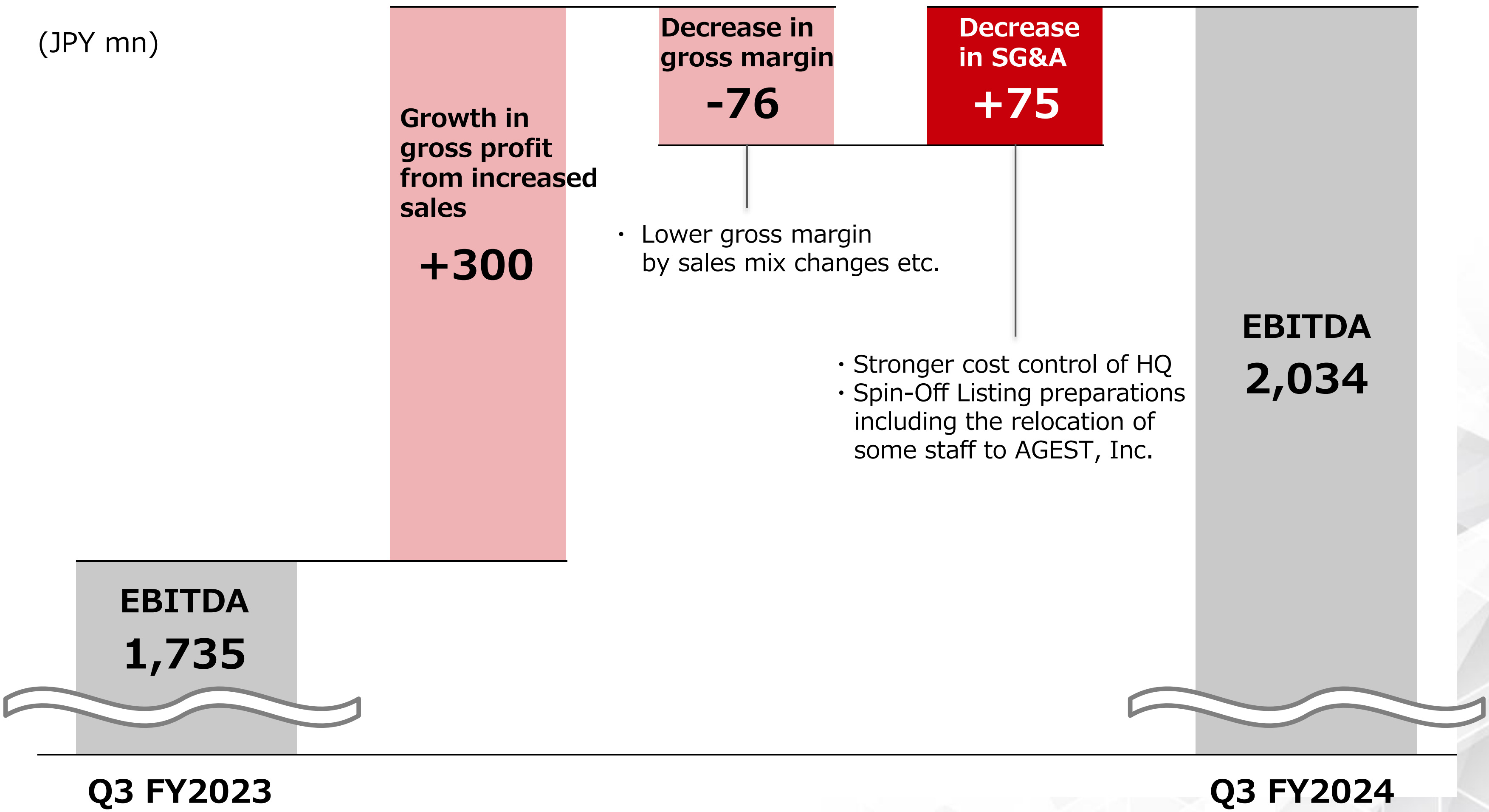
Financial Result of DH Group Business

- **Achieved double-digit sales growth YoY of "Global and others"** as growth-driver, with strengthening of translation and LQA such as launch of new services utilizing **"ella," an AI-base game translation engine**, and new projects in marketing-support.
- **Sales growth in "Domestic debugging"** by steadily acquiring new projects with successful strategic operating activities despite in the weak domestic game-market.
- **Segment income achieved double-digit growth** by increasing sales, maintaining gross margin, and controlling SG&A expenses, while investing in human resources and increasing the floor space of some testing centers.

(JPY mn)	Q3 FY2023	Q3 FY2024	YoY Change
Net sales	17,527	18,669	106.5%
Domestic debugging	10,036	10,341	103.0%
Global and others	7,490	8,328	111.2%
Segment income	1,312	1,561	119.0%
EBITDA	1,735	2,034	117.2%

Analysis of Changes in EBITDA - DH Group Biz

Double-digit EBITDA growth YoY 117.2% thanks to the sales growth and the decline in SG&A expenses, despite lower gross margin due to the impact of the sales-mix change.



DH Group Business

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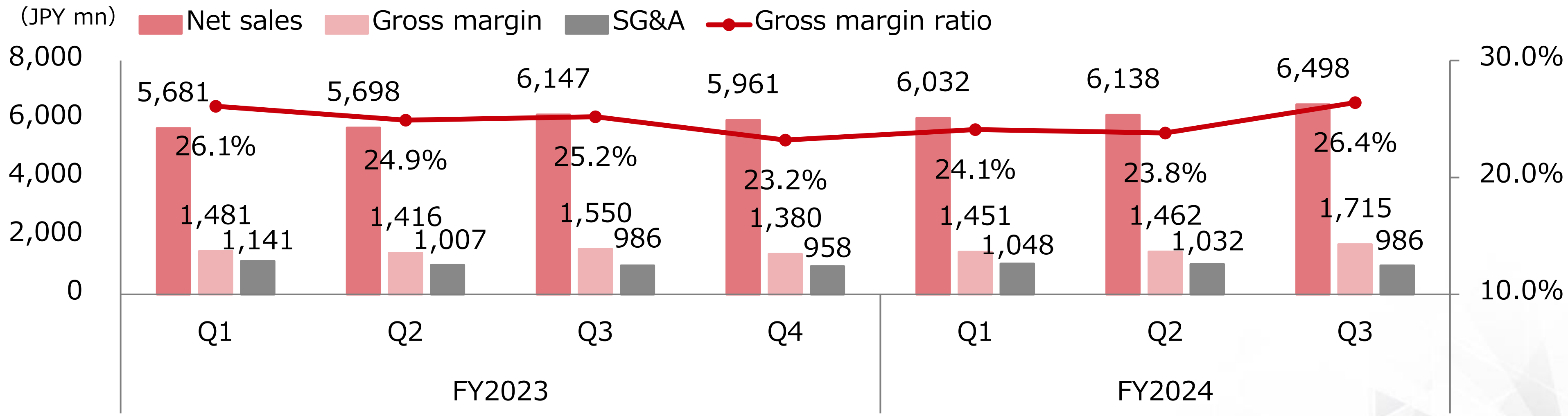
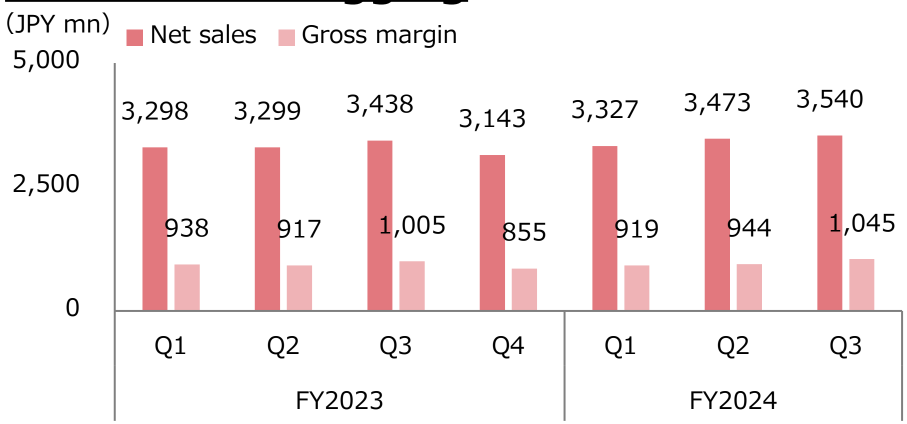
Performance Trends

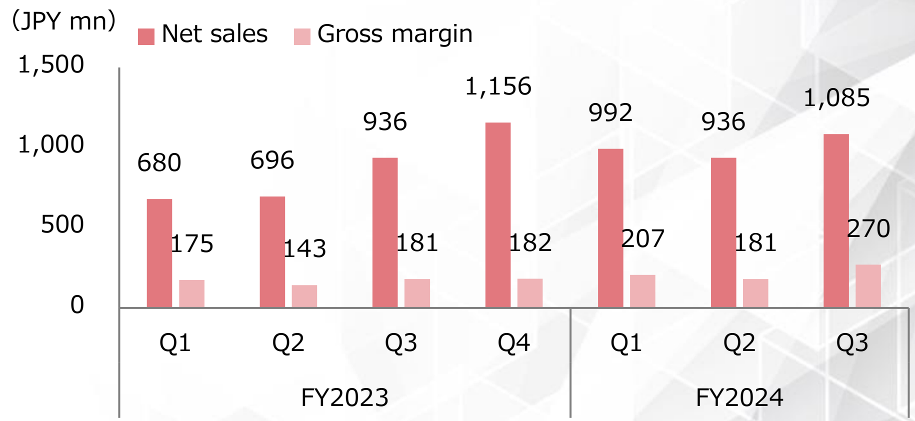
DH Group Business



Domestic debugging



Global(*) service



*Net sales from translation, LQA, marketing support, and overseas debugging

DH Group Business - Domestic debugging division

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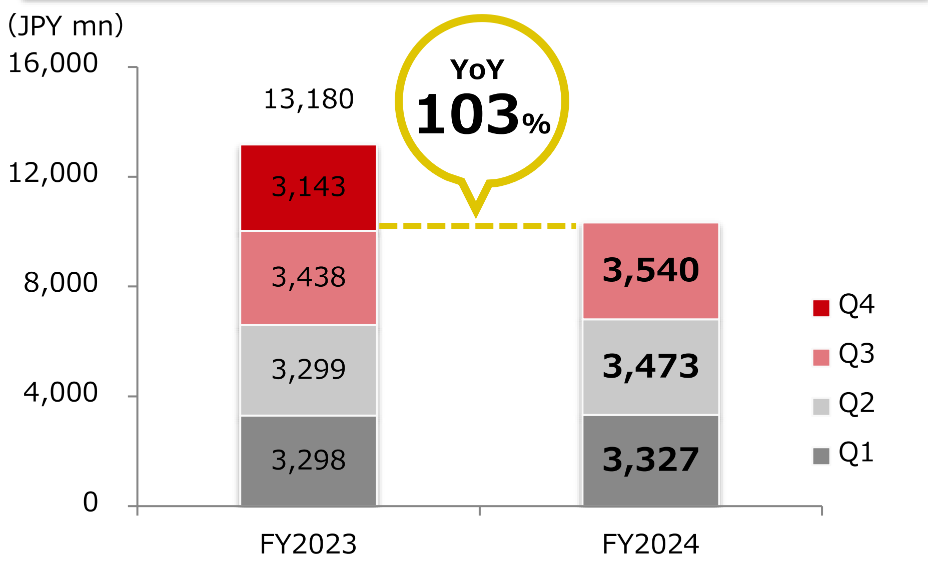
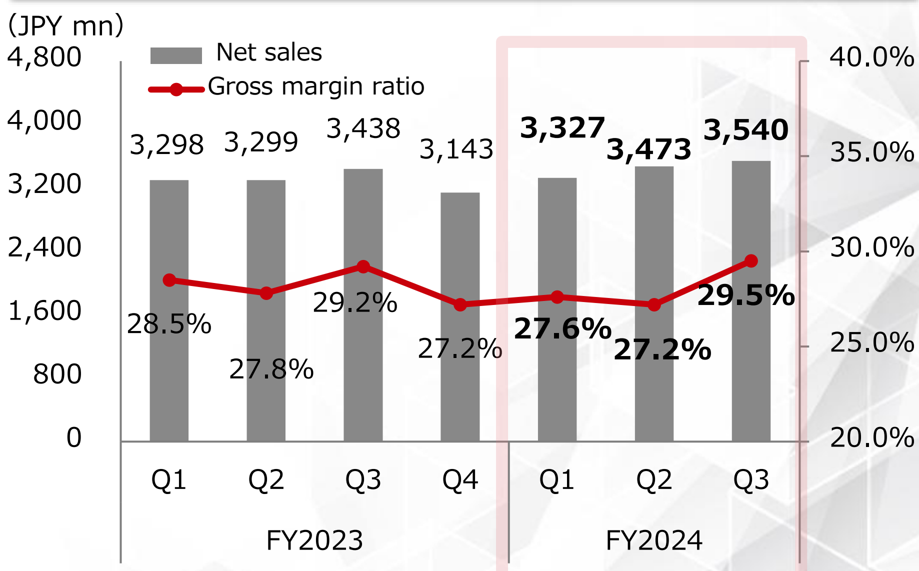
- **Stable QoQ sales growth with successful strategic sales promotions such as strengthening relations with key clients and focusing resources on some clients with actively developing new titles.**
- **Improving to high gross margin of 29.5% by steadily passing on costs with better quality of service, while investing in human capital such as remuneration hike and trainings.**
- **By expanding the floor space of test centers, Kyoto Lab. and Nagoya Lab., strengthened the capability to prepare for increasing projects orders scheduled to be launched within 2025.**
- **Capital participation in April 2024 in Turing Inc. which develops fully self-driving vehicle, to expand the businesses of annotations in AI development and quality management by utilizing the resources of testers.**

Quarterly sales



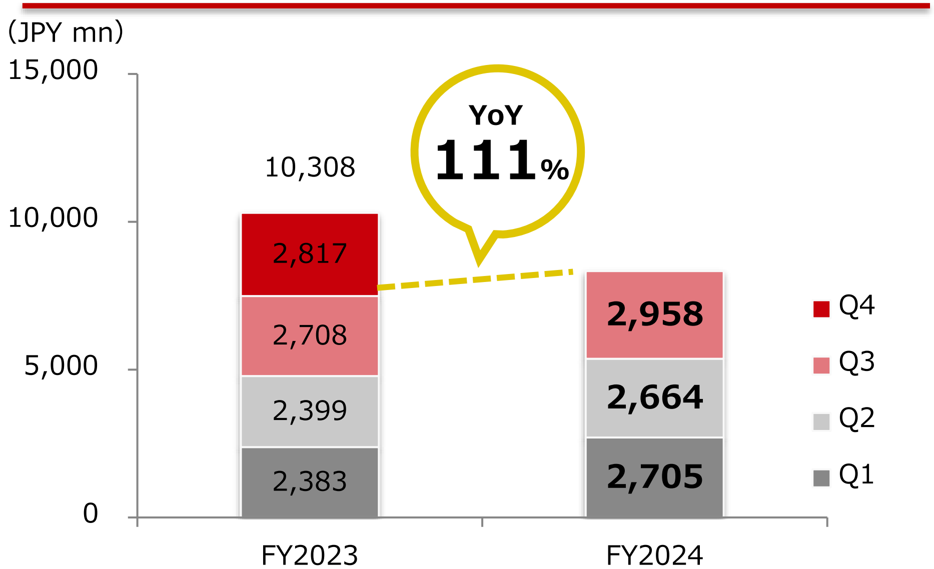
Net sales and Gross margin ratio



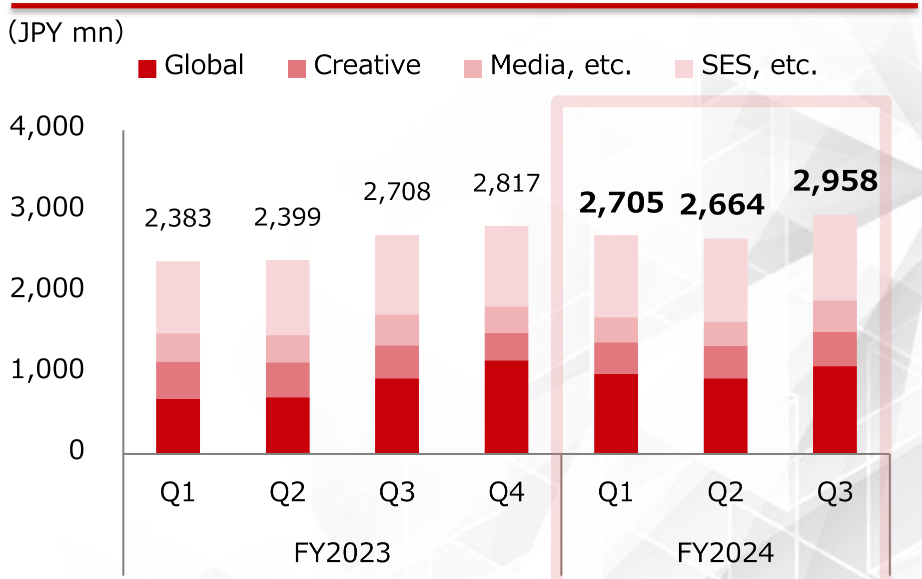
DIGITAL HEARTS HLDGS.

- Sales of global services (translation, LQA, and marketing support) achieved **high growth of 130% YoY**, by launching **translation services utilizing "ella," an innovative AI-base game translation engine**.
- **Develop the brand awareness of "DIGITAL HEARTS"** by exhibiting at large-scale game-industry trade shows in Europe, China, Japan, and South Korea.
- Promoting the restructuring of the businesses base, including **the transfer of all shares of identity Inc.**, a consolidated subsidiary that performed the "SES" businesses, on December 25, 2024.
- Develop **new seeds for future growth**, such as investing in TOKYO GameFi, Inc. which provides web3 creative studio businesses.

Quarterly sales



Quarterly sales by service



Financial Result of AGEST Group Business

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- **Continued the trend of sales growth in QA solution, mainly due to the strong domestic businesses with double-digit sales growth YoY against the backdrop of booming market-environment, despite the weak foreign sales and the negative impact related to the reschedule of a particular project.**
- **Decrease in IT services and others due to strategic contraction of unprofitable services.**
- **Despite a temporary decline in profitability due to the impact of a particular project in Q1, recovering from Q2, and achieved its segment income margin in Q3 (Oct-Dec) to a record-high level of approx. 7%.**

(JPY mn)	Q3 FY2023	Q3 FY2024	YoY Change
Net sales	11,646	12,001	103.0%
QA solution	9,637	10,318	107.1%
IT services and others	2,009	1,683	83.8%
Segment income	109	276	251.8%
EBITDA	463	547	118.2%

Analysis of Changes in EBITDA - AGEST Group Biz

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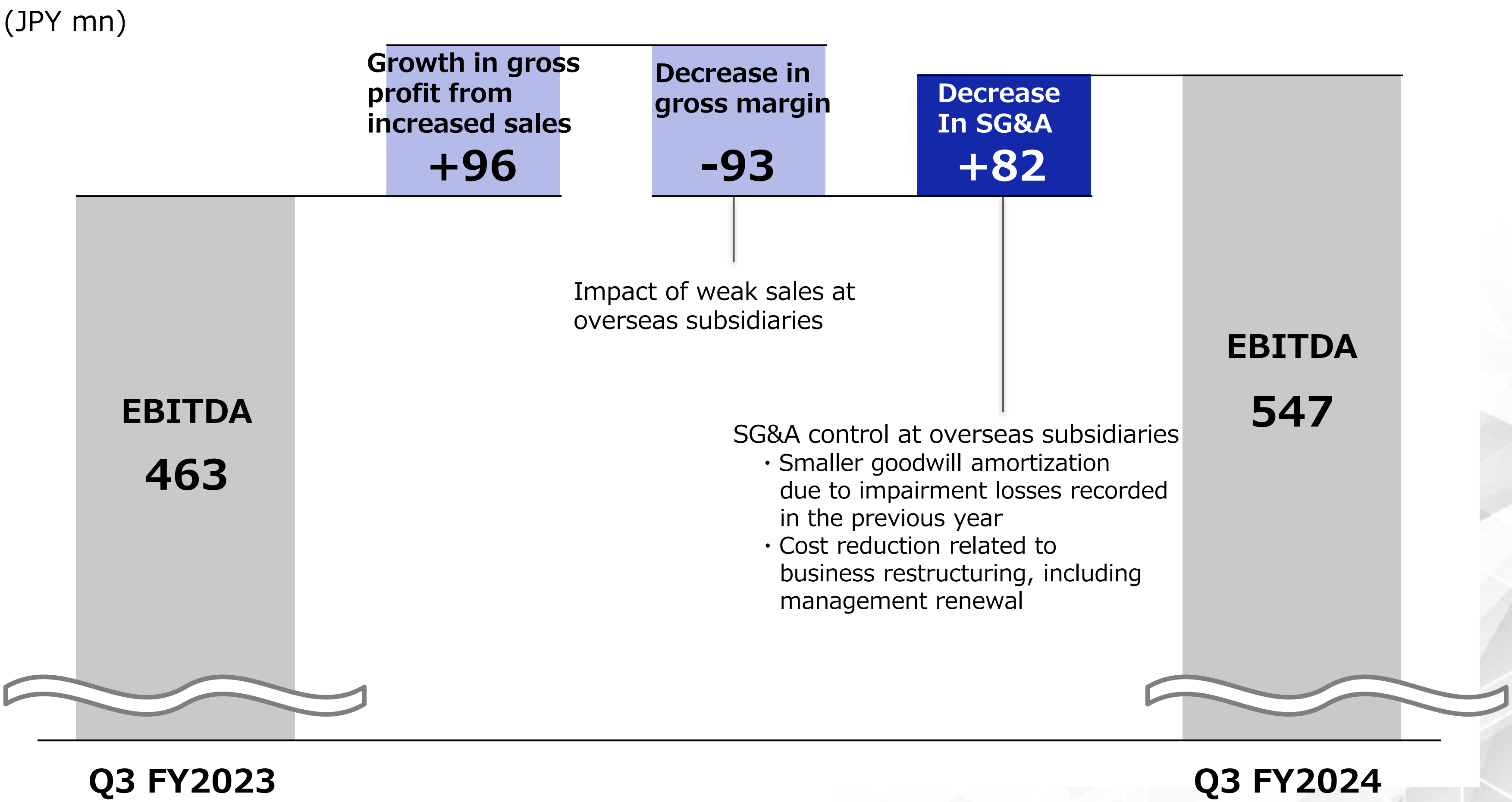
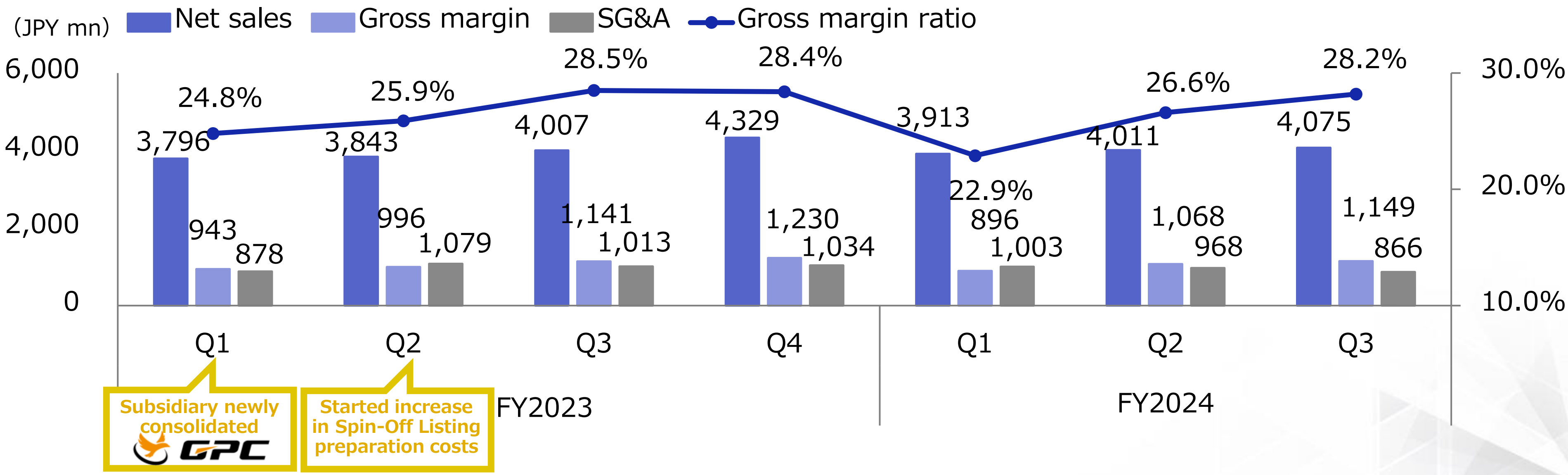
Strong EBITDA growth 118.2% YoY. The domestic business recorded its growth of revenue and profit, leading the whole AGEST Group's business.



AGEST Group Business

Performance Trends



QA solution division KPI

Number of clients with orders(*)

Q3 FY2023
819 companies

Q3 FY2024
878 companies

Breakdown of YoY changes in number of clients with orders
Domestic +43 companies
Overseas +16 companies

Annual sales per client(*)

Q3 FY2023
¥14 mn

Q3 FY2024
¥15 mn

Number of engineers

Q3 FY2023
1,108 people

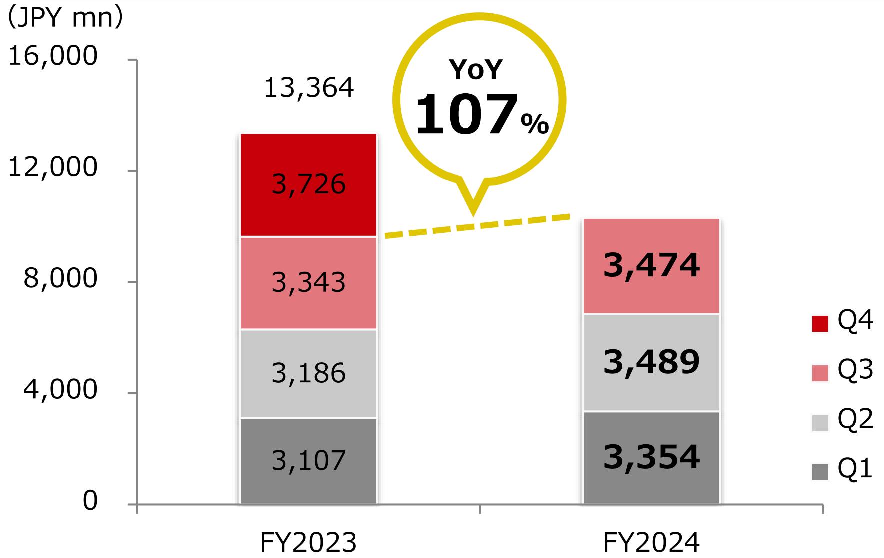
Q3 FY2024
1,040 people

Breakdown of YoY changes in number of engineers
Domestic +35 people
Overseas -103 people

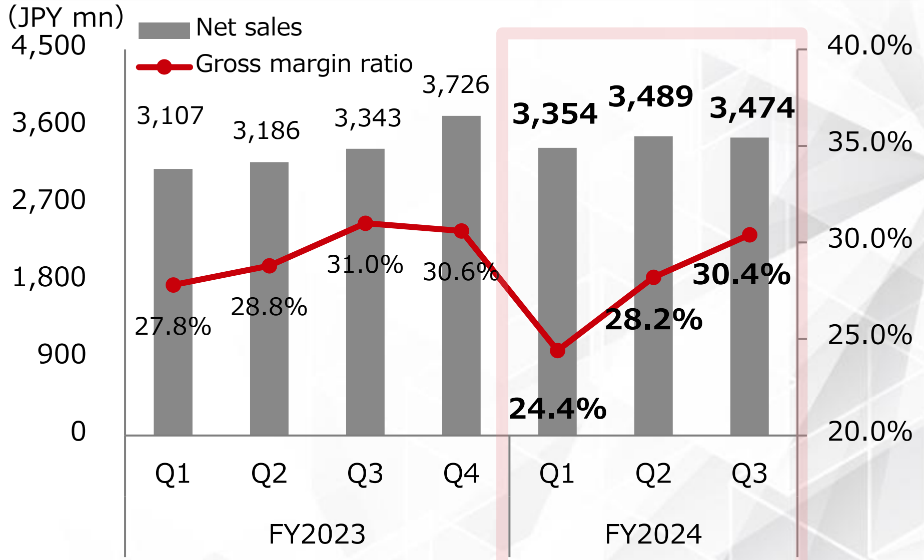
* " Number of clients with orders " and " Annual sales per client" are calculated from the results of the latest 12 months

- Strong sales with **double-digit sales growth 115% YoY** of domestic QA solution.
- **Achieved a high gross margin of 30% in Q3**, improving from Q2 onward, despite a temporary decline in Q1 gross margin ratio due to some factors including weaker sales and heavier outsourcing costs related to a particular project.
- Focus on branding as a “Tech” company and differentiating AGEST from competitors by **strengthening “Shift-Left” QA solutions** and **utilizing AI in testing areas** such as “TFACT,” our original AI testing tool.

Quarterly sales



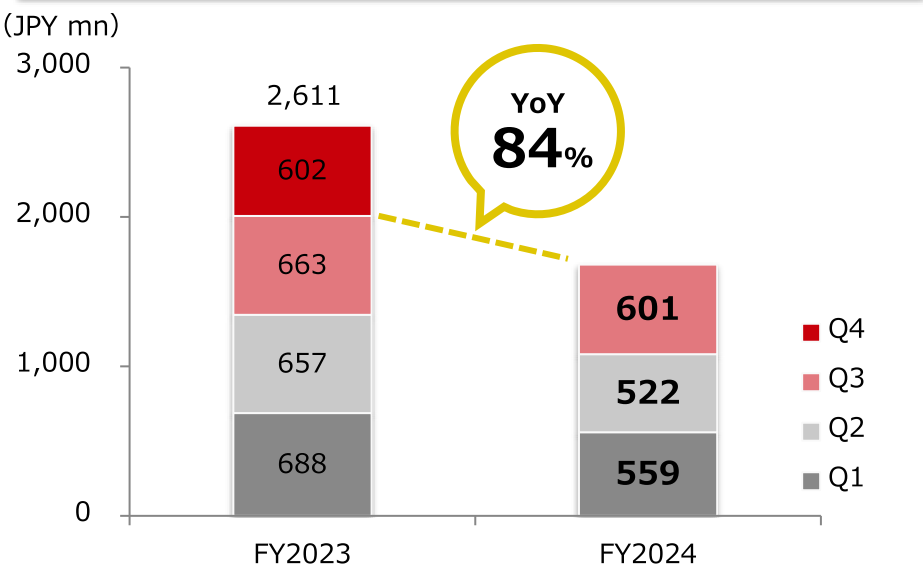
Net sales and Gross margin ratio



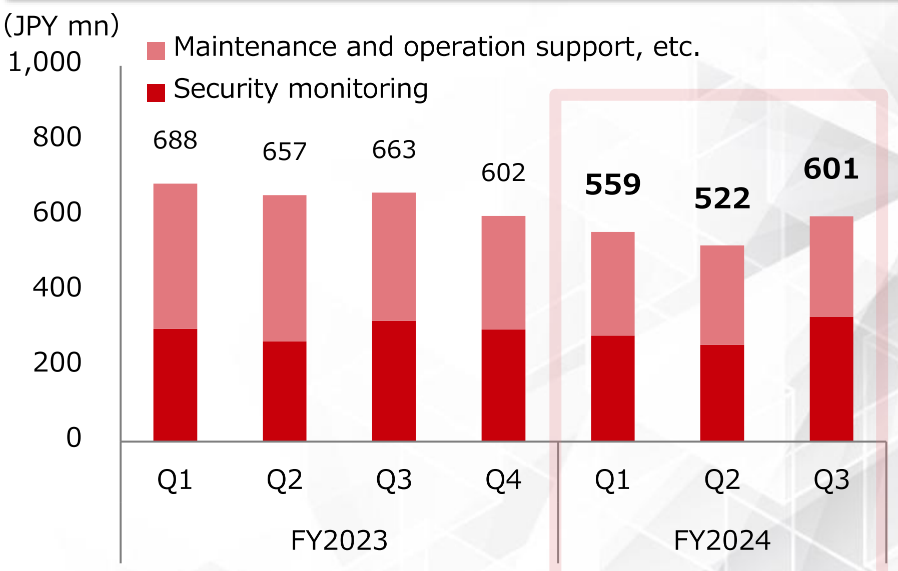
AGEST Group Business - IT services and others division

- **Strategic reduction of certain low-profit services, such as maintenance and operation support.**
- **The number of security monitoring 710 thousand units as the top level in Japan.**
- **Strengthen cybersecurity businesses by some initiatives including investing in "Nippon Cyber Security Fund 1 Investment Limited Partnership," a fund in which cybersecurity companies invest in security service providers.**

Quarterly sales



Quarterly sales by service



Growth Strategy

(Selected section of [Presentation Material for the First Half of the Fiscal Year Ending March 31, 2025] dated November 7, 2024.)

Purpose of the Spin-Off Listing

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■ Purpose of Our Spin-Off Listing

1. Focus on one single business

Accelerate growth by focusing on each business with each unique growth strategy.

2. Realize management to react environment changes quickly

Implement swift management decisions without overlooking small changes, by separating the Company to two independent groups and making management focusing on a single business.

3. Develop a unique corporate culture

Develop each unique corporate culture suited to the one with diverse human resources brimming with entertainment enthusiasm and the other with engineer group with IT skill background.

4. Capital policies in line with growth strategies

Flexibly procure funds and return profits to shareholder in line with each corporate stage and growth-strategy.

5. Avoidance or elimination of conglomerate discounts

Clarify each brands such as the one with the balance between growth and shareholder return and the other focusing on business growth, and provide better opportunities to meet each investor’s style.

Two distinct business focuses

Digital Hearts Hldgs.

	DH Group Business	AGEST Group Business
Market environment	➢ Game and entertainment industries ➢ Increasing production costs and rapid global expansion ⇒ **Larger demand for global services**	➢ IT service industry for enterprise ➢ Chronic shortage of IT personnel and acceleration of DX investment ⇒ **Growing demand for outsourcing of testing process**
Our unique added value	➢ Deep knowledge and wealth of expertise in the game/entertainment industry, developed since its establishment ⇒ **Bring Japan's "Game/Entertainment Quality" to the World**	➢ Knowledge of top-level QA engineers in Japan, Europe, and the U.S. ➢ Test automation expertise in Silicon Valley ⇒ **New QA as collaboration of AI and highly skilled engineers**
Growth stage	➢ **Strong client base and dominant shares** with over 20 years experience of debugging service in Japan ➢ Aiming **strong growth in global markets**	➢ Rapid growth against the backdrop of "DX" investing ➢ **Acceleration of changes due to rapid evolution of IT technology**
Capital policy	➢ Balancing between investment and shareholder returns, based on **stable cash-flow generated in its strong domestic debugging service**	➢ Accelerate growth investment in technology and M&As by **flexibly procuring funds including from the market**
Human resources and corporate culture	➢ Diverse human resources brimming with entertainment enthusiasm ⇒ **Working with smiles and each individuality**	➢ Engineer group specializing in QA and following the latest tech trends ⇒ **Update cutting-edge technologies**

Business Model of DH Group

Digital Hearts Hldgs.

"Global Quality Partner"
in the game/entertainment industry

Provide services to game / entertainment companies in Japan and around the world to help them create fun and safe content, bringing smiles to the faces of people who love games.

Software development	Art production	Audio and voice	Localization	Debugging	Customer support	Marketing

Player

Providing Contents

Game Maker

Game companies in Asia

Game companies in the U.S. and Europe

Providing Services

Our Group

Approx. 8,000 registered testers

17 domestic bases
7 overseas bases

Over 10,000 test terminals

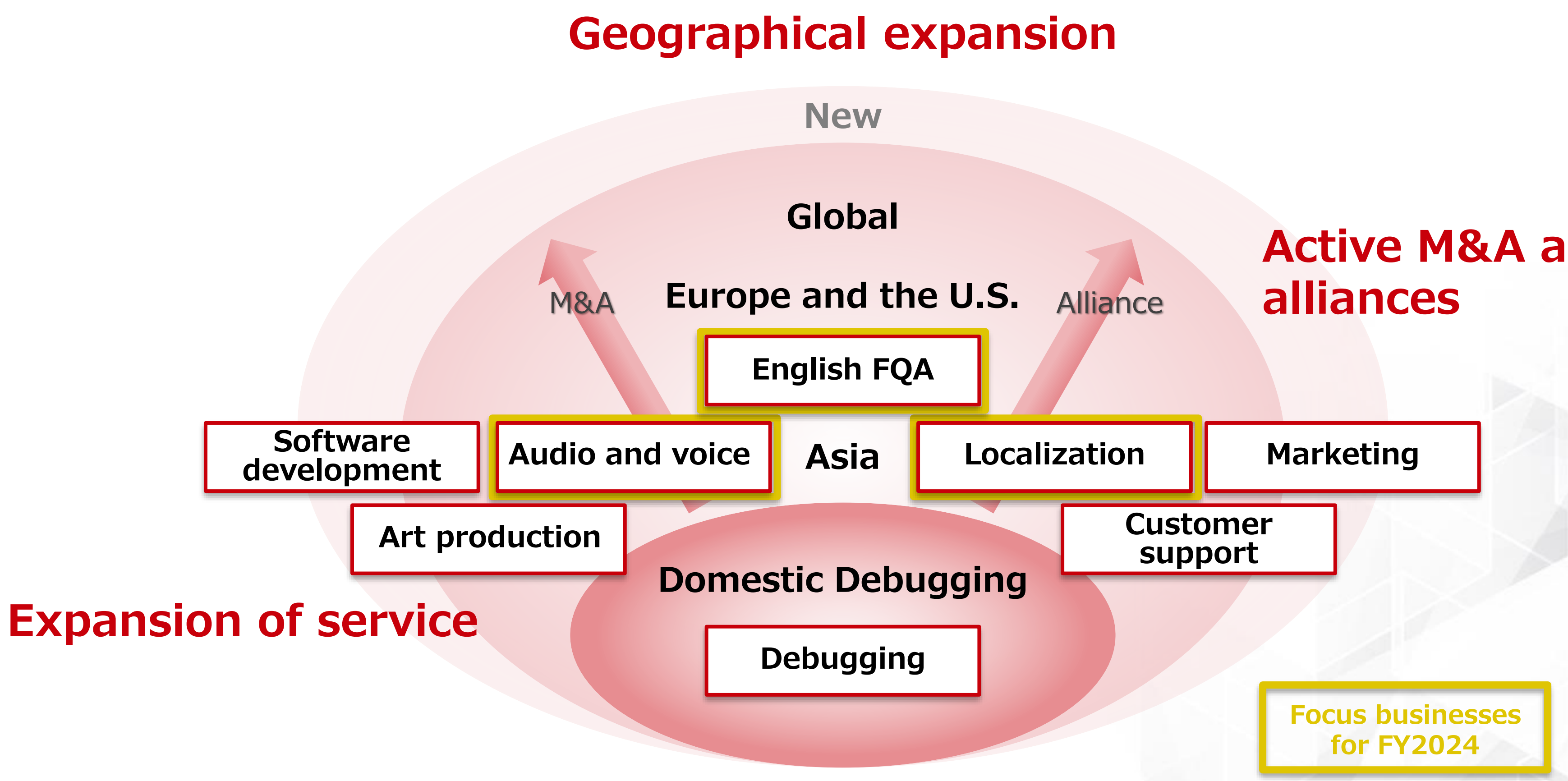
Innovative **AI translation engine** specializing in game

Programmers, Engineers, Planners, Designers, Testers, Translators, etc.

"Game enthusiasts" who themselves are players are joining to DH group with deep insight

DIGITAL HEARTS HLDGS.

To become a global partner providing one-stop solution from domestic debugging company by expanding its businesses domains on both of service-axes and regional-axes, based on the business result and experiences, customer base, and human resources developed in the over 20 years of debugging service in Japan.



Strength of DH Group

DIGITAL HEARTS HLDGS.

Point1 “Entertainment QA” not just “Eliminating bug or defect”

Ordinary software testing

Is it working correctly according to the specifications?

Testing in line with specifications

Debugging of DH

View of UI and UE, such as “hard to understand how to operate it”

Does the character's personality match what he or she says?

Detecting defects from a player's perspective

Point2 Business model utilizing unique human resources

DH game testers

Core gamers

Like animation

Like manga

People with experience of withdrawal

No experience required, registered part-time jobbers

DH Professionals

Joined from hardware game maker

Joined from major game publisher

Professional translators

Diverse members with rich experience and knowledge

Point3 Unique market position

Entertainment Contents Market

Adjustments in line with the cultures of each market

Translation suited to the worldview of each game title

Accelerating global expansion of game content itself

Supporting clients' expansion into overseas

Focus businesses of DH

Globalization of existing services

Debugging

Localization

Marketing

Growing demand for our solutions around the world

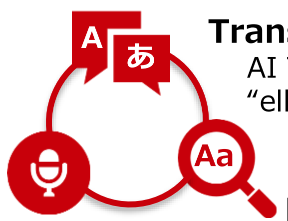
Business Progress of DH Group

Digital Hearts Hldgs.

Building a structure to provide one-stop global solutions and implementing marketing activities to increase brand awareness.

Expansion of services

Expand services as "One-stop gateway to Asia" by utilizing alliances



New
Translation
AI Translation Engine "ella"

New
Audio and voice
with G-angle Co., Ltd.

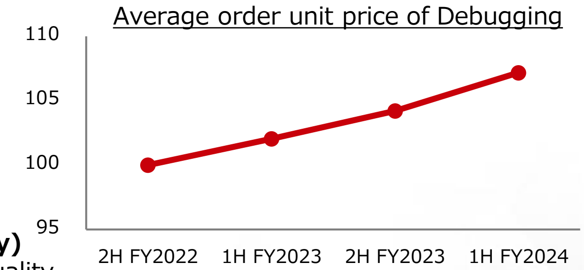
New
English FQA
with JetSynthesys Private Limited

Enhance added value

Unit price hike per order by improving the added value through DHQ initiatives

Digital Hearts Quality
DH
For Customer Success

DHQ
(Digital Hearts Quality)
Our Unique Methods of Quality



＊ 2H FY2022 as 100

Cultivate new global clients

Focus on increasing the brand awareness and acquiring global clients through large game industry exhibitions in China, Europe, Japan and South Korea.

Exhibition scene at game shows


ChinaJoy 2024

gamescom 2024

TOKYO GAME SHOW 2024


G-STAR 2024

"ella" - AI Translation Engine specializing in game

DIGITAL HEARTS HLDGS.

AI translation engine "ella" will be revolutionizing, by expressing "Emotion" in the translation of games, which has been said to be impossible in machine translation.

Opportunity in growing translation needs	: Global penetration of smartphones and game consoles ⇒ Rapid expansion of global demand
Shortcomings of traditional machine translation	: Not suitable for translation of games and entertainment contents requiring a sense of immersion

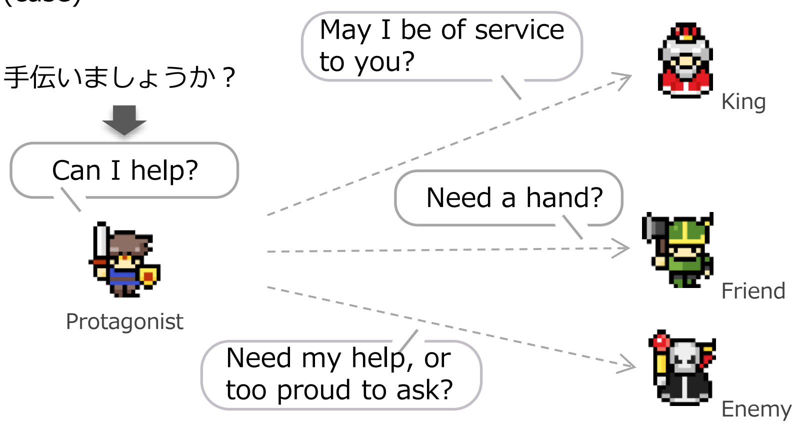
ella

Character generator AI to create individuality × **Native staff familiar with games that do not compromise on "Entertainment Quality"**

Point1

Realize emotional translation reflecting the worldview and individuality of each character

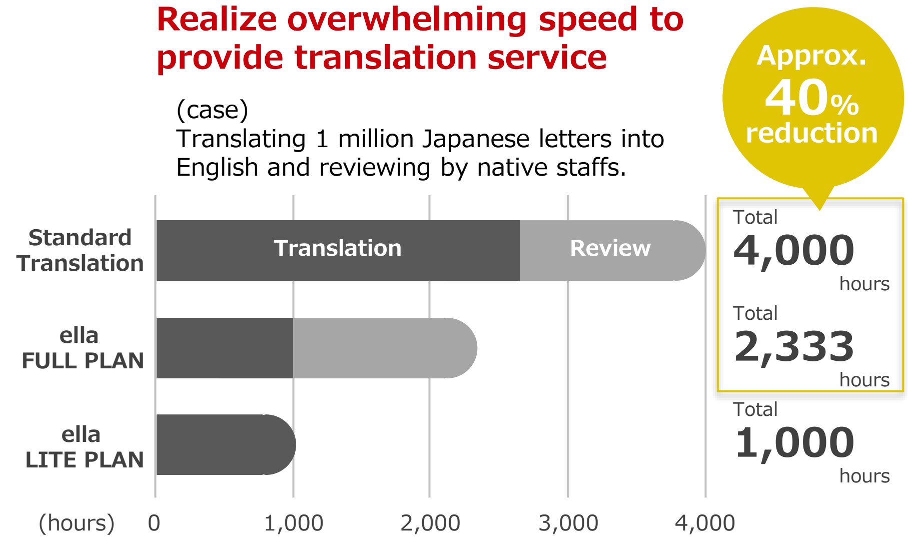
(case)



Point2

Realize overwhelming speed to provide translation service

(case)
Translating 1 million Japanese letters into English and reviewing by native staffs.



Powerful support for simultaneous worldwide release of any games in multiple languages

*Please check the ella website (https://ella.digitalhearts.com/en) for details.

Growth Strategy of AGEST Group

AI testing company supporting "Quality" of enterprise system with leading-edge technologies

To meet diversifying QA demands, we continue to implement leading-edge quality-related technologies and expand the testing service areas. Aiming to develop innovative, **fully autonomous AI-testing solutions** by leveraging expertise as a QA solution provider and leading-edge AI-technology.

Leading-edge quality technology × Next-Generation QA engineers

- Utilize leading-edge quality technology
- Strengthen engineer human resources

Expanding the scope of testing services

- Develop AGEST unique services
- Expand to upstream/downstream processes

Accelerating AI testing

- Innovate the software development process with fully automated QA processes

Improve "QA quality", "Speed" and "Productivity" by utilizing QA leading-edge technologies

Ⅰ. Strengthen Next-Generation QA engineers capable of responding to leading-edge QA technologies.
Ⅱ. Expand into new fields such as "QA services utilizing AI" and "Shift-Left" services.
Ⅲ. Aiming for significant productivity improvement through unique development of fully autonomous AI and full-scale launch of AI testing service.

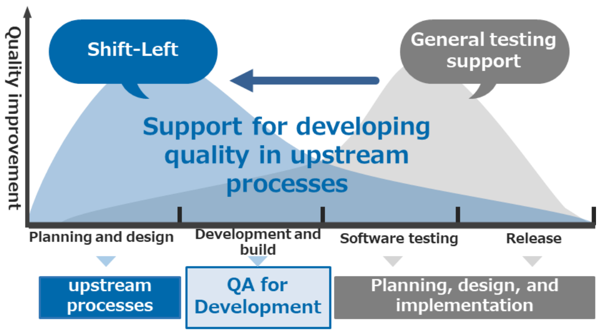
Background of AGEST's Technological Capability as the Base of AI Utilization

Building on the technological capabilities of the AGEST, to develop new AI-based QA services. Aiming to become the de facto industry-standard.

- Promoting the development of services using AI and other cutting-edge technologies, such as “QA for Development” for “Shift-Left” and QA services utilizing AI, as early as possible for competitors.
- AGEST's unique test automation products help it develop the linking tools and others necessary for AI-testing.
- The AGEST testing process complies with international standards and can be quickly applied to the standardization required to implement AI-testing.

Develop "Shift-Left" testing solutions and AI-related services

QA for Development



AI Debugging for Enterprise

Collaboration between autonomous AI-agents and Next-Generation QA engineers. From analyzing log-information in the event of defects to identifying causes, preparing reports, and correcting source-code.

Unique test automation product

TestArchitect

TestArchitect

- WEB
- Mobile
- On-Premise
- Desktop
- IoT
- Environment
- Visual Regression

➢ Test automation tools for every aspect of the test environment

➢ Know-how gained from 20 years of providing services globally

" ISO/IEC/IEEE 29119 " Standardized test process

An illustration of a standardized testing process for AGEST

Organization testing process

Test management process
- Test plan
- Test monitoring and control
- Integration of tests

Dynamic test process
- Test design and implementation
- Establishment and maintenance of test environment
- Test run
- Test incident report

Aims of AI-testing by AGEST

DIGITAL HEARTS HLDGS.

Aiming to develop new QA services by utilizing AI

- To develop the **industry's de facto standard as a fully autonomous AI test**
- Significantly reduce testing number of man-hours and dramatically **improve the value provided** by accelerating speed
- Strengthen Next-Generation QA engineers and improve order capacity by utilizing AI testing
- Establish a new revenue model of license-based billing by providing products

Step0
Interactive AI

Step1 2025～
Introduction of AI test tool "TFACT"

Step2 2026～
Evolution to self-sustaining AI

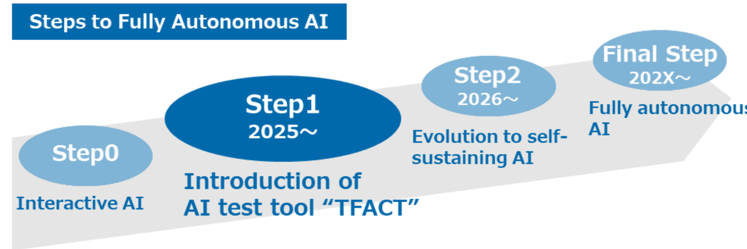
Final Step 202X～
Fully autonomous AI

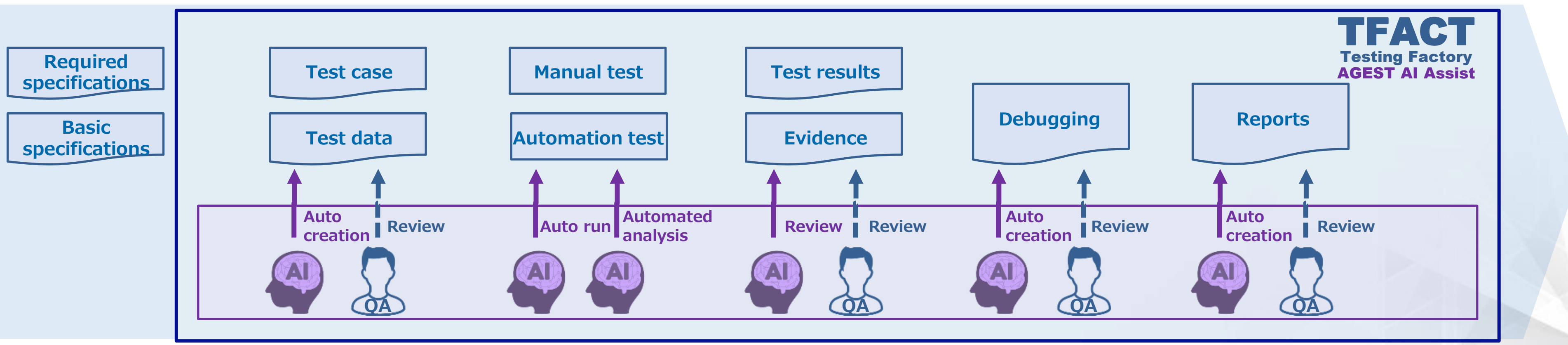
Step1 2025～		**"TFACT" AI-test tool** to realize "Scenario creation - Execution - Testing - Debugging - Reporting", and to greatly improve the speed of providing the service by **reducing the testing number of man-hours by 30%**
Step2 2026～		Autonomous testing with AI, **aiming for test process innovation.** **Halve the testing number of man-hours** to improve the speed of provision
Final Step 202X～		Pursue further total optimization with fully autonomous AI, **innovate the entire software life cycle, and become fully automated AI testing**.

Overview of “TFACT”

In January 2025, planning to introduce “TFACT” a unique test management tool with AI assisting functions.

- **AI-functions strongly supports Next-Generation QA engineers.**
- **AI performs Scenario creation - Execution - Testing – Debugging – Report preparation.**
- **Efficient collaboration with test automation tools**
- **AI-functions reduce testing number of man-hours by 30%**

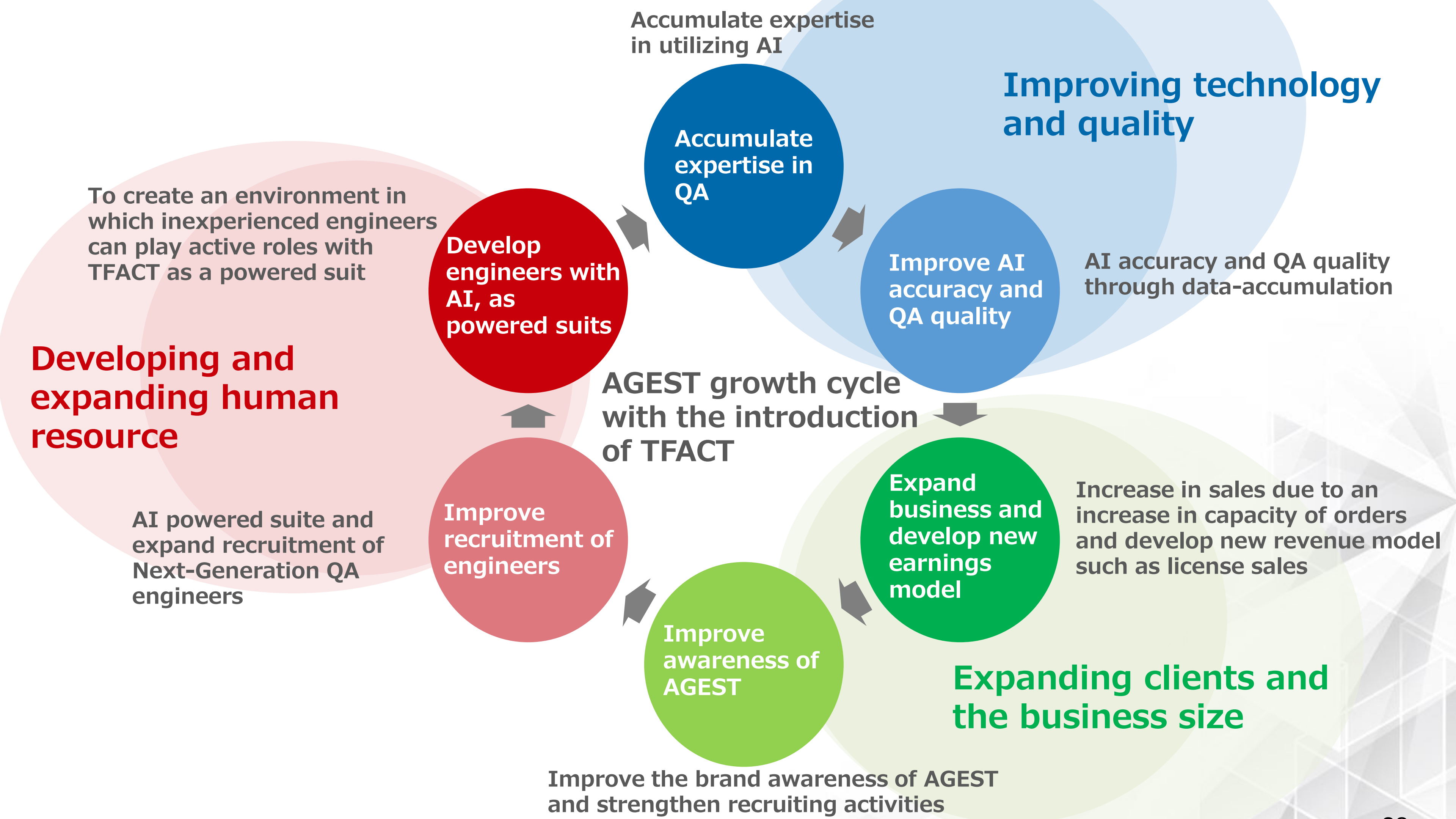




AI Test Case Designer	AI Test Automation	AI Test Result Analyzer	AI Debug	AI Incident Report
AI automatically **generates the test steps** necessary for test automation	AI analyzes the elements being tested and **performs test steps automatically**	AI **verifies the content** of the test and analyzes for problems	AI **debugs the findings of the tests** and automatically identifies the problem areas	AI analyzes problem of implementation results and **prepare an incident report**

Growth Cycle of AGEST

As a pioneer in AI-testing, aiming to establish an industry de facto standard for QA processes and to continuously expand its business by AGEST's unique growth cycle.



(References) Comparison with competitors

DIGITAL HEARTS HLDGS.

(JPY mn)	The Company (Current) FY2023	The Company (Current) FY2024 full year targets	DH Group			AGEST Group			
			DH Group FY2023	DH Group FY2024 full year targets	Competitor P FY2023	AGEST Group FY2023	AGEST Group FY2024 full year targets	Competitor S FY2023	Competitor V FY2023
Net sales	38,790	41,020	23,488	24,720	46,980	15,975	16,490	110,627	10,362
Operating income	2,039	2,540	1,734	2,040	404	305	500	10,537	840
Operating income margin	5.3%	6.2%	7.4%	8.3%	0.9%	1.9%	3.0%	9.5%	8.1%
Profit attributable to owners of parent	176	1,900	—	—	-1,967	—	—	5,127	518
EBITDA	3,077	3,473	2,320	—	1,573	757	—	13,424	1,033
PER	110.08	10.25	—	—	—	—	—	74.86	18.11
EBITDA multiple	6.78	6.01	—	—	10.43	—	—	28.99	9.52
Market Capitalization	20,880	20,880	—	—	16,407	—	—	389,079	9,845

*1 PER, EBITDA multiple, and market capitalization are calculated based on the closing stock price on February 5, 2025.
*2 Some of the EBITDA figure is calculated by us based on the published materials of each company.

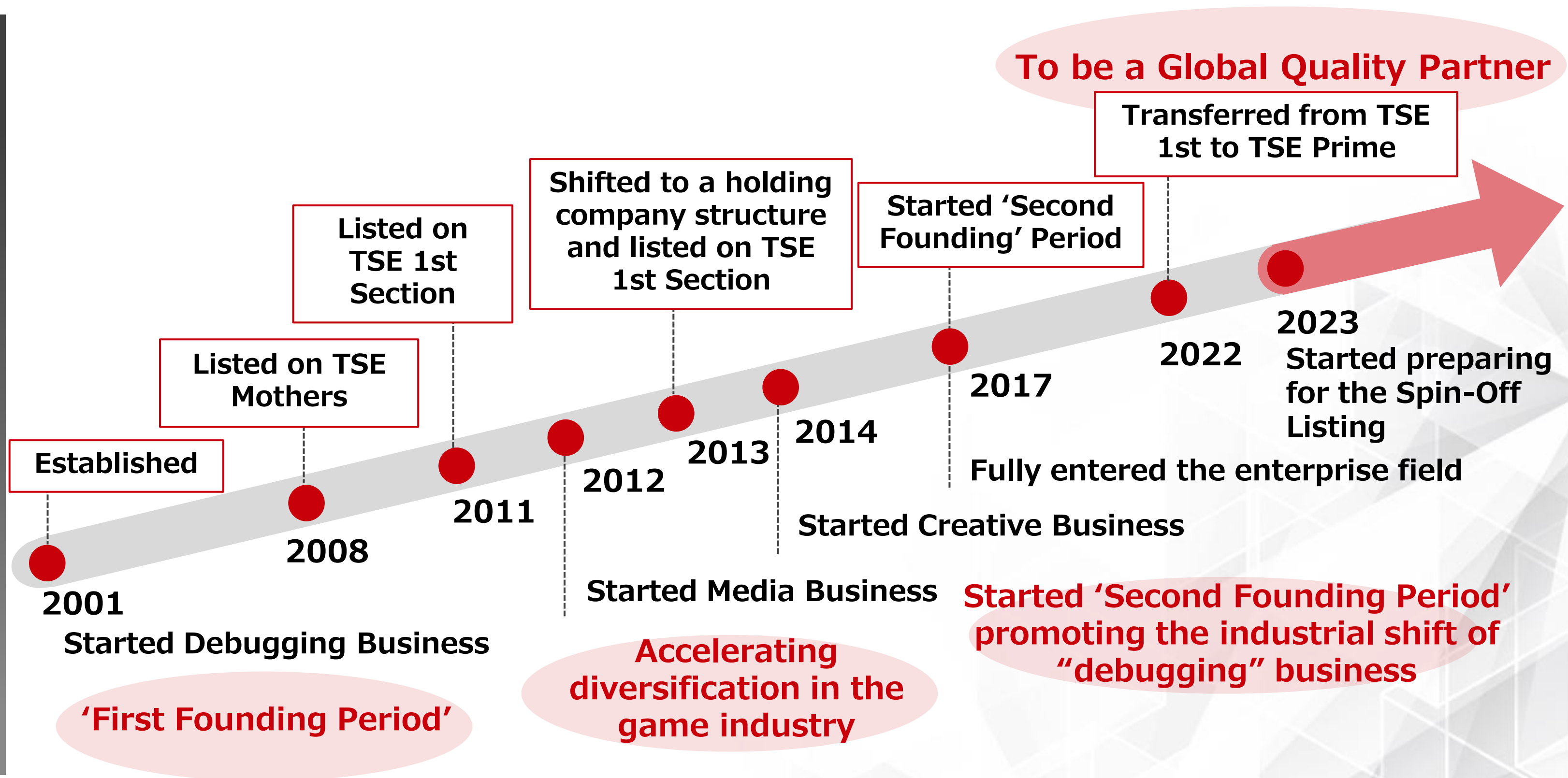
Appendix

DIGITAL HEARTS HLDGS.

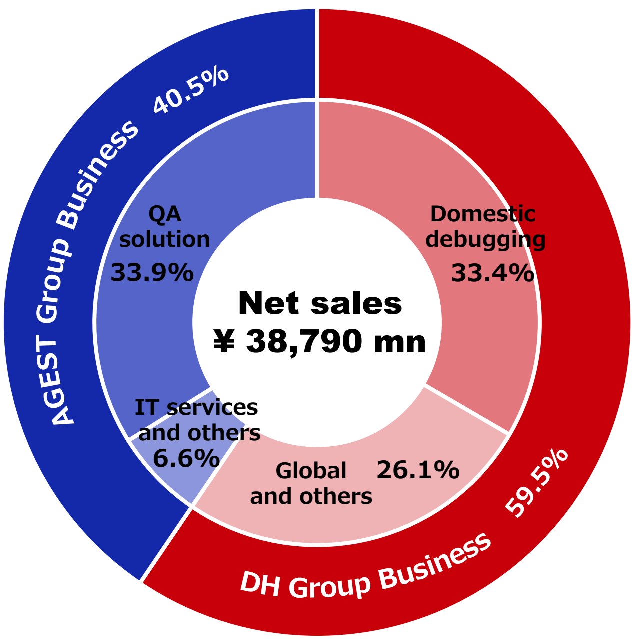
Our mission	SAVE the DIGITAL WORLD

Market environment	Growth of console game market	Growth of mobile game market	Expansion of IoT	Expansion of DX

History



Our core business: Debugging and QA(Quality Assurance)



Sales breakdown by segment (FY2023)

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

DH Group Business	Domestic debugging	33.4%	➢ Debugging for console games, mobile games, etc.
	Global and others	26.1%	➢ 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" ➢ IT engineer platform service
AGEST Group Business	QA solution	33.9%	➢ Testing for business systems incl. online ➢ Support for test automation ➢ Security test ➢ Introduction of ERP and CRM ➢ System development
	IT services and others	6.6%	➢ Security monitoring ➢ IT support

*LQA = Linguistic Quality Assurance

Group Companies

DIGITAL HEARTS HLDGS.
(Holding Company)

(As of December 31, 2024)

DH Group Business

DIGITAL HEARTS Co., Ltd.
Game debugging for Japanese game makers, Localization, etc.

DIGITAL HEARTS CROSS Group
Marketing support, etc.

DIGITAL HEARTS (Shanghai) Co., Ltd.
Game debugging, Localization, etc.

Digital Hearts Linguitronics Taiwan Co., Ltd.
Game translation

JetSynthesys Digital Services Private Limited
Game debugging for overseas game makers

FLAME Hearts Co., Ltd.
Game development and CG content development

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

AGEST Group Business

AGEST, Inc.
System testing, Cyber-security, etc.

AGEST Vietnam Co., Ltd.
System testing, Test automation support

LOGIGEAR CORPORATION
System testing, Test automation support

DEVELOPING WORLD SYSTEMS LIMITED
Introduction and maintenance support for Oracle products

CEGB Co., Ltd.
SAP implementation and operation support, system development support, etc.

GPC K.K
SAP/ERP implementation support, System development, etc.

Main Business Locations

DIGITAL HEARTS HLDGS.

(As of December 31, 2024)

* List countries/regions where main offices are located

Objectives and Goals of Spin-off Listing

DIGITAL HEARTS HLDGS.

Maximize the growth potential of each by actively utilizing each corporate brand and financial capabilities, as an independent public company for each.

DH Group

DIGITAL HEARTS

To be the Global Quality Partner in the entertainment industry

- Challenge for global markets and new domains

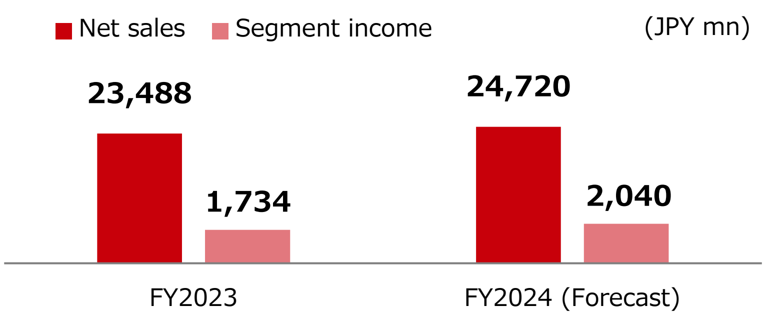
Market environment

Global digital content market(*1)

Approx. ¥53 tn

- Simultaneous game titles launching
- From the domestic to the global
- Entertainment digital contents than games

Target



*1 Source: METI "Overview of the Global and Japanese Markets for Contents" Definition of digital content: Digital markets for music, publishing, video, and games. Calculated at ＄1 = ¥150.67

AGEST Group

AGEST

To be the AI testing company supporting "Quality" of enterprise systems with leading-edge technology

- Accelerate to grow with centering AGEST, Inc.

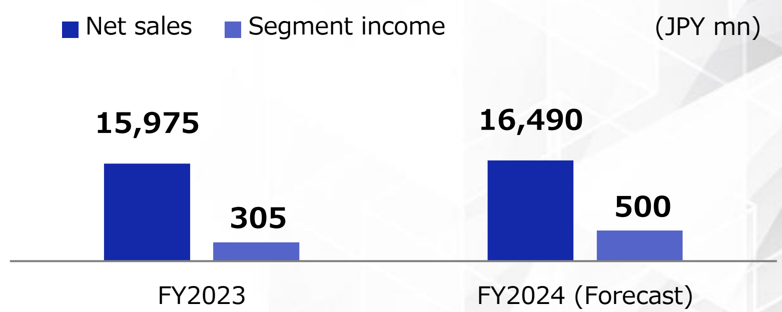
Market environment

Domestic software testing market (*2)

Approx. ¥6 tn

- Chronic shortage of engineers
- "Quality" as the source of competitiveness, testing process becoming more important.
- Sophisticated testing technologies.

Target



*2 Calculated by us based on "Statistical Survey of Selected Service Industries" by METI and "Software Development Analysis Data Collection 2022" by IPA.

Consolidated Financial Statement

DIGITAL HEARTS HLDGS.

(JPY mn)	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Net sales	15,444	17,353	19,254	21,138	22,669	29,178	36,517	38,790
Enterprise Business	1,952	1,892	3,302	5,022	7,021	11,491	16,840	19,714
Entertainment Business	13,544	15,568	15,951	16,115	15,647	17,687	19,815	19,180
Adjustments	-52	-108	-0	-	-	-	-138	-105
Operating income	1,906	1,735	1,605	1,394	1,908	2,696	3,000	2,039
Enterprise Business	203	-14	-226	-67	188	645	639	423
Entertainment Business	2,453	2,966	3,086	2,964	3,077	3,668	4,214	3,325
Adjustments	-750	-1,215	-1,254	-1,503	-1,356	-1,616	-1,853	-1,709
Operating income margin	12.3%	10.0%	8.3%	6.6%	8.4%	9.2%	8.2%	5.3%
Enterprise Business	10.4%	-	-	-	2.7%	5.6%	3.8%	2.1%
Entertainment Business	18.1%	19.1%	19.3%	18.4%	19.7%	20.7%	21.3%	17.3%
Profit attributable to owners of parent	795	1,200	1,575	792	974	1,778	799	176
Total assets	7,651	8,575	9,832	10,637	14,338	17,610	19,581	21,103
Current assets	6,221	6,813	7,403	7,453	9,744	10,392	12,528	13,526
Cash and deposits	3,344	3,894	4,197	3,739	5,076	5,208	6,456	6,858
Noncurrent assets	1,430	1,761	2,428	3,183	4,593	7,217	7,052	7,576
Goodwill	201	150	481	1,027	2,467	4,588	3,468	2,313
Total liabilities	4,793	5,005	4,819	5,198	8,024	10,044	10,107	12,250
Interest-bearing liabilities	1,646	1,610	1,764	2,553	4,797	5,590	5,106	7,095
Total net assets	2,858	3,570	5,012	5,438	6,314	7,566	9,474	8,852
Shareholders’equity	2,632	3,369	4,791	4,922	5,691	6,991	8,806	8,415
Shareholders’ equity ratio	34.4%	39.3%	48.7%	46.3%	39.7%	39.7%	45.0%	39.9%
Net cash	1,698	2,283	2,433	1,186	278	-382	1,350	-236
Debt Equity Ratio	0.6	0.5	0.4	0.5	0.8	0.8	0.6	0.8
Net cash provided by operating activities	1,825	1,436	889	1,086	1,416	3,077	2,850	1,759
Net cash used in (provided by) investing activities	-610	-618	62	-1,018	-1,813	-2,537	-1,903	-2,369
Net cash provided by (used in) financing activities	-69	-250	-693	-515	1,730	-546	141	934
ROE	29.2%	40.0%	38.6%	16.3%	18.4%	28.0%	10.1%	2.1%
Dividend Payout Ratio	32.3%	20.9%	18.0%	38.6%	31.0%	18.2%	57.5%	264.5%

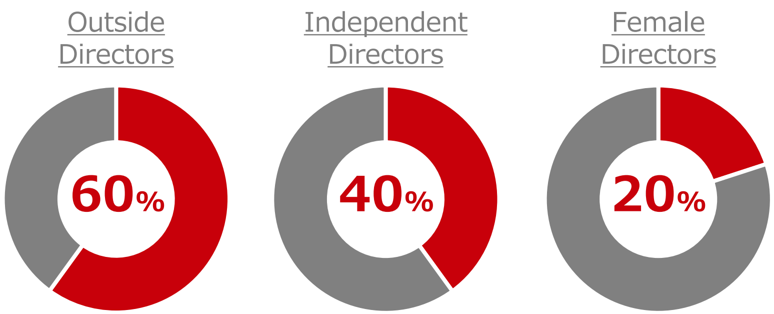
*The segmentation has been changed from FY2024 Q1, but the above results by segment are the figures before the change.

Business foundation supporting growth strategy

DIGITAL HEARTS HLDGS.

Board of Directors

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



Audit & Supervisory Board

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

Investment Committee

Implement appropriate investment with a certain discipline by deliberating in advance for large scale investments including M&As.

Risk Management Committee

Identify risks and formulate countermeasures on a cross-group basis.

(As of March 31, 2024)

Ratio of female managers *1	Ratio of foreign employees *1	Ratio of employees with disabilities *2	Number of ISTQB qualification holders *3
12.4%	9.5%	2.9%	500 people

*1 Reporting target: All domestic group companies
*2 Reporting target: DIGITAL HEARTS HOLDINGS Co., Ltd., DIGITAL HEARTS Co., Ltd., AGEST, Inc., DIGITAL HEARTS PLUS Co., Ltd.
*3 Reporting target: All group companies
ISTQB···International Software Testing Qualifications Board

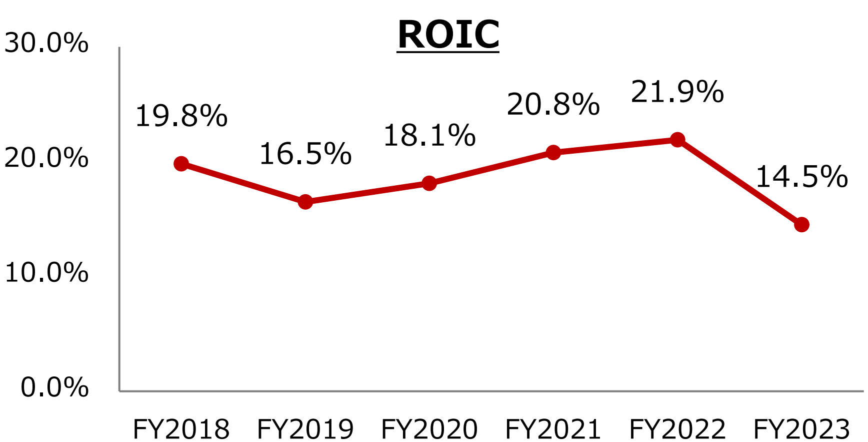
Towards Business Management with an Awareness of Capital Cost and Stock Price

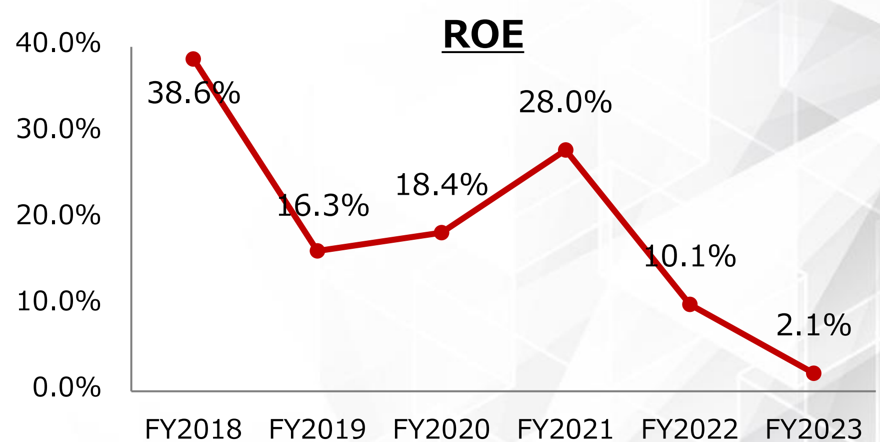
DIGITAL HEARTS HLDGS.

Basic policy

With a sound financial foundation, we aim to sustainably improve our corporate value by actively investing in human resources, technologies, M&As, and other developments. We also strive to maintain optimal capital efficiency by adhering to our financial discipline of "ROIC over 15%" when making investment decisions.
Consequently, over the five years ended March 31, 2023, we achieved a high sales growth rate of CAGR +54.8% in Enterprise Business as a rapid growing segment, and CAGR +4.9% in Entertainment Business as a stable business. On the other hand, in terms of capital-efficiency, we maintained a level significantly higher than our WACC (5-7%), with ROIC at around 15-20% for the same five years period.
Furthermore, since May 2023, we have been preparing for Spin-Off Listing of AGEST, Inc., the core subsidiary of the Enterprise Business, in order to accelerate the pace of growth of both Enterprise Business and Entertainment Business and to maintain and improve our capital efficiency. Going forward, we intend to maximize our corporate value by continuing to manage our business with such cost of capital in mind and to take on the challenge for further growth.

ROIC and ROE





* Calculated by ROIC=(EBITDA×(1- Effective tax rate))÷(Interest-bearing debt + Shareholders' equity)

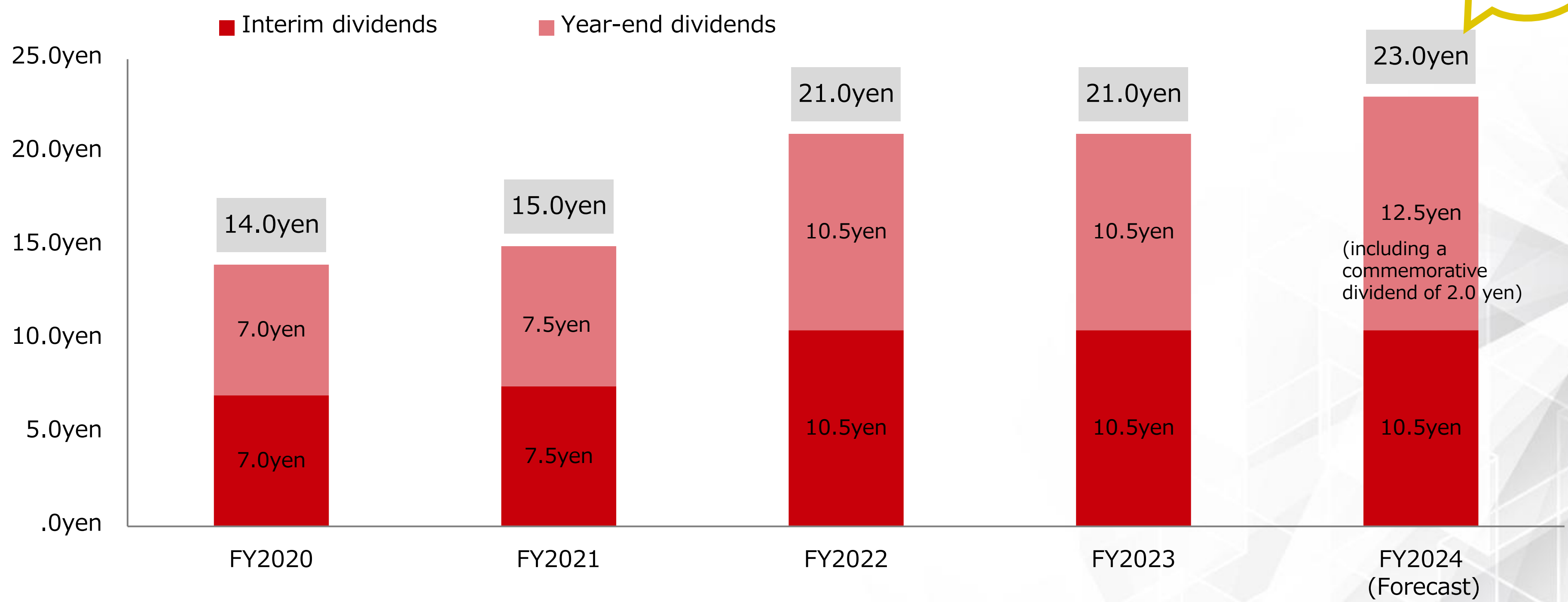
DIGITAL HEARTS HLDGS.

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

Dividend Payout ratio 27.0%



Business Risks

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 and AI Utilization - Developing 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

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 "ISTQB".
- Provide world-class test engineer training program in "AGEST Academy" for employees.

4 QUALITY EDUCATION / 8 DECENT WORK AND ECONOMIC GROWTH / 17 PARTNERSHIPS FOR THE GOALS

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.
- Employ foreign nationalities of more than 40 countries/areas, such as Asia, Europe and the U.S., who engage in translation/linguistic debugging service, etc.

5 GENDER EQUALITY / 8 DECENT WORK AND ECONOMIC GROWTH / 10 REDUCED INEQUALITIES

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.
- Develop original unique tools and business solutions by utilizing AI.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE / 11 SUSTAINABLE CITIES AND COMMUNITIES

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.

8 DECENT WORK AND ECONOMIC GROWTH / 11 SUSTAINABLE CITIES AND COMMUNITIES / 17 PARTNERSHIPS FOR THE GOALS

Glossary

Terms	Definition
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 linguistical errors that occur when translating from a foreign language.
Shift Left	This is the concept about software development process. The idea is to implement testing and security measures early in the total development process. By making it smaller to have a development rework due to bugs and vulnerabilities, it is expected to speed up and secure the entire development cycle.
QA for Development	It is the name for our original services, which are high-value-added solutions to support “Shift Left”.
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.
Next-generation QA engineer	The highest-class QA engineer with knowledge of both software development and testing to contribute to client’s service quality improvement for all from development to post-release.
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.
Console Games	A game played using dedicated hardware such as the Nintendo Switch or PlayStation.

DIGITAL HEARTS HLDGS.

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