

# Presentation Material

for the Nine Months Ended December 31, 2021

February 8, 2022

Tokyo Stock Exchange First Section : Code 3676  
<https://www.digitalhearts-hd.com/>

# Q3 FY2021 Financial Results

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(The nine months ended December 31, 2021)

## Both Businesses Achieved Significant Increases in Sales

Net sales

¥ **21,246** mn  
(YoY 130.2%)

- Enterprise Business, a focus business, continues to **achieve high growth** with the acceleration of DX as a tailwind.
- Entertainment Business achieved **double-digit sales growth** on the back of expanding domestic and global demands.
- Organic growth **YoY 117%**, excluding the effects of M&A.

## New Record High Profits

Operating income

¥ **2,123** mn  
(YoY 179.5%)

- Operating income in Q3 already **exceeding the annual record high of ¥1.96 bn.**
- **Significant profit growth** in both Enterprise Biz and Entertainment Biz.
- High operating income margin of **10.0%**.

## Full-year Earnings Forecast Revised Upward

Revised full-year forecast  
Net sales

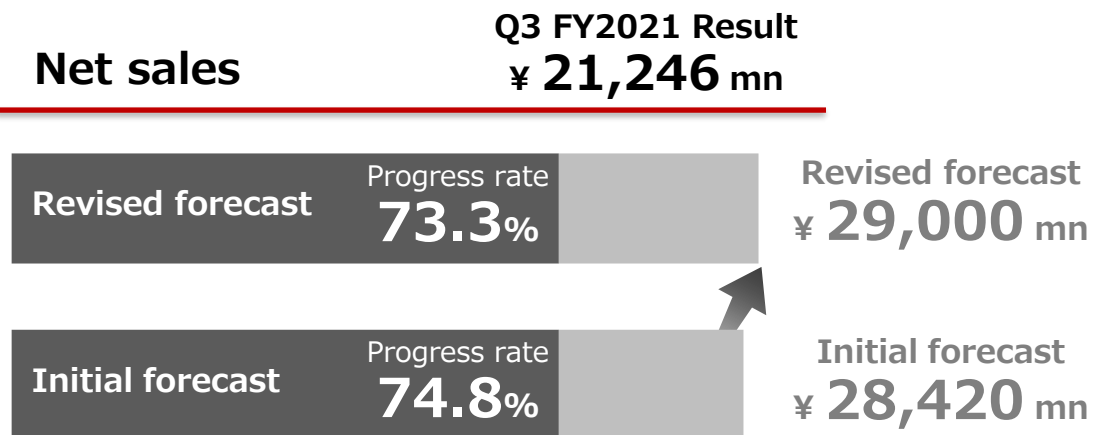
¥ **29,000** mn  
(Vs. initial forecast 102.0%)

Revised full-year forecast  
Operating income

¥ **2,700** mn  
(Vs. initial forecast 128.6%)

- Full-year sales and operating profit are estimated to **exceed the initial forecasts** in both Enterprise Biz and Entertainment Biz.
- Aiming for **YoY 1.4 times growth** of operating income, while keep investing in Q4 for future growth to achieve the medium-term target of net sales of **¥50.0 bn.**

Full-year earnings forecast is revised upward with strong Q3 performance in both Enterprise Business and Entertainment Business. Consolidated Q3 nine months operating income is already exceeded the initial full-year forecast.

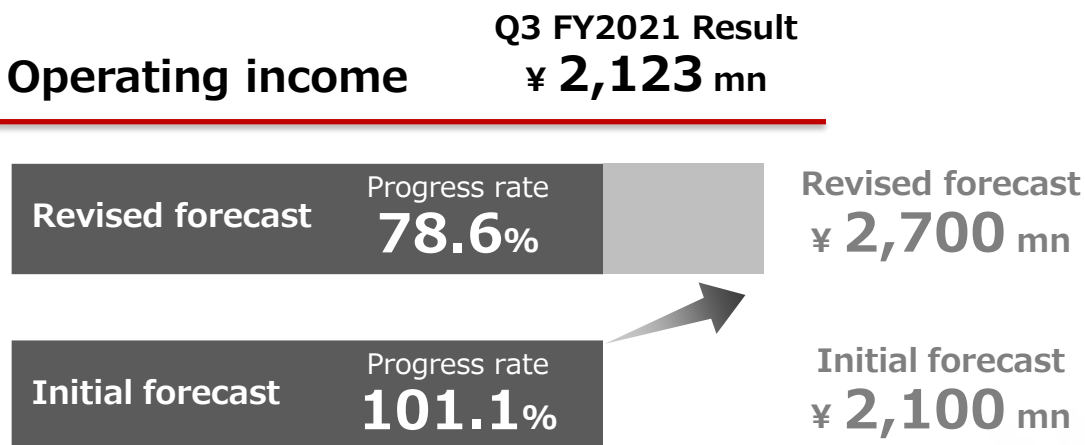


## ■ Enterprise Business

- Rapid increase in security service projects with expansion of new styles such as remote work.

## ■ Entertainment Business

- Domestic debugging service for console games performed well.



## ■ Enterprise Business

- Acquired projects with high gross margin ratio in such as security service.

## ■ Entertainment Business

- Gross margin ratio of domestic debugging has been improved.
- Restrained SG&A expenses of global and others service.

## 1. M&As for future growth

### Enterprise Business

Jun. 2021 M&A

**identity**

**identity Inc.**

Developing SES business utilizing a pool of highly-skilled freelance engineers.

Jan. 2022 M&A



**DEVELOPING WORLD SYSTEMS LIMITED**

A gold partner of Oracle. Support for the introduction, maintenance, and operation of Oracle system in the U.K. and the U.S.

### Entertainment Business

Feb. 2022 Absorption-type Company Split



**Quality Control division of Drecom Co., Ltd.**

The division in charge of quality assurance operations for game apps developed by Drecom.

## 2. Decided the group reorganization for further growth of Enterprise Business

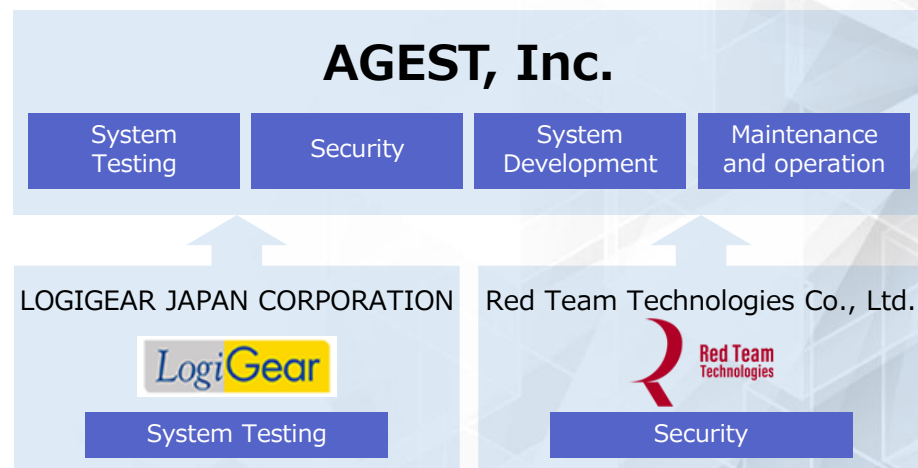
### Step.1

On April 1, 2022, **spin-out of Enterprise Business** as an independent company as **AGEST, Inc.** from just as an internal business div.

(→Detailed P23-P25)

### Step.2

For further strengthening the entire service of Enterprise Business, **two of subsidiaries will be reorganized to be a part of AGEST, Inc.**



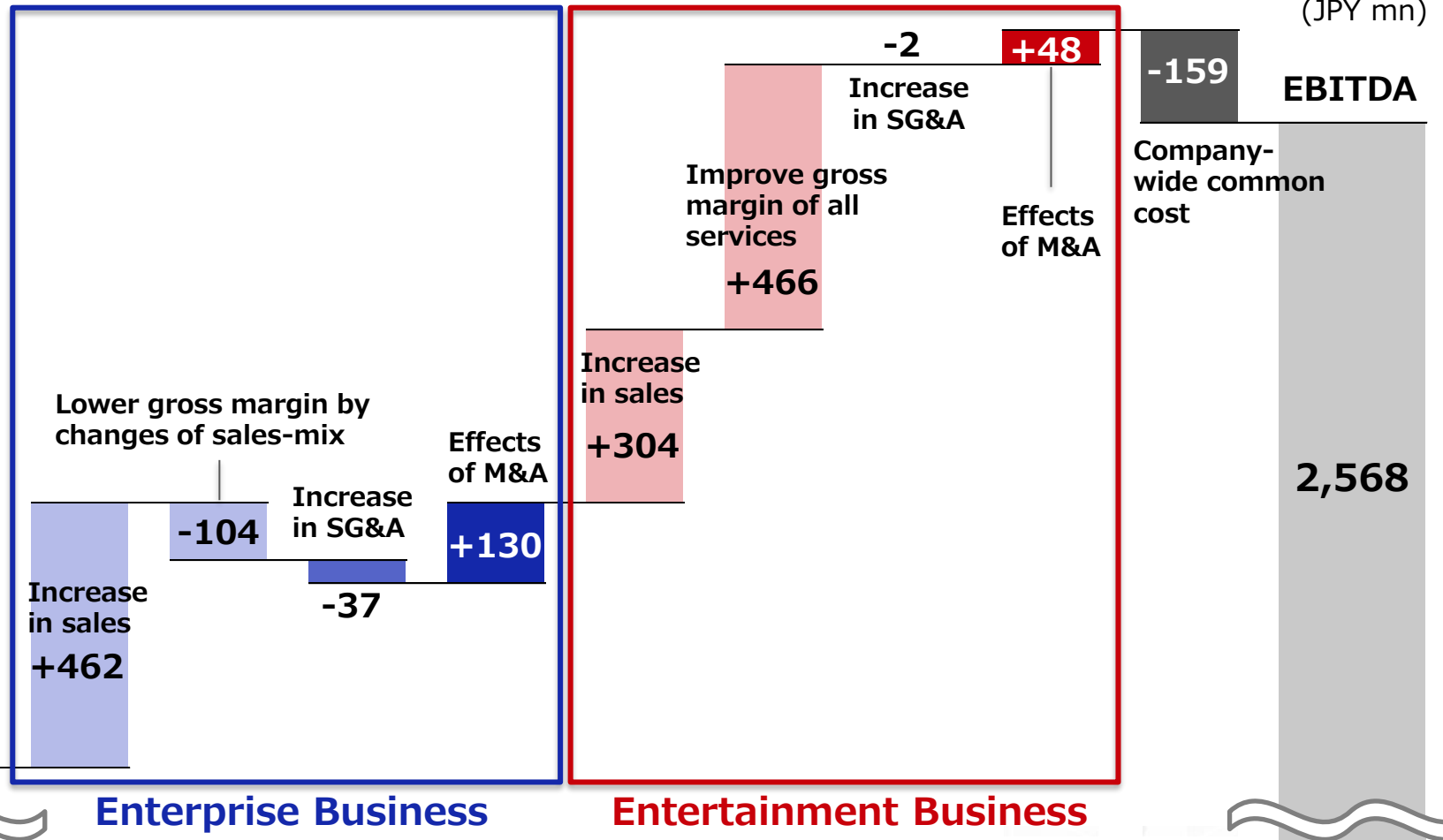
# Summary of Financial Results for the Nine Months Ended December 31, 2021

**Record-high net sales and operating income** in Q3 cumulative period.

(JPY mn)	Q3 FY2020	Q3 FY2021	YoY Change	
<b>Net sales</b>	<b>16,313</b>	<b>21,246</b>	<b>4,932</b>	<b>130.2%</b>
Cost of sales	11,821	15,141	3,320	128.1%
Cost of sales (%)	72.5%	71.3%		-1.2points
Gross profit	4,491	6,104	1,612	135.9%
SG&A	3,308	3,980	671	120.3%
<b>Operating income</b>	<b>1,183</b>	<b>2,123</b>	<b>940</b>	<b>179.5%</b>
Operating income margin	7.3%	10.0%		+2.7points
Ordinary income	1,245	2,192	946	176.0%
Profit attributable to owners of parent	794	1,363	568	171.6%
<b>EBITDA</b>	<b>1,460</b>	<b>2,568</b>	<b>1,107</b>	<b>175.8%</b>

# Analysis of Changes in EBITDA

Significant increase in EBITDA by the revenue growth and improved profitability in existing businesses as well as the positive EBITDA effect of new M&As.

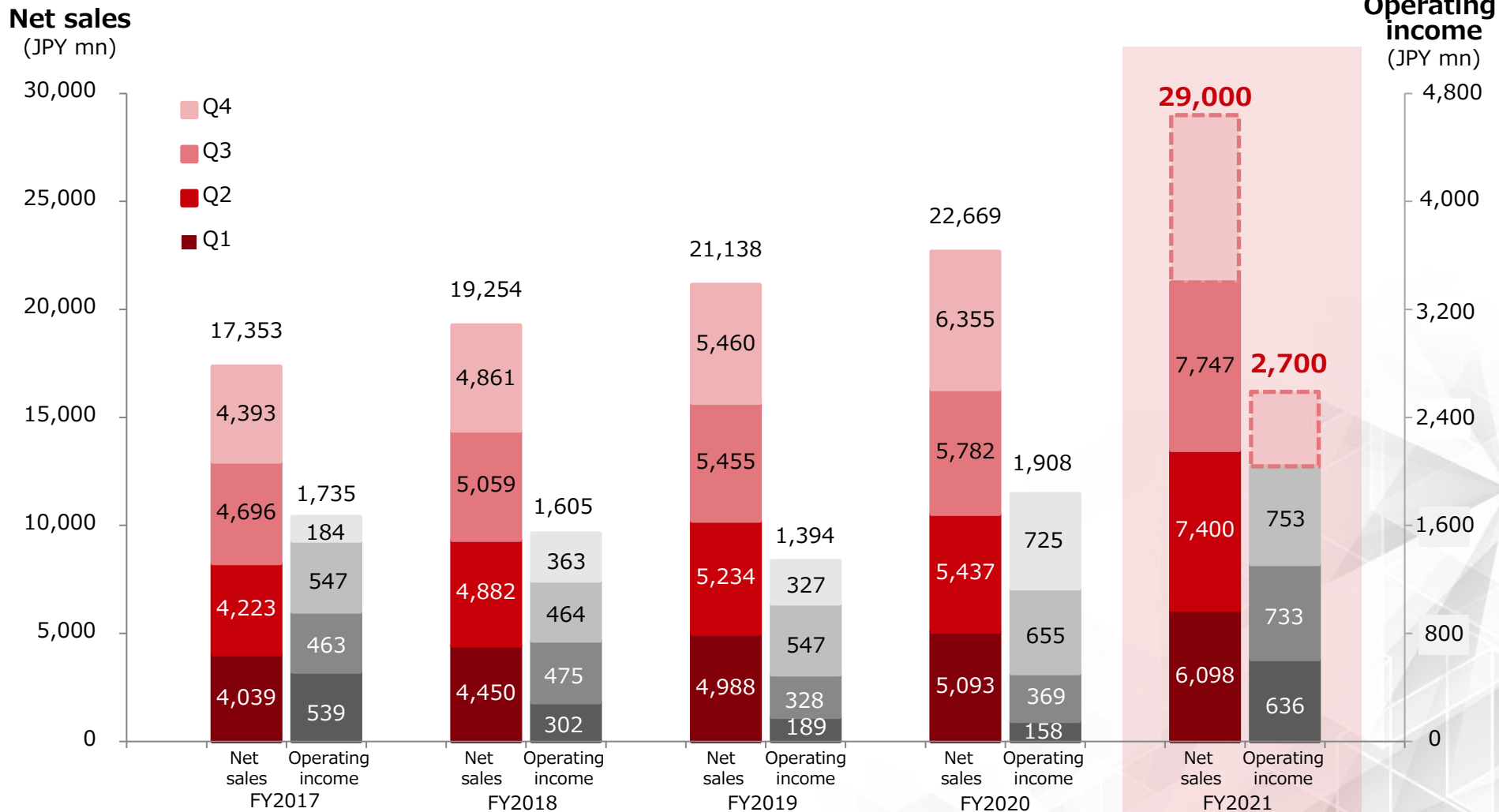


Q3 FY2020

Q3 FY2021

# Trend in Net Sales and Operating Income

**Aiming for significant record-high net sales and operating income, with keep actively investing in human resources and M&As for sustainable growth.**





# Consolidated Balance Sheets

(JPY mn)	Q4 FY2020 (As of March 31, 2021)	Q3 FY2021 (As of December 31, 2021)	YoY Change
<b>Total assets</b>	<b>14,338</b>	<b>17,001</b>	<b>2,662</b>
Current assets	9,744	10,658	913
Cash and deposits	5,076	5,746	669
Noncurrent assets	4,593	6,342	1,748
Property, plant and equipment	598	621	22
Intangible assets	2,670	4,225	1,554
Goodwill	2,467	3,945	1,477
Investments and other assets	1,324	1,495	170
<b>Total liabilities</b>	<b>8,024</b>	<b>9,413</b>	<b>1,388</b>
Current liabilities	7,904	9,354	1,449
Short-term loans	4,728	5,406	677
Noncurrent liabilities	119	58	-61
<b>Total net assets</b>	<b>6,314</b>	<b>7,588</b>	<b>1,273</b>
Shareholders' equity	5,642	6,719	1,076
Accumulated other comprehensive income	48	112	64
Subscription rights to shares	13	—	-13
Non-controlling interests	610	755	145
<b>Total liabilities and net assets</b>	<b>14,338</b>	<b>17,001</b>	<b>2,662</b>

# Q3 FY2021 Financial Results by Segment and Full-year Forecast of FY2021

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【Notice regarding Earnings by Segment】

- Net sales by segment include inter-segment sales or transfers. Segment income is based on operating income.
- Sub-segments of Entertainment Business changed from Q1 FY2021. For this reason, the figures for FY2020 and earlier by sub-segments of Entertainment Business are reclassified to reflect the change in sub-segments, and comparisons are made.

# Summary of Financial Results by Segment

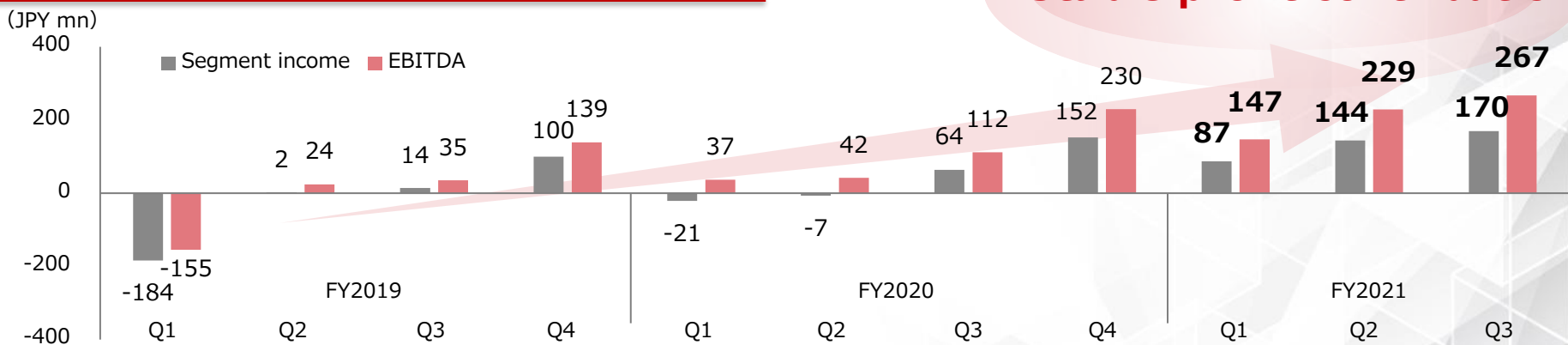
(JPY mn)	Q3 FY2020	Q3 FY2021	YoY Change
<b>Net sales</b>	<b>16,313</b>	<b>21,246</b>	<b>130.2%</b>
Enterprise	4,775	7,937	166.2%
Entertainment	11,538	13,308	115.3%
Adjustments	—	—	—
<b>Operating income</b>	<b>1,183</b>	<b>2,123</b>	<b>179.5%</b>
Enterprise	36	403	1,118.5%
Entertainment	2,153	2,884	134.0%
Adjustments	-1,006	-1,164	—
<b>EBITDA</b>	<b>1,460</b>	<b>2,568</b>	<b>175.8%</b>
Enterprise	193	644	332.9%
Entertainment	2,252	3,069	136.3%

# Financial Result of Enterprise Business

Achieved sales increase by **YoY 1.6 times** and a segment income margin of **5.1%** against the backdrop of the acceleration of DX in the market.

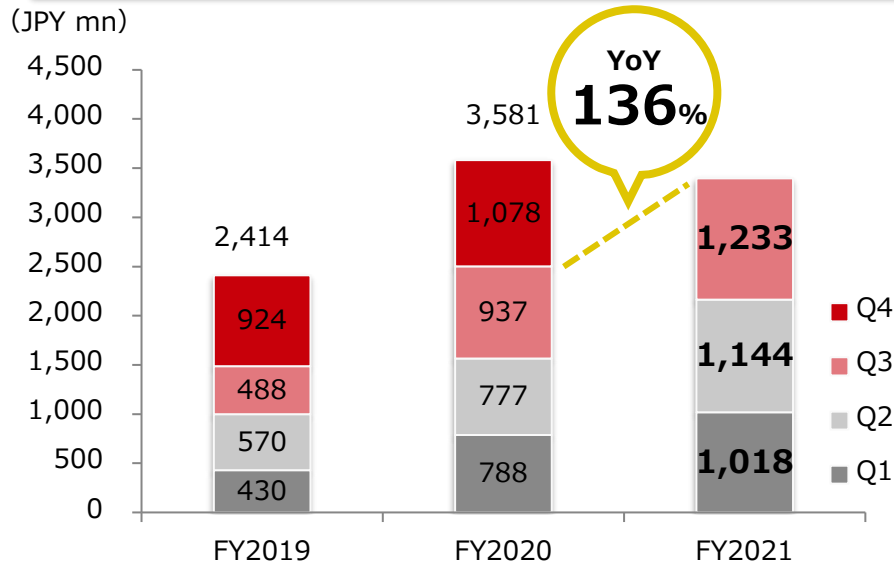
(JPY mn)	Q3 FY2020	Q3 FY2021	YoY Change
<b>Net sales</b>	<b>4,775</b>	<b>7,937</b>	<b>166.2%</b>
System Testing	2,503	3,395	135.7%
IT service / Security	2,272	4,541	199.9%
<b>Segment income</b>	<b>36</b>	<b>403</b>	<b>1,118.5%</b>
<b>EBITDA</b>	<b>193</b>	<b>644</b>	<b>332.9%</b>

## Quarterly results of Enterprise Biz

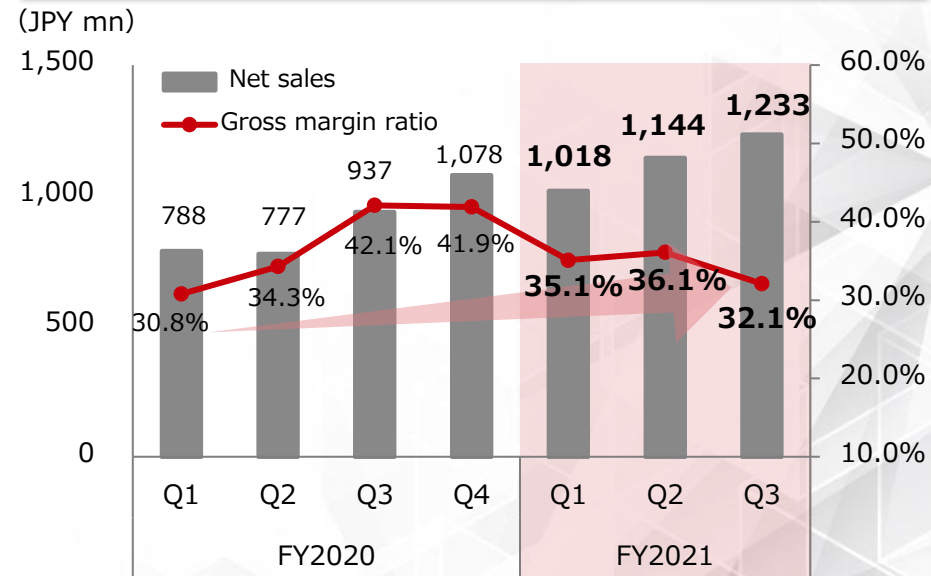


- Continued to **grow by more than YoY 1.3 times** through aggressive sales activities and strengthened cross-selling of services such as test automation, manual testing, and vulnerability diagnosis.
- M&A results of **MK Partners and TPP SOFT** by LogiGear started to contribute from Q2, and the **existing businesses also achieved double-digit growth**.
- Kept higher **gross margin ratio 34.4%** for Q3 (nine months) while continuing to invest in business expansion.

## Quarterly sales

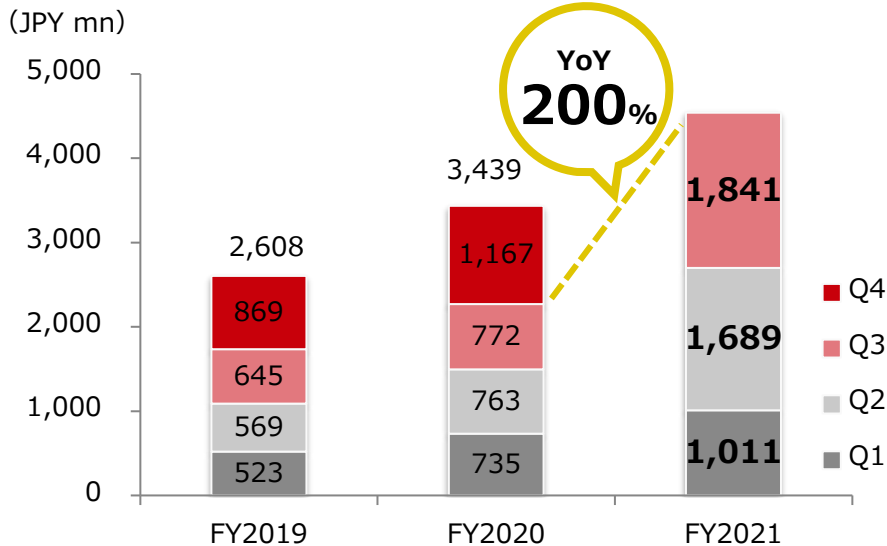


## Quarterly trend

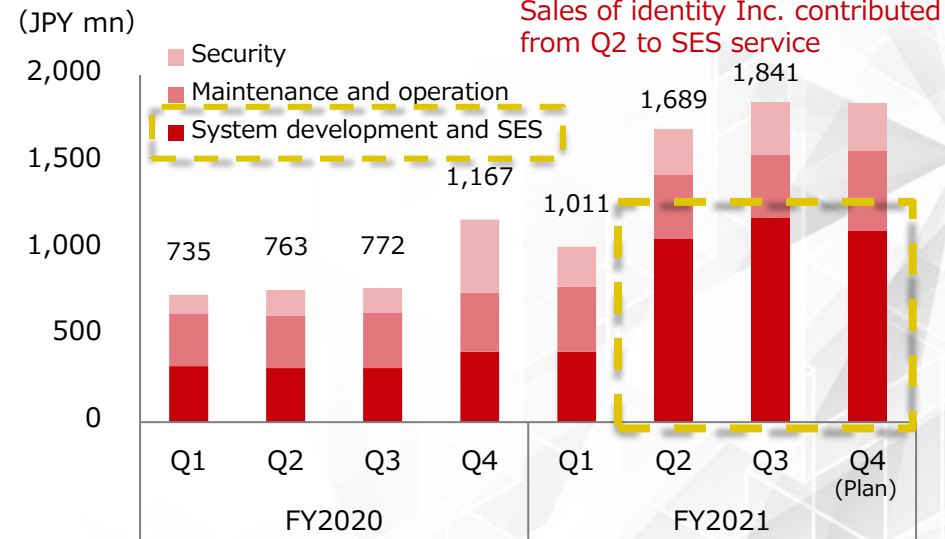


- Almost **doubled its Q3(nine months) net sales** compared to last year by existing businesses growth with acceleration of DX and expansion of remote work in the market and by contributions from the results of **identity Inc.** newly acquired in Q2.
- Achieved **double-digit revenue growth** of existing business in all categories of Security, Maintenance/operation, and System development/SES services.
- In response to growing cyber security demand, training and developing security personnel by utilizing our unique programs.

## Quarterly sales



## Quarterly trend

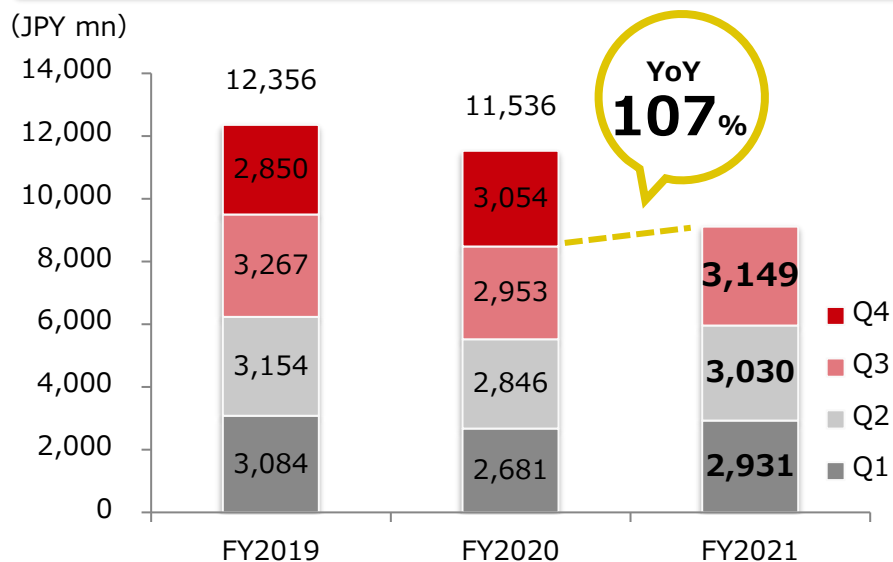


- **Sales growth in both Domestic Debugging and Global and others** by capturing increasing demand in the booming console game market and in the accelerating overseas expansion of entertainment contents.
- Segment income margin **reached a high level of 21.7%** thanks to the effects of higher sales and the gross margin improvement in Domestic Debugging.
- From Q1 FY2021, the classification of sub-segments has been changed to visualize **"Global and others"** as an independent growth driver of us.

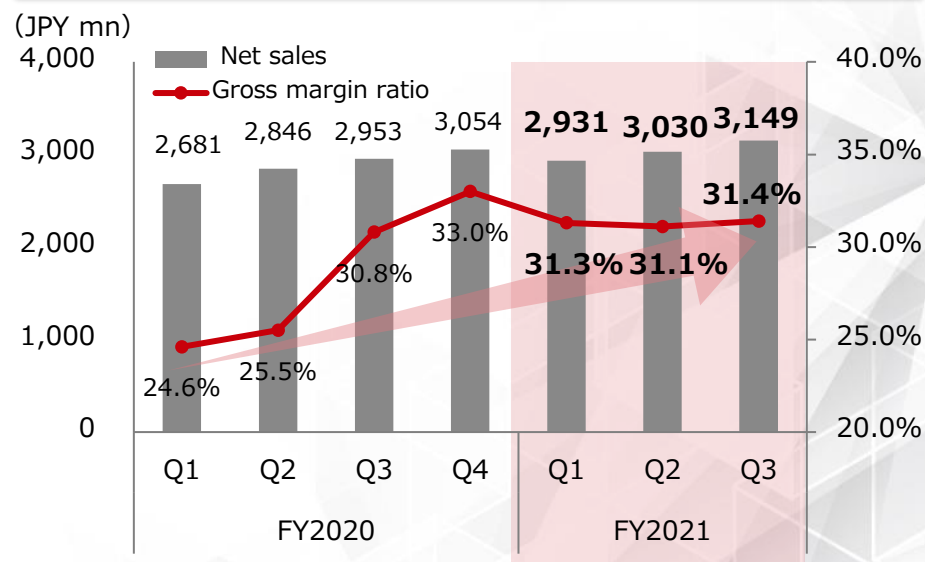
(JPY mn)	Q3 FY2020	Q3 FY2021	YoY Change
<b>Net sales</b>	<b>11,538</b>	<b>13,308</b>	<b>115.3%</b>
Domestic Debugging	8,481	9,111	107.4%
Global and others	3,056	4,196	137.3%
<b>Segment income</b>	<b>2,153</b>	<b>2,884</b>	<b>134.0%</b>
<b>EBITDA</b>	<b>2,252</b>	<b>3,069</b>	<b>136.3%</b>

- The growth in the Domestic Debugging division has been driven by debugging services for **console games with active new title developments**.
- Gross margin ratio was **over 31%**, maintaining a high level from the second half of the previous year, with larger sales volume and improvements in efficiency.
- Aiming to **further increase market share** as a leading company in game debugging and **further improve profitability** by higher operational efficiency.

## Quarterly sales



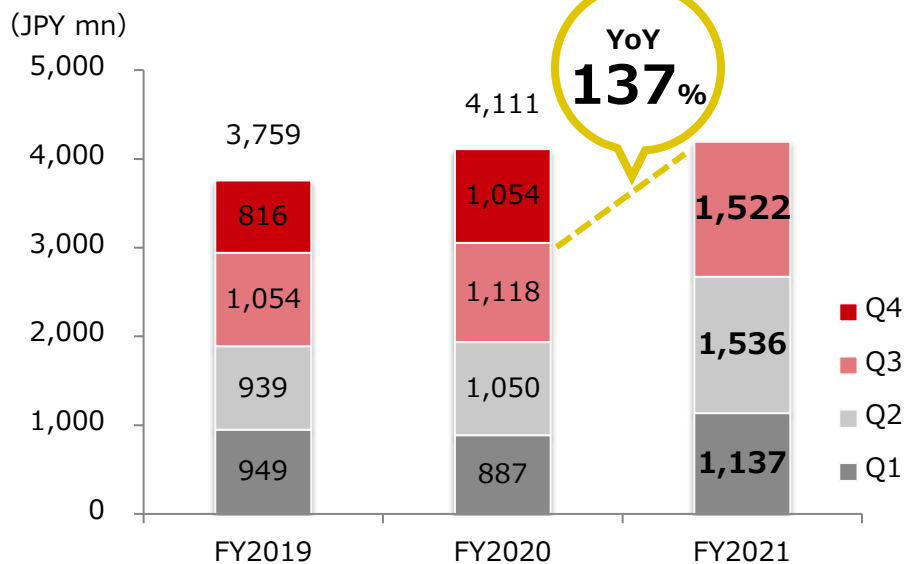
## Quarterly trend



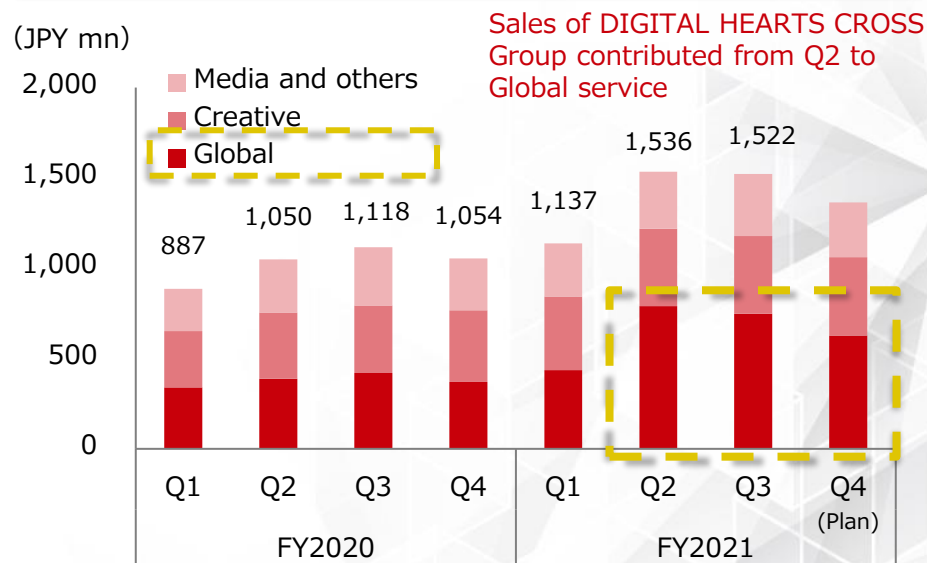


- Achieved **double-digit sales growth in every Global, Creative, and Media services** by steadily acquiring cross-border projects against the backdrop of booming market conditions.
- The existing businesses achieved **double-digit sales growth** excluding the impact of the results of **DIGITAL HEARTS CROSS** group newly acquired and contributed from Q2.
- Aiming for **rapid expansion** especially in Asian market by **pursuing synergies** with **DIGITAL HEARTS CROSS** group amid brisk expansion of contents abroad.

## Quarterly sales



## Quarterly sales by service



# FY2021 Consolidated Financial Forecast

Forecasting a significant increase in operating income to ¥2.7 bn(YoY 1.4 times), while continuing to invest for future growth in human resource and M&As, to achieve the medium-term target of ¥50.0 bn in net sales.

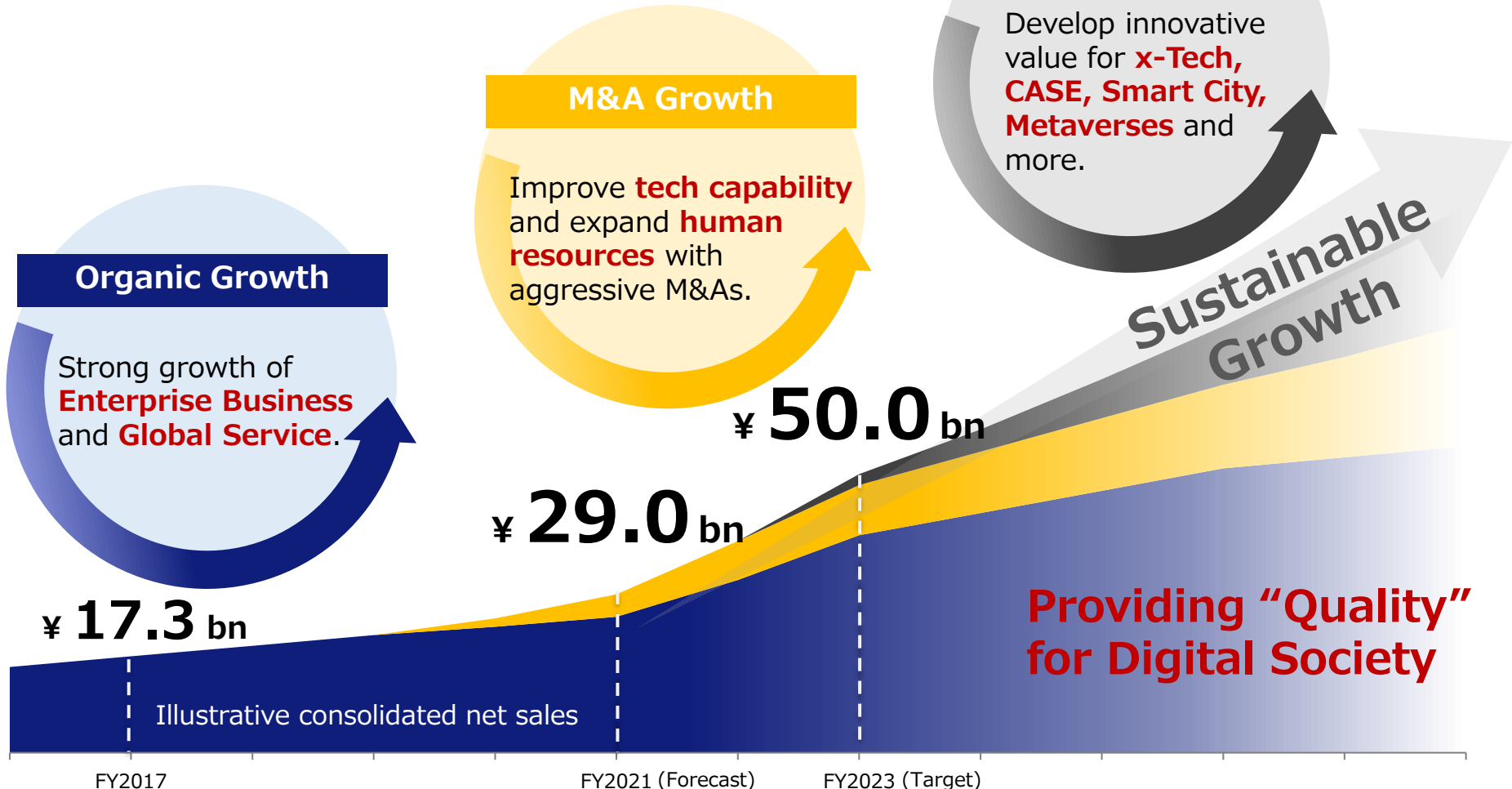
(JPY mn)	Full-year FY2020 (Actual)	Full-year FY2021 (Initial)	Full-year FY2021 (Revised)	YoY Change	Vs. initial forecast
<b>Net sales</b>	22,669	28,420	29,000	127.9%	102.0%
Enterprise	7,021	11,000	11,240	160.1%	102.2%
Entertainment	15,647	17,420	17,760	113.5%	102.0%
<b>Operating income</b>	1,908	2,100	2,700	141.5%	128.6%
Operating income margin	8.4%	7.4%	9.3%	0.9points	1.9Points
<b>Ordinary income</b>	1,975	2,100	2,800	141.7%	133.3%
<b>Profit attributable to owners of parent</b>	974	1,400	1,800	184.7%	128.6%
<b>EBITDA</b>	2,322	2,800	3,368	145.0%	120.3%

# Growth Strategy

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# For Future Sustainable Growth

With our mission "SAVE the DIGITAL WORLD", we keep contributing to the development of digital society.



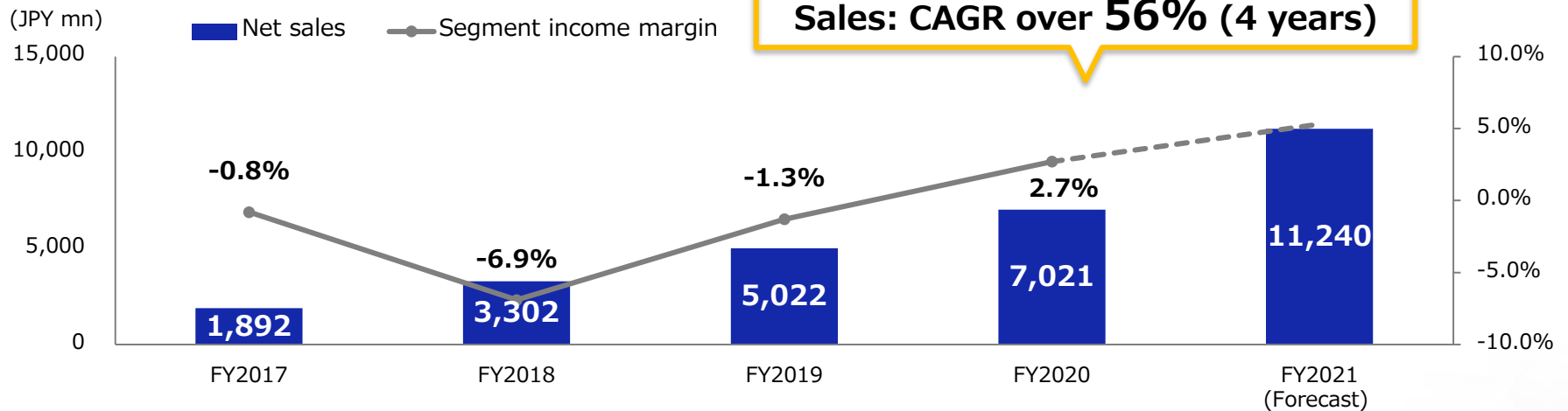
FY2017

FY2021 (Forecast)

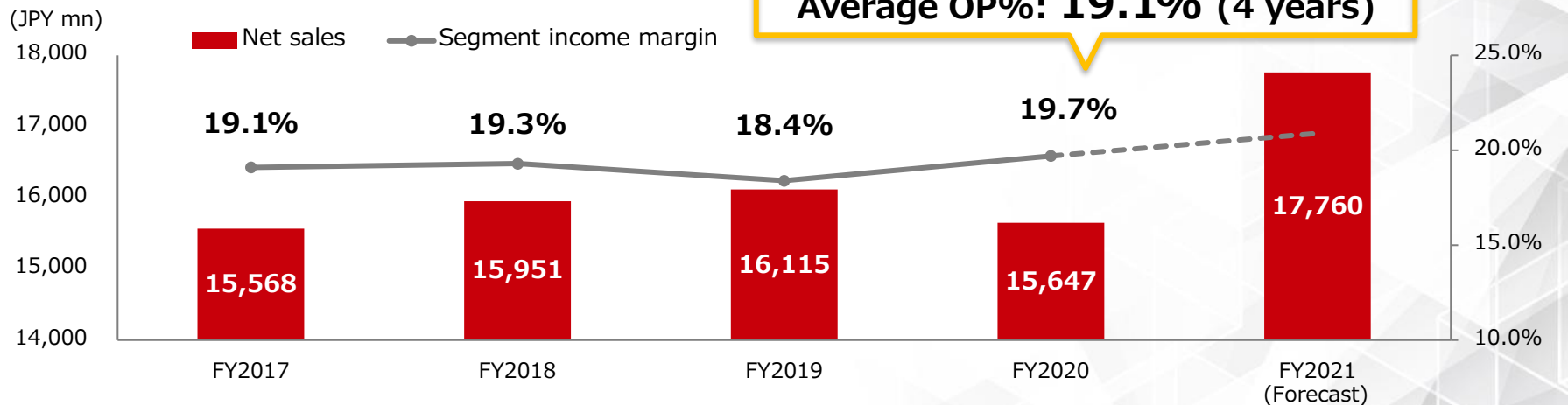
FY2023 (Target)

# Sales and Operating Income Margin by Segment

## Enterprise Business



## Entertainment Business

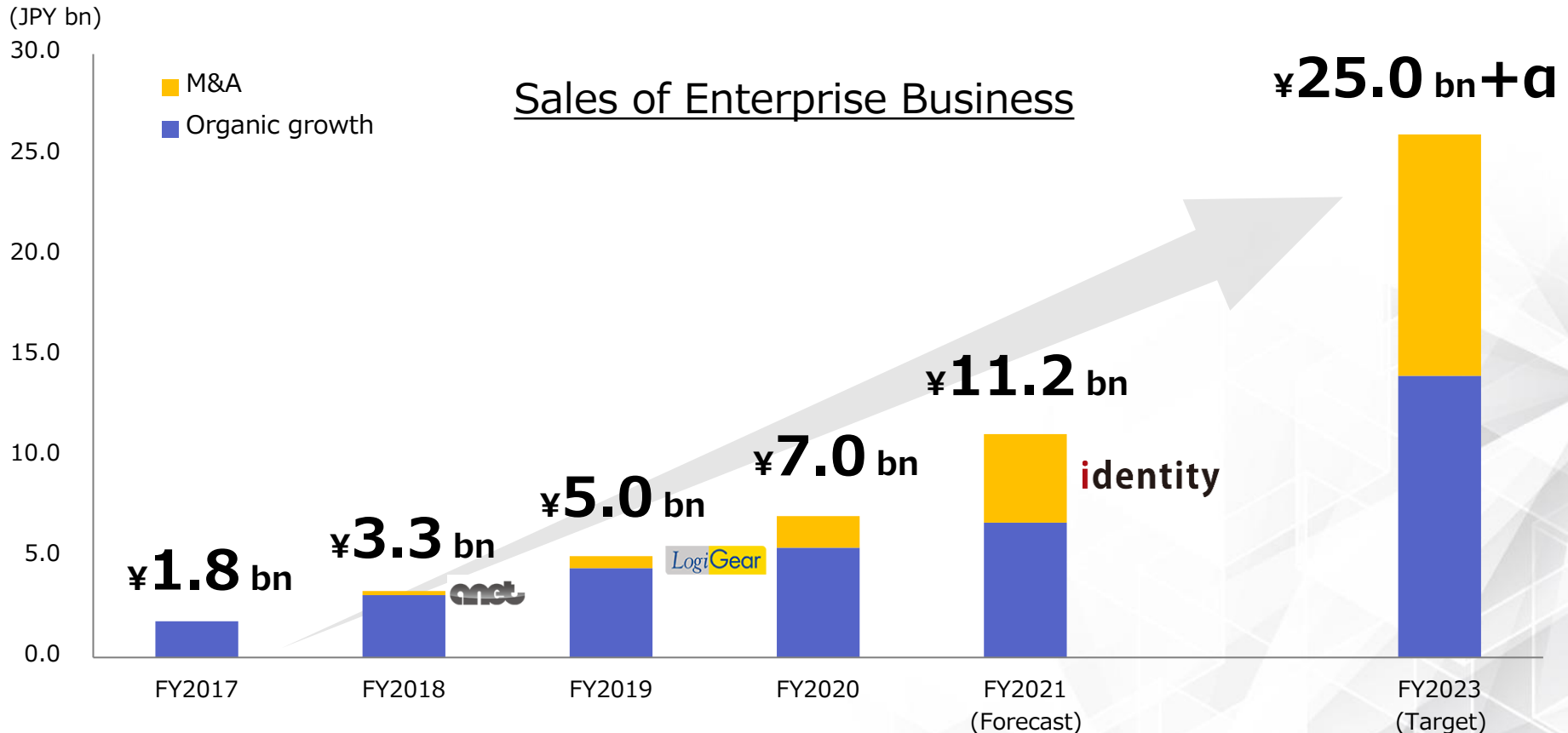


## Organic growth

Expand the engineer talent pool by utilizing diverse human resources and recruiting new engineers.

## M&As

Actively utilize M&As for the purpose of obtaining talented human resources and technological capabilities.



Launched full-scale business development and expansion since FY2017, and achieved rapid growth against the backdrop of a booming market environment due to the penetration of DX.

## 1. Enhancement of engineer resources

- Diversion of game testing part timers to engineers
- Recruiting and training of mid-career engineers
- Strengthen Leading-edge technology engineers

### Number of test engineers

Comparison between Q4 FY17 and Q3 FY21  
(Excluding effects of M&A)

**7.9 times**

## 2. Expanding the client base

- Increase the number of sales personnel
- Strengthen sales engineers
- Strong top sales

### Number of system testing clients with orders

Comparison between Q3 FY17 and Q3 FY21  
(Excluding effects of M&A)

**1.3 times**

## 3. Strengthening cross-selling

- Expansion of cyber-security services and others
- Promoting test automation using Autify and mabl, etc.

### Annual system testing sales per client

Comparison between Q3 FY17 and Q3 FY21  
(Excluding effects of M&A)

**2.1 times**

### Rapid sales growth

Sales of System Testing increased by **2.9 times** from Q3 FY17 to Q3 FY21.  
(Excluding effects of M&A)

### Changes of requirement

Changes from testing small and casual software such as mobile apps, highly compatible with game software, to testing ERP and DX-related systems.

Spin-out Enterprise Business Division as a company **AGEST, Inc.** to drive and accelerate the group's Enterprise Business.

Launching a company with "tech-oriented culture" that differs from "gaming culture"

Core Business Entity  
**DIGITAL HEARTS Co., Ltd.**



[Division]  
**Entertainment  
Business**



[Division]  
**Enterprise  
Business**



Spin-out

From April 1, 2022



**AGEST, Inc.**

(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)



**To develop the “Engineer-first” environment.**

**Career**

**Diverse career paths for various engineers**

**Culture**

**“Tech-oriented culture”**

- Quick focusing on core issues and solving them by proper technologies
- Enjoying both inputs and outputs
- Taking on the challenge of cutting-edge technologies
- Placing top priority on “Agility”

**Workstyle**

**Digital workplace to promote diverse workstyles**

**Skill up**

**To establish R&D center and Educational institutions for cutting-edge testing technologies**

**Office**

**The launch of Engineer-centered office in Tokyo**

**AGEST Testing Lab.**

R&D testing methods for cutting-edge technologies



**AGEST Academy**

World-class test engineer training program



**Business**



**To create New services using advanced technologies of AGEST Testing Lab.**



## To develop a global standard of software testing through innovation by researching advanced technologies and developing QA engineers.

Improve technical capabilities and expertise

**Collaboration with agile development experts**

Technical Adviser  
Mr. Fujiwara

Partner  
Red Journey inc.

**CTO**  
Kazutaka Jokura




Overall Technology

**CTSO(\*)**  
Juichi Takahashi



Technology of Software Test

**CPO(\*)**  
Mamoru Seki



Project Consulting

**Collaboration with software testing experts**

Worldwide authority to test

Past President of the ISTQB (\*)




Mr. Nguyen      Mr. Black

**Researching advanced technologies**

**AGEST Testing Lab.**

- Develop new testing methods suitable for agile developments
- Develop software testing tools
- Industry-university collaboration etc...

**Developing software testing engineers IT specialists**

**AGEST Academy**

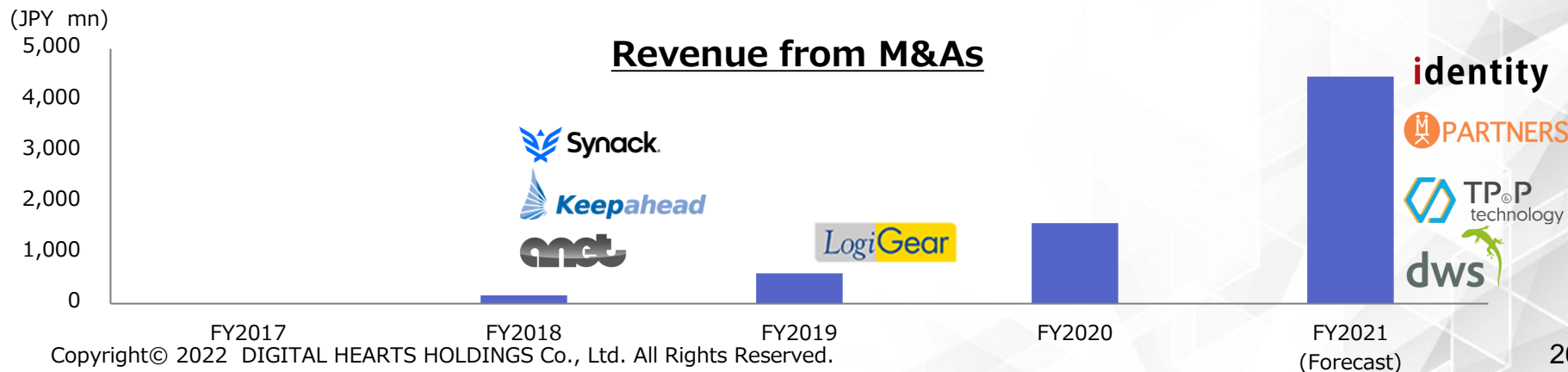
- World-class training programs for software testing
- Development programs for cyber-security specialists based on the knowledge of ethical hackers etc...

Representative of our Group Company "LOGIGEAR CORPORATION"

## Aggressive M&As to strengthen Enterprise Business.

### Past M&As

ANET Corporation	Stock purchase	Software testing company in Japan focusing on medical industry
Keepahead Co.Ltd.	Acquisition of business	Telecommunications software development company in Japan
Synack, Inc.	Business alliance	U.S. company providing penetration tests by global ethical hackers
LOGIGEAR CORPORATION	Stock purchase	U.S. Silicon Valley software testing company with its unique test automation tools and offshore bases in Vietnam
TPP SOFT, JSC	Established the JV	Software development company in Vietnam with customers in Europe and the U.S.
MK Partners, Inc.	Stock purchase	U.S. company providing Salesforce consulting service
identity Inc.	Stock purchase	IT engineer platform service provider in Japan with large number of registered freelance engineers
DEVELOPING WORLD SYSTEMS LIMITED	Stock purchase	U.K. company with unique service including test automation tools for Oracle software



## Strategic growth with M&As based on a strict discipline, aiming to strengthen and expand Enterprise Business.

### M&A Strategy

1. Strict **ROIC standards** to maintain higher investment efficiency and profitability  

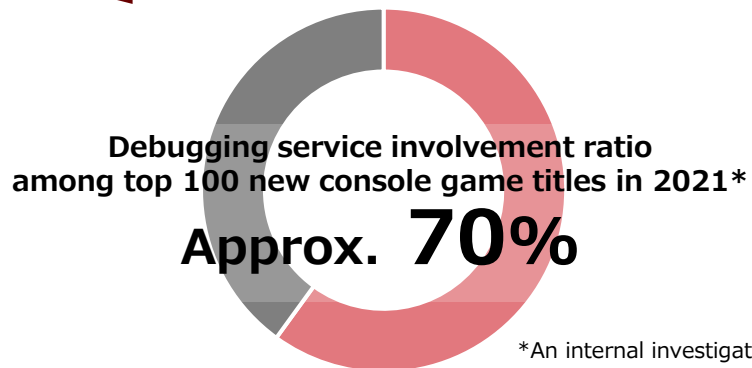
$$*ROIC = EBITDA \times (1 - \text{effective tax rate}) \div (\text{interest-bearing debt} + \text{shareholders' equity})$$
2. Targeting companies with **future growth potential** and **current stable profitability**
3. Well balanced **PMI initiatives** between its organic growth and synergies with our group

### Criteria for selecting target companies

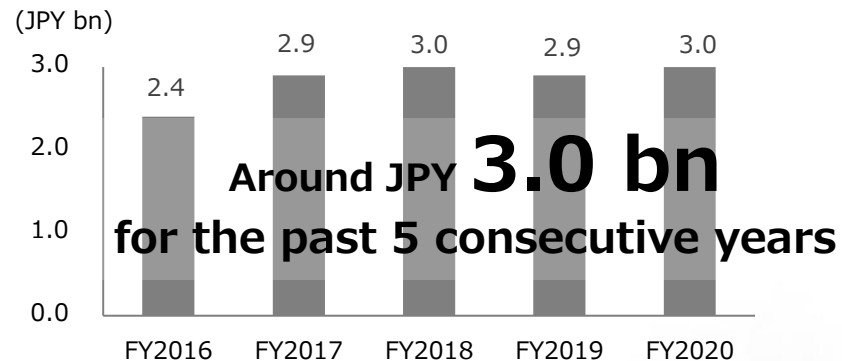
1. With talented engineers or IT specialists, or familiar with cutting-edge technologies such as test automation, AI related fields, and others.
2. With strengths in specific software development or IT solutions such as ERP or CRM.
3. With strengths in specific industries, such as e-commerce, healthcare, retailing, and manufacturing.



## Market Leader in domestic debugging service



## Strong operating profit



## Passionate talents who love game



Approx. **8,000**  
registered testers

## Abundant and wide variety of test terminals



Game consoles  
**1,571**



Smartphones  
**5,913**  
(As of March 31, 2021)

## 20+ offices and operation centers



Domestic  
**13**

Global  
**8**

(As of March 31, 2021)

## Domestic

Game market size (Domestic/FY2020) \*

Approx. USD **18** bn

**Firm Growth**

Our theme

**Reliable partner with game clients,  
providing Higher Quality Services**

Major initiatives

- 1. Overwhelming Market Share**  
Helping game clients succeed with best quality services in game debugging
- 2. More Cross/Up Sells**  
Providing our solutions from game development to marketing/customer support
- 3. Higher Productivity**  
Utilizing AI/IT tools and developing efficient/flexible operations

## Global

Game market size (Global/FY2020) \*

Approx. USD **180** bn **Rapid Growth  
YoY 131.6%**

Our theme

**Global Partner for worldwide contents,  
providing Expertise Services**

Major initiatives

- 1. Comprehensive Services in Asia**  
Strengthening Asian service networking of localization and local marketing services
- 2. More M&As and Alliances**  
Acquiring service capabilities in the U.S. and Europe
- 3. Global One Stop Services for Games and Beyond**  
Expanding services for global contents/apps

# Medium-Term Targets (FY2021-FY2023)

## FY2023 Target

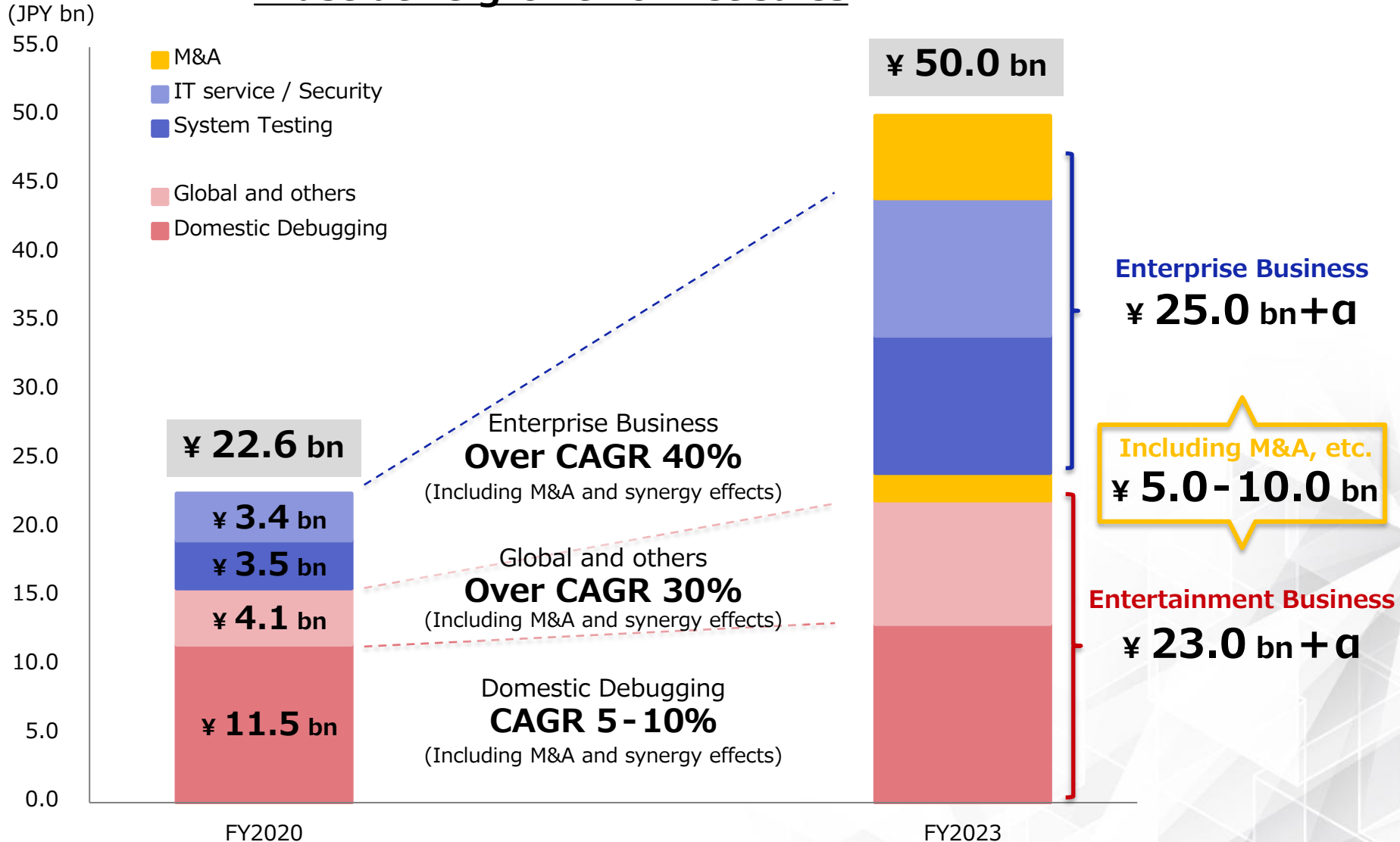
	<FY2020 Result>		<FY2023 Target>
Consolidated Sales	¥ <b>22.6</b> bn	»	¥ <b>50.0</b> bn
ROIC <sup>(*1)</sup>	<b>16.8%</b>	»	over <b>15%</b>
M&A projects	<b>3</b> projects	»	<b>5</b> projects (in 3years)
Number of Clients in Japan as a group	<b>878</b> companies	»	<b>2,000</b> companies
Number of IT Human Resources incl. Qualitist <sup>(*2)</sup>	<b>4,517</b> people	»	<b>20,000</b> people
Female managers ratio (ratio to total managers) <sup>(*3)</sup>	<b>10.7%</b>	»	over <b>20%</b>

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

\*2 Qualitist...Our original term for specialist contributing to the quality incl. engineers

\*3 calculated from the data of our group companies in Japan

## Illustrative growth of net sales





# Appendix

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Employment creation  
for more than  
**8,000** testers



Ratio of  
independent  
outside directors  
**40.0%**



One of the few  
testing focusing companies  
in Japan



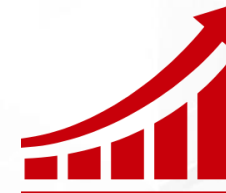
Business that supports  
**Digital security**



Foreign staff  
members of more  
than  
**20** nationalities



High market growth rate\* with  
CAGR at **12%**



\*Data on the growth rate of the market of software testing services for 2020 to 2024  
(References)Websites related to "Global Software Testing Services Market 2020-2024"

Our Mission

## SAVE the DIGITAL WORLD

Market environment

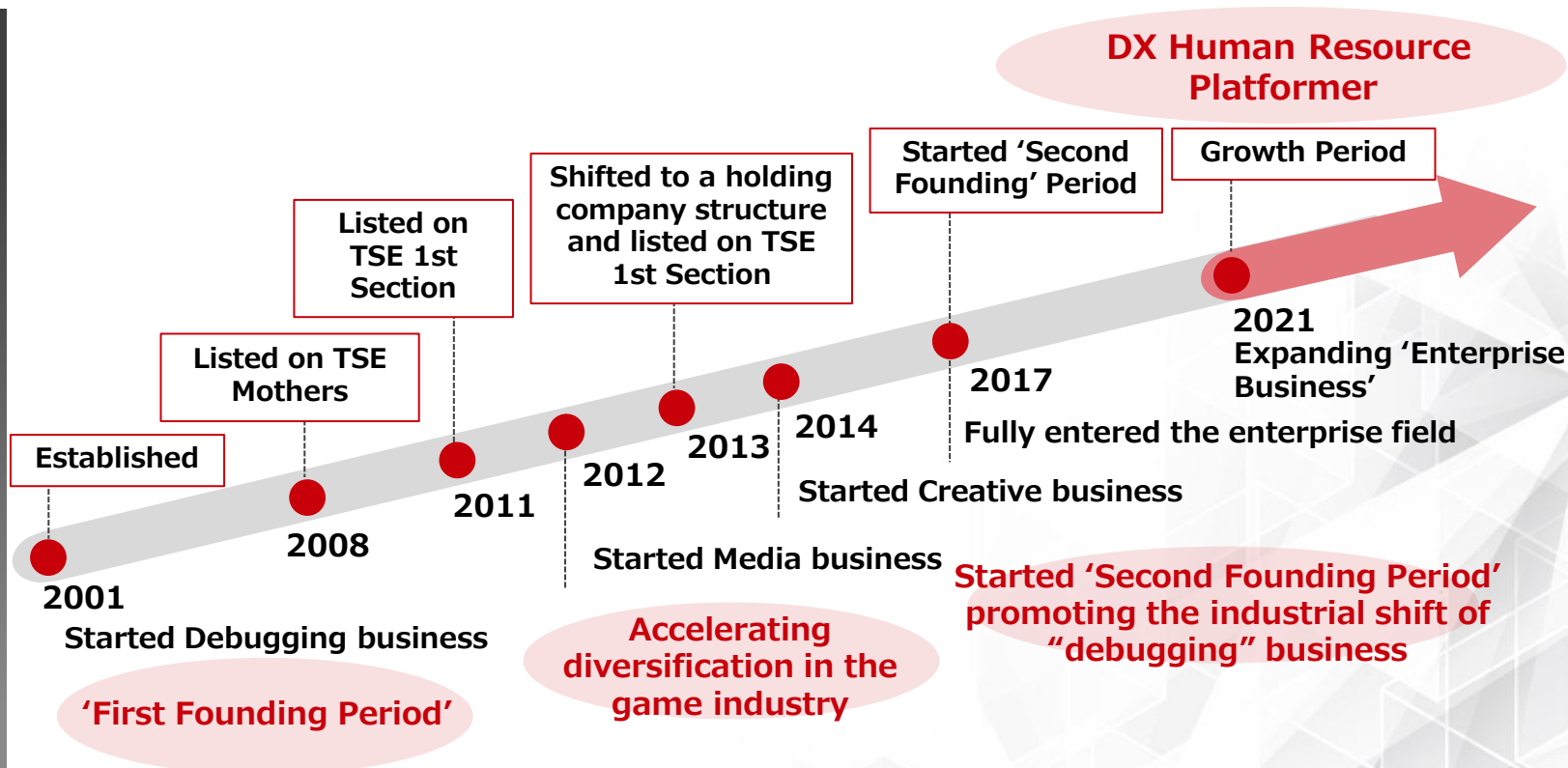
Growth of console game market

Growth of mobile game market

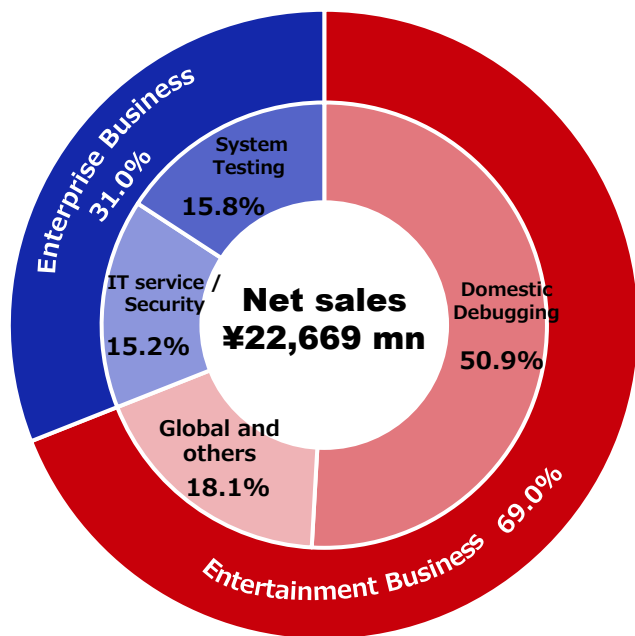
Expansion of IoT

Expansion of DX

History



## Our core business: System Testing and Debugging

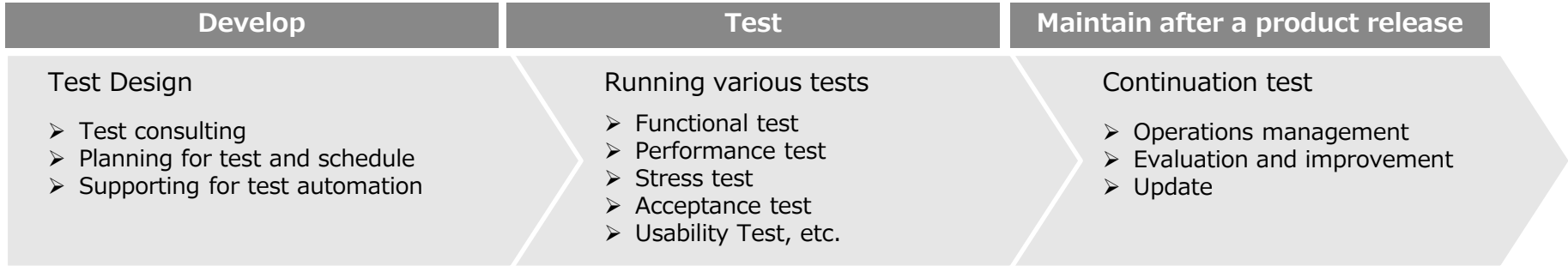


### Sales breakdown by segment (FY2020)

※Sales of each segment and unit include inter-company sales and/or transfers.

Enterprise Business	System Testing	15.8%	<ul style="list-style-type: none"> <li>➤ Testing for enterprise system incl. website</li> <li>➤ Test automation support</li> <li>➤ DevOps / Agile testing support</li> </ul>
	IT service / Security	15.2%	<ul style="list-style-type: none"> <li>➤ Development support of IT System</li> <li>➤ IT support</li> <li>➤ Security testing / monitoring</li> </ul>
Entertainment Business	Domestic Debugging	50.9%	<ul style="list-style-type: none"> <li>➤ Debugging for console games, mobile games and pachinko/slot machines</li> </ul>
	Global and others	18.1%	<ul style="list-style-type: none"> <li>➤ Translation, LQA*, and localization for game software</li> <li>➤ Marketing support for game launching in overseas markets</li> <li>➤ Game development and CG development</li> <li>➤ Game information site "4Gamer.net"</li> </ul>

## Our Services



## Outline of Services

Service	Description	Main client	Barriers to entry	Outsourced Projects Ratio
<b>System Testing</b>	Detection of bugs in enterprise systems from a test-engineers' knowledge.	<ul style="list-style-type: none"> <li>- SIers</li> <li>- Development vendors</li> <li>- Core system enterprises</li> </ul>	<p>Middle</p> <p>↑ Human resource shortage in IT Industry</p>	Low
<b>Debugging</b>	Detection of bugs in games from a player's perspective.	<ul style="list-style-type: none"> <li>- Game makers</li> </ul>	<p>High</p> <p>↑ A license for purchasing dedicated equipment for debugging is required.</p> <p>↑ Knowledge and expertise on human resource management to accommodate changeable development schedules are required.</p>	High

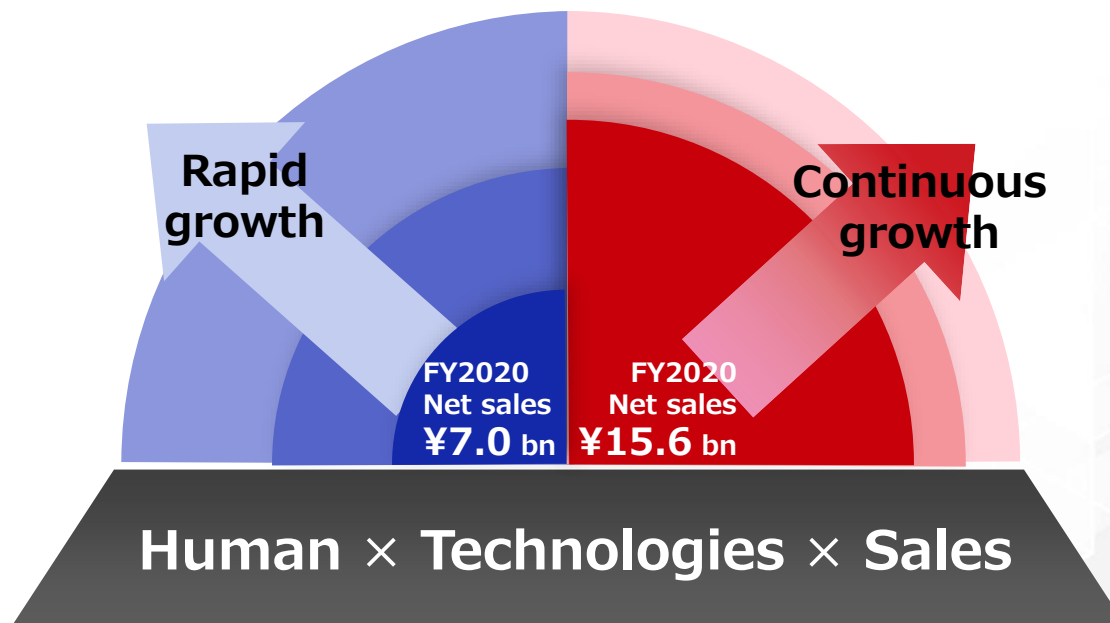
## Keep higher growth centered on the Enterprise Business Medium-term target : Sales of ¥50.0 bn and ROIC of over 15% in FY2023

### Enterprise Business

- The outsourcing of test processes is accelerated, due to the acceleration of DX and the serious human resources shortage in the IT industry.
- ◆ Accelerate investment in human capital and technologies for business expansion.
- ◆ As the main growth driver, aiming for continuous rapid growth.












### Entertainment Business

- The domestic game market remained stable.
- ◆ Focus on expanding business through "comprehensive localization" such as translation and marketing service necessary for overseas expansion of game titles.
- ◆ Continue to improve profitability as a core business of the company.



# Consolidated financial statement

(JPY mn)	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
Net sales	13,285	15,011	15,444	17,353	19,254	21,138	22,669
Enterprise Business	1,713	2,382	1,952	1,892	3,302	5,022	7,021
Entertainment Business	11,609	12,696	13,544	15,568	15,951	16,115	15,647
Adjustments	-39	-70	-52	-108	-0	-	-
Operating income	1,517	1,963	1,906	1,735	1,605	1,394	1,908
Enterprise Business	50	71	203	-14	-226	-67	188
Entertainment Business	1,915	2,379	2,453	2,966	3,086	2,964	3,077
Adjustments	-447	-486	-750	-1,215	-1,254	-1,503	-1,356
Operating income margin	11.4%	13.1%	12.3%	10.0%	8.3%	6.6%	8.4%
Enterprise Business	2.9%	3.0%	10.4%	-	-	-	2.7%
Entertainment Business	16.5%	18.7%	18.1%	19.1%	19.3%	18.4%	19.7%
Profit attributable to owners of parent	539	361	795	1,200	1,575	792	974
Total assets	8,272	6,533	7,651	8,575	9,832	10,637	14,338
Current assets	5,756	5,064	6,221	6,813	7,403	7,453	9,744
Cash and deposits	3,058	2,197	3,344	3,894	4,197	3,739	5,076
Noncurrent assets	2,516	1,469	1,430	1,761	2,428	3,183	4,593
Goodwill	1,169	437	201	150	481	1,027	2,467
Total liabilities	4,104	3,444	4,793	5,005	4,819	5,198	8,024
Interest-bearing liabilities	1,865	1,367	1,646	1,610	1,764	2,553	4,797
Total net assets	4,168	3,089	2,858	3,570	5,012	5,438	6,314
Shareholders' equity ratio	4,092	2,814	2,632	3,369	4,791	4,922	5,691
Shareholders' equity ratio	49.5%	43.1%	34.4%	39.3%	48.7%	46.3%	39.7%
Net cash	1,193	830	1,698	2,283	2,433	1,186	278
Debt Equity Ratio	0.5	0.5	0.6	0.5	0.4	0.5	0.8
Net cash provided by operating activities	870	1,080	1,825	1,436	889	1,086	1,416
Net cash used in investing activities	-568	-17	-610	-618	62	-1,018	-1,813
Net cash provided by (used in) financing activities	-950	-1,913	-69	-250	-693	-515	1,730
ROE	13.8%	10.5%	29.2%	40.0%	38.6%	16.3%	18.4%
Dividend Payout Ratio	37.6%	60.4%	32.3%	20.9%	18.0%	38.6%	31.0%

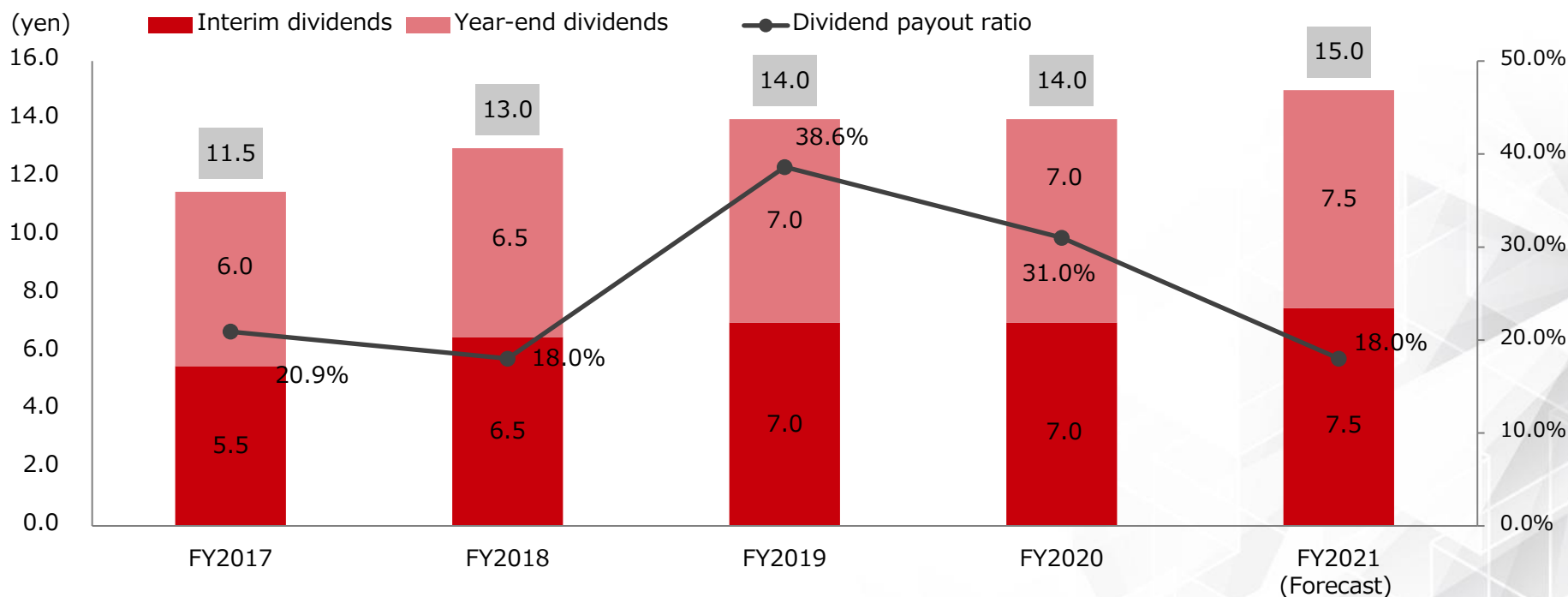
	Aims	Past M&As		
Enterprise Business	Acquisition of engineers	 Software testing engineers in Japan	 Software development engineers in Vietnam	 High skill domestic freelance engineers
	Acquisition of technological capability	 Test automation tools and offshore engineers in Vietnam	 Salesforce consulting	 Test automation tools for Oracle software
Entertainment Business	Acquisition of new services for game industry	 Operation of a game information site "4Gamer.net"	 Game software development / CG content development	
	Geographical expansion	 Game translation in South Korea	 Game translation in Taiwan	 Marketing and promotion support in China and Asian countries



## Basic Policy to Return Profits to Shareholders

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

## Changes in dividends



## Major risks

## Countermeasures

### 1. Leakage of confidential information

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

### 2. Obsolescence of existing services by technological innovation

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

### 3. Reduction of productive population in Japan

- Developing internal training programs that will enable the active participation of members with diverse generational, racial, and other backgrounds
- Securing human resources strategically by using overseas offices as well

### 4. Expansion of corporate acquisition and new businesses

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

# (Ref.) Our Aims for Sustainable Value Creation

## Our Major Initiatives and Sustainable Development Goals (SDGs)

### Human resource

#### To resolve the shortage of IT human resource

- In-house support system for all employees (incl. part-timers) to acquire the test engineer's qualification "JSTQB".
- Ethical hacker training courses and engineer training programs for employees.
- Opened a free school for engineers in collaboration with WORKPORT, inc.
- Project to discover and foster potential ethical hacker candidates among high school students in collaboration with HASSYADAI.social.



### 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 20 countries/areas, such as Asia, Europe and the U.S., who engage in translation/linguistic debugging service, etc.



### Technology

#### To realize a secure and safe digital society

- Contribute to improve quality of various kinds of software through game debugging, system testing, and other services.
- Preservation of information assets in the net society through cyber security services.
- Challenges for technological innovation through research and development on test automation and AI utilization.



### Communities

#### To revitalize local community and resolve IT disparities

- Create jobs through out nationwide test centers (Lab.) and promote teleworking/work-from-home style by Remote Debugging service.
- Implemented "Cyber Security Support Team for SMEs in Tohoku region" as one of projects of Information-technology Promotion Agency, Japan (IPA)



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

## Enterprise Business

### **AGEST, Inc.**

System testing, Cyber-security, etc.



### **LogiGear Group**

System Testing, Test Automation Support



### **MK Partners, Inc.**

Salesforce consulting



### **TPP SOFT, JSC**

System development



### **DEVELOPING WORLD SYSTEMS LIMITED**

Introduction and maintenance support for Oracle products



### **ANET Corporation**

System Testing



### **identity Inc.**

IT freelance engineer platform service



### **Red Team Technologies Co., Ltd.**

Ethical hacker service and technical support



## Entertainment Business

### **DIGITAL HEARTS Co., Ltd.**

Game debugging, Localization, etc.



### **DIGITAL HEARTS CROSS Group**

Marketing support, etc.



### **DIGITAL HEARTS (Shanghai) Co., Ltd.**

Game debugging, Localization, etc.



### **Orgosoft Co., Ltd.**

Game debugging, Localization



### **Digital Hearts Linguitronics Taiwan Co., Ltd.**

Game translation



### **FLAME Hearts Co., Ltd.**

Game development and CG content development



### **Aetas, Inc.**

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



Terms	Meaning
Enterprise Business	Our business segment of services for non-game, enterprise software including software testing and cyber security. It is our group's growth driver with big social change of DX.
Entertainment Business	Our business segment of services for game and entertainment industries including debugging and localization. It is our "cash cow" in Japan and growing in the global market.
System Testing	Detecting enterprise system bugs for ERP, websites, business apps and others. We use this word for "Enterprise Business."
Debugging	Detecting game software bugs from the user's perspective. We use this word for "Entertainment Business." "Debugging" may refer to identification and correction of errors, but we specialize in "identifying and reporting bugs" without correcting them. 1/3 of debugging is for console games and 2/3 is for mobile games.
QA	Abbreviation for "Quality Assurance", including software testing and game debugging.
LQA	Abbreviation for "Linguistic Quality Assurance" such as translating to foreign language and detecting errors the game software from localization view.
Test engineer	Engineers for software testing. It is not popular in Japan as a job career, and we have recruit IT engineers and trained them to become test engineers.
Tester	We refer "tester" as staff who carries out debugging service. Most of our testers are registered part-time jobbers. Some are trained to work as test engineers or cyber-security specialists.
Console games	A game played using dedicated hardware devices such as Nintendo Switch and PlayStation.
Qualitist	Our original term for specialist contributing to the software quality. It includes not only various IT specialists such as test engineers and cyber-security specialists for Enterprise Business, but also testers, translators, 2D/3D graphic designer and others for Entertainment Business in the game industry.



DIGITAL HEARTS HLDGS.

<Contact>

**Investor and Public Relations Division**

**Phone : +81-3-3373-0081**

**Email : [ir\\_info@digitalhearts.com](mailto:ir_info@digitalhearts.com)**

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

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