

Presentation Material

for the Three Months Ended June 30, 2022

August 9, 2022

Tokyo Stock Exchange Prime Market: Code 3676

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

Summary of Business Results

Financial Highlights for the First Quarter of the Fiscal Year Ending March 31, 2023



DIGITAL HEARTS HLDGS.

Record high net sales and operating income in Q1

| | | | | | |
|-----------|----------------------------------|------------------|--------------------------------|--------|--------------------------------|
| Net sales | ¥8,372 mn (YoY 137.3%) | Operating income | ¥639 mn (YoY 100.5%) | EBITDA | ¥893 mn (YoY 121.9%) |
|-----------|----------------------------------|------------------|--------------------------------|--------|--------------------------------|

- The Enterprise Business, our focus business, **drove sales growth**, and the Entertainment Business also **achieved double-digit growth** against the backdrop of the favorable game market.
- Achieve an operating income growth and **record a sharp increase of EBITDA by YoY 121.9%**, despite launching expenses for AGEST, Inc., such as **opening new offices, increasing in personnel** for business expansion, and **developing new business systems**.

Results overview

Continued active implementation of M&A

CEGB Co., Ltd.

Stock purchase
(In March 2022)

Consolidated to PL from FY2022 Q1.
Promote business expansion in the ERP area.



Sobal Corporation

Absorption-type
company split
(In August 2022)

Succeeded their quality assessment business
including approximately 130 test engineers.



GameWith, Inc.

Capital and
business alliance
(In June 2022)

Capital and business alliance aiming to add value
on Entertainment Business.



Topics

Resolution of the equity finance (Stock acquisition rights)

Transaction size (plan) Approx. **¥4.2 billion**
(Approximate amount after payment of expenses)*

Tenor: **July 20, 2022 to July 19, 2024)**

Purposes

- I. Waiting funds for future M&A
- II. Repayment of existing M&A bank loans
- III. Expenses for R&D initiatives and recruitment and training of engineers

By increasing the number of outside directors and executive officers, aiming to strengthen governance structure and improve business execution capabilities.

New management structure



Representative Director,
President and CEO
Yasumasa Ninomiya



Director and Chairman
Eiichi Miyazawa



Director, Executive
Vice President and CFO
Toshiya Tsukushi



Outside Director
Takashi Yanagiya



Outside Director
Emiko Murei



Outside Director
Ryo Chikasawa



Standing Audit &
Supervisory Board
Member
Masahide Date



Audit & Supervisory
Board Member
Keiya Kazama



Outside Audit &
Supervisory Board
Member
Toshifumi Nikawa



Outside Audit &
Supervisory Board
Member
Yoko Okano

Executive Officer and CSO **Tadahiro Ando**
Executive Officer and CTO **Kazutaka Jokura**
Executive Officer and CIO **Mamoru Seki**
Executive Officer **Toshiyuki Takahashi**
Executive Officer **Hideto Itami**

Points

- Outside director : **Three outside directors out of six directors**, to strengthen our governance
- Diversity : Appoint a new female director and **increase the number of female executives from one to two**
- Executive officers : **Increase the number of members** to improve business execution capabilities

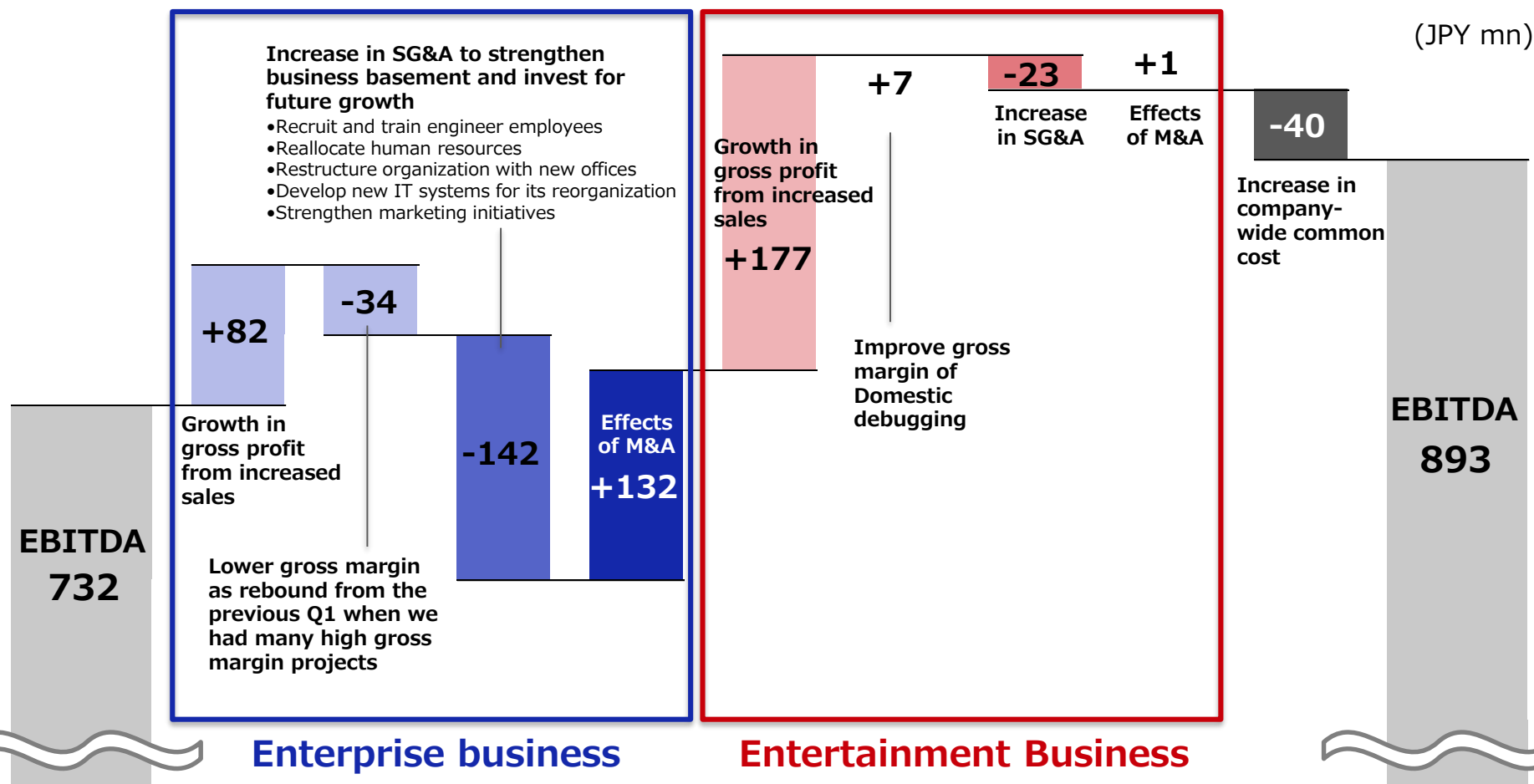
Summary of Financial Results for FY2022

Significant increase in sales due to the growth of existing businesses and the impact of M&As. Operating income increased and EBITDA grew significantly, despite aggressive investment for growth.

| (JPY mn) | Q1 FY2021 | Q1 FY2022 | YoY Change | |
|--|--------------|--------------|--------------|-------------------|
| Net sales | 6,098 | 8,372 | 2,273 | 137.3% |
| Cost of sales | 4,271 | 5,899 | 1,628 | 138.1% |
| Cost of sales (%) | 70.0% | 70.5% | | +0.4points |
| Gross profit | 1,827 | 2,472 | 645 | 135.3% |
| SG&A | 1,191 | 1,832 | 641 | 153.9% |
| Operating income | 636 | 639 | 3 | 100.5% |
| Operating income margin | 10.4% | 7.6% | | -2.8points |
| Ordinary income | 670 | 637 | -32 | 95.2% |
| Profit attributable to owners of parent | 487 | 416 | -71 | 85.3% |
| EBITDA | 732 | 893 | 160 | 121.9% |

Analysis of Changes in EBITDA

While aggressively investing in the Enterprise Business for its developing business basement and future growth, **EBITDA grew by 121.9% YoY** due to the growth of existing businesses and the effects of M&As.



Enterprise business

Entertainment Business

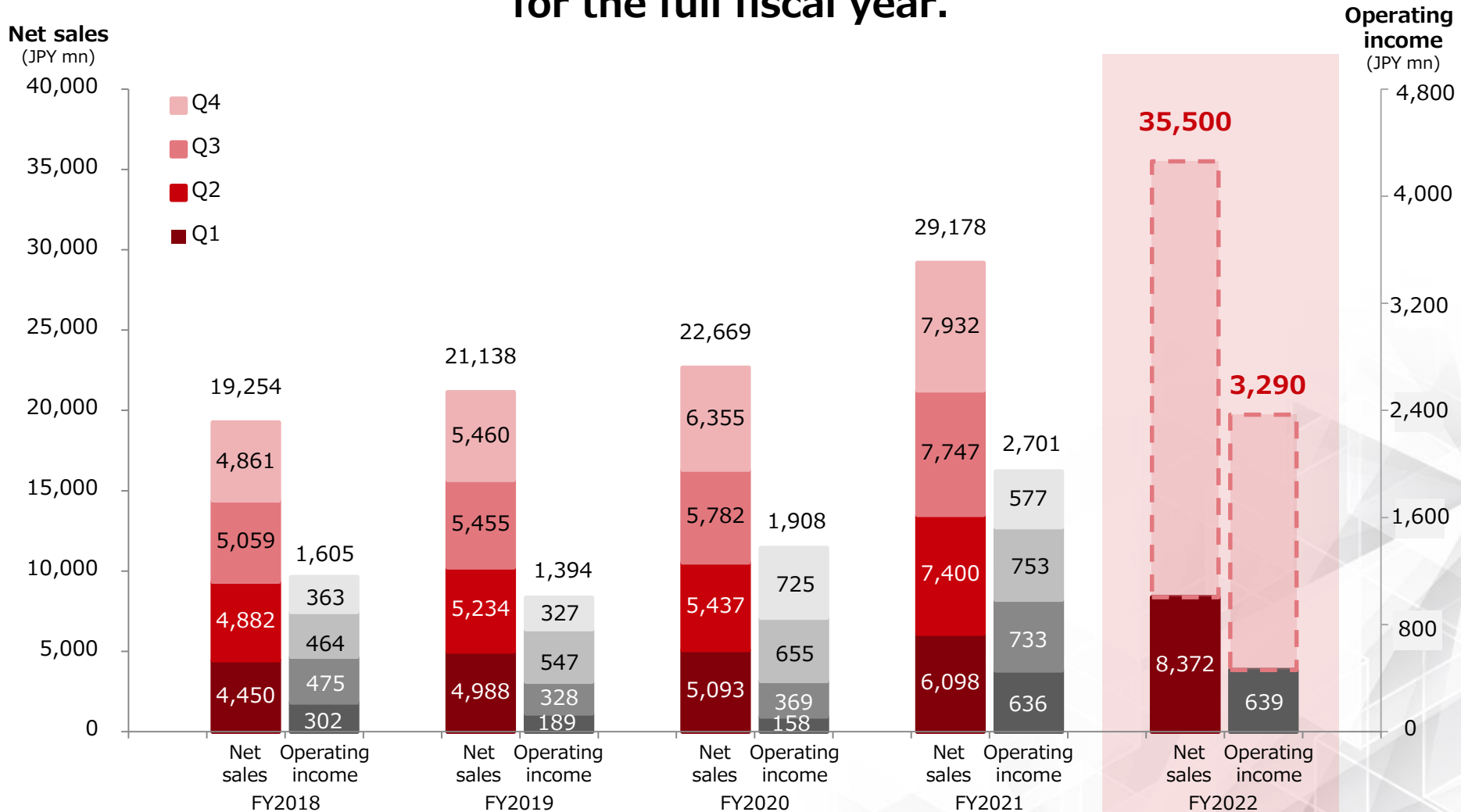
**EBITDA
893**

FY2021 Q1

FY 2022 Q1

Trend in Net Sales and Operating Income

Both net sales and operating income progressed as planned in Q1.
Aiming to achieve record highs in net sales and operating income for the full fiscal year.



Consolidated Balance Sheets

| (JPY mn) | Q4 FY2021 (As of March 31, 2022) | Q1 FY2022 (As of June 30, 2022) | YoY Change |
|---|-------------------------------------|------------------------------------|--------------|
| Total assets | 17,565 | 19,033 | 1,468 |
| Current assets | 10,392 | 10,874 | 482 |
| Cash and deposits | 5,208 | 5,573 | 364 |
| Noncurrent assets | 7,172 | 8,158 | 985 |
| Property, plant and equipment | 693 | 1,067 | 374 |
| Intangible assets | 5,094 | 5,206 | 112 |
| Goodwill | 4,763 | 4,812 | 49 |
| Investments and other assets | 1,384 | 1,883 | 499 |
| Total liabilities | 9,989 | 10,921 | 932 |
| Current liabilities | 9,679 | 10,759 | 1,080 |
| Short-term loans | 5,421 | 6,806 | 1,385 |
| Noncurrent liabilities | 309 | 162 | -147 |
| Total net assets | 7,576 | 8,111 | 535 |
| Shareholders' equity | 6,776 | 7,030 | 253 |
| Accumulated other comprehensive income | 228 | 494 | 266 |
| Subscription rights to shares | — | — | — |
| Non-controlling interests | 572 | 587 | 15 |
| Total liabilities and net assets | 17,565 | 19,033 | 1,468 |

Q1 FY2022 Financial Results by Segment and Full-year Forecast of FY2022

Notice regarding earnings by segment

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

Changes in Sub-segments

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

*The changes are underlined

■ FY2021 and earlier

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

■ From FY2022

| Reportable segments | Main Services | Main Operating Companies |
|-------------------------------|---|---|
| Enterprise Business | | |
| <u>QA solution</u> | System testing Vulnerability diagnosis <u>System development</u> <u>Introduction of ERP and CRM</u> <u>Penetration test</u> | AGEST, Inc. LogiGear group CEGB Co., Ltd. |
| <u>IT services and others</u> | Security monitoring IT support IT engineer platform service | AGEST, Inc. identity Inc. |

| Entertainment Business | |
|-------------------------------|---|
| Domestic debugging | Debugging |
| Global and others | Translation / LQA Game software development Customer support Marketing support, etc. |

| Entertainment Business | | |
|-------------------------------|---|---|
| Domestic debugging | Debugging | DIGITAL HEARTS Co., Ltd. |
| Global and others | Translation / LQA Game software development Customer support Marketing support, etc. | DIGITAL HEARTS Co., Ltd. DIGITAL HEARTS CROSS group FLAME Hearts Co., Ltd. Aetas, Inc. |

(Reason for Change)

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

Summary of Financial Results by Segment

| (JPY mn) | Q1 FY2021 | Q1 FY2022 | YoY Change |
|-------------------------|--------------|--------------|---------------|
| Net sales | 6,098 | 8,372 | 137.3% |
| Enterprise | 2,029 | 3,589 | 176.8% |
| Entertainment | 4,069 | 4,818 | 118.4% |
| Adjustments | — | -35 | — |
| Operating income | 636 | 639 | 100.5% |
| Enterprise | 87 | 29 | 33.8% |
| Entertainment | 930 | 1,036 | 111.4% |
| Adjustments | -381 | -426 | — |
| EBITDA | 732 | 893 | 121.9% |
| Enterprise | 147 | 185 | 125.8% |
| Entertainment | 960 | 1,123 | 117.0% |

- Continued high sales growth YoY 176.8% due to **double-digit growth in existing businesses** and the **effects of M&As** conducted last year.
- Achieved **EBITDA increase by YoY 125.8%**, while **development business basement and aggressive investment in growth** led by AGEST, Inc., a core subsidiary of the Enterprise Business.
- The classification of sub-segments was changed from this Q1, due to business changes in the Enterprise Business.

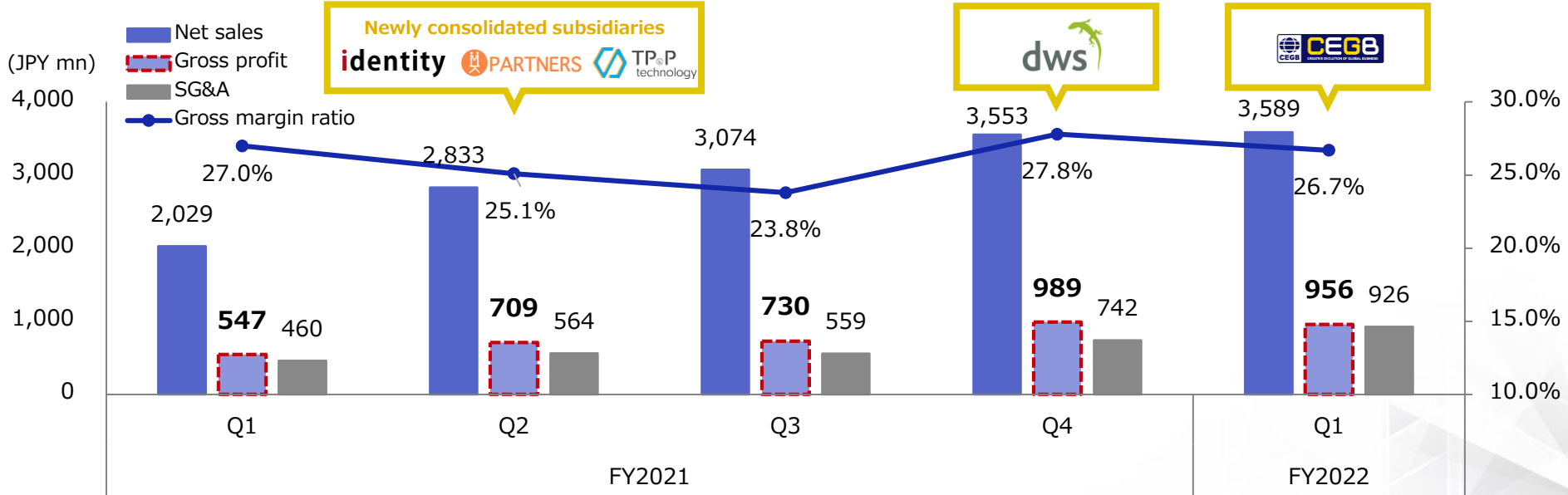
| (JPY mn) | Q1 FY2021 | Q1 FY2022 | YoY Change |
|------------------------|--------------|--------------|---------------|
| Net sales | 2,029 | 3,589 | 176.8% |
| QA solution | 1,395 | 2,102 | 150.7% |
| IT services and others | 634 | 1,486 | 234.3% |
| Segment income | 87 | 29 | 33.8% |
| EBITDA | 147 | 185 | 125.8% |

Key KPIs of Enterprise Business

Enterprise Business

- Gross profit amount increased steadily, and the gross margin ratio has been kept around over 25%, partly due to the aggressive implementation of M&A.
- SG&A expenses increased from FY2021 Q4 due to an increase in the number of subsidiaries resulting from M&As, as well as to accelerated investment for the development of the business foundation and the future growth of AGEST, Inc.

Performance Trends



QA solution division

Number of clients with orders (*)

FY2022 Q1
627 companies

FY2022 Q4 Target
830 companies

Annual sales per client (*)

FY2022 Q1
¥10 mn

FY2022 Q4 Target
¥12 mn

Number of engineers

FY2022 Q1
961 people

FY2022 Q4 Target
1,100 people

Sales ratio of Advanced testing and Next-generation QA

FY2022 Q1
37.2%

FY2022 Q4 Target
45.0%

Accelerate initiatives for growth of existing businesses by its core subsidiary AGEST, Inc. Aim for discontinuous growth through active use of M&As.

AGEST

Established new organization for research and training

An advanced technology research organization

An in-house educational institution

AGEST Testing Lab.

X

AGEST Academy



AGEST

Strong recruitment of engineers by leveraging the new brand of "AGEST"

Number of subscribers in Q1

1.4 times
compared to FY2021 Q4

M&A, etc.

Succession of the software quality assessment business from Sobal Corporation

Succeeded on August 1, 2022



- Approximately **130 test engineers**
- Expertise in system testing of major manufacturers' products and business systems

AGEST

Opened new Iidabashi Tech Center to create an engineer-first environment



M&A, etc.

Expansion of ERP businesses



- Stronger cooperation with two companies acquired in FY 2021

M&A, etc.

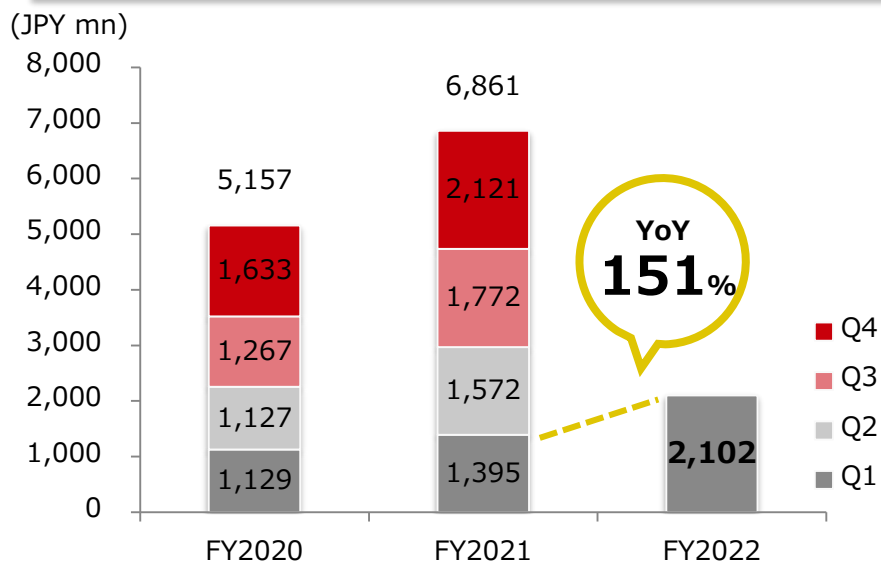
Integration of ANET Corporation into AGEST, Inc.



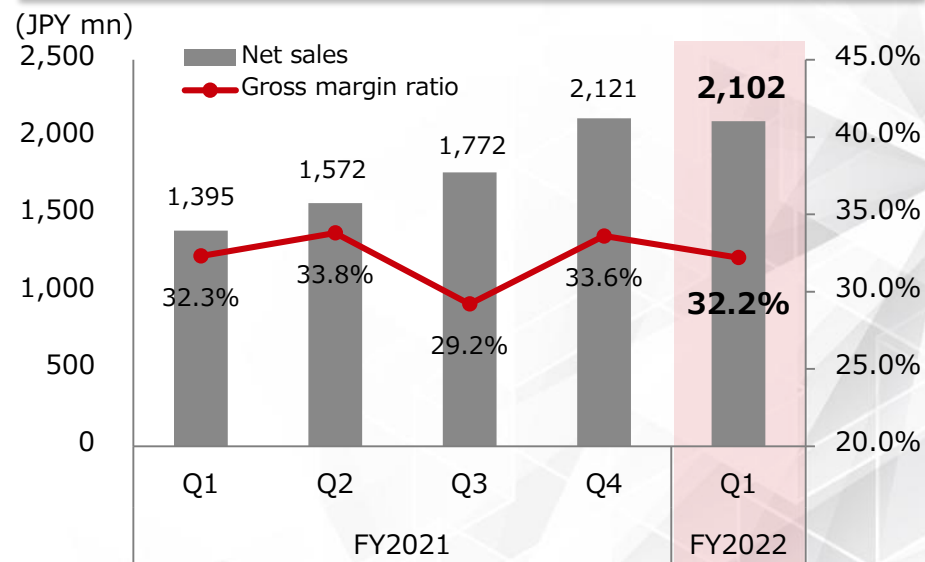
- Effective July 1, 2022, as part of the post merger integration

- **Expand transaction volume per a client** by strengthening cross-selling of security testing and test automation, based on manual testing services.
- **Increase in ERP-related sales** partly due to the contribution of **CEGB Co., Ltd.** acquired March 2022 and consolidated to income statement from this Q1.
- Organic growth of net sales **YoY 116.2%**, excluding the effects of M&As.
- Maintain **gross profit margin over 30%**, while continuing to invest for business expansion.

Quarterly sales

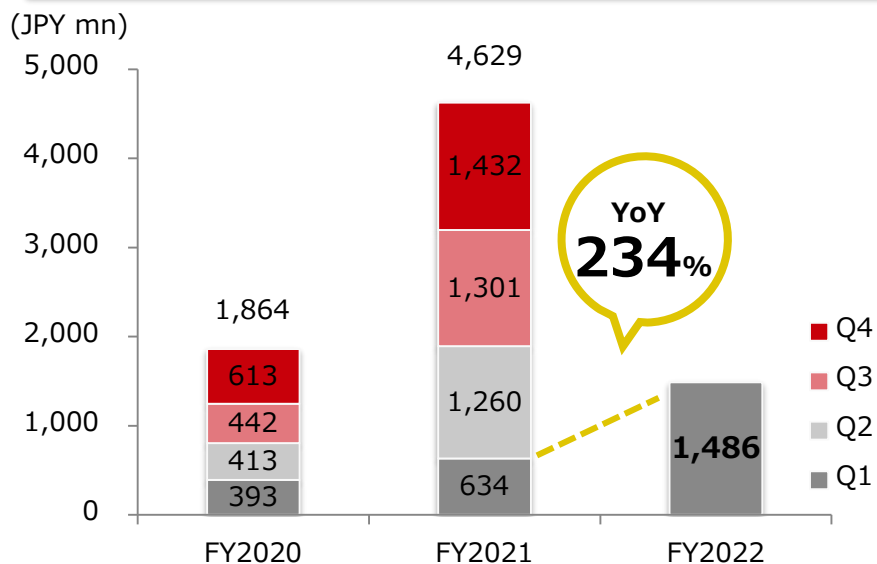


Net sales and Gross margin ratio

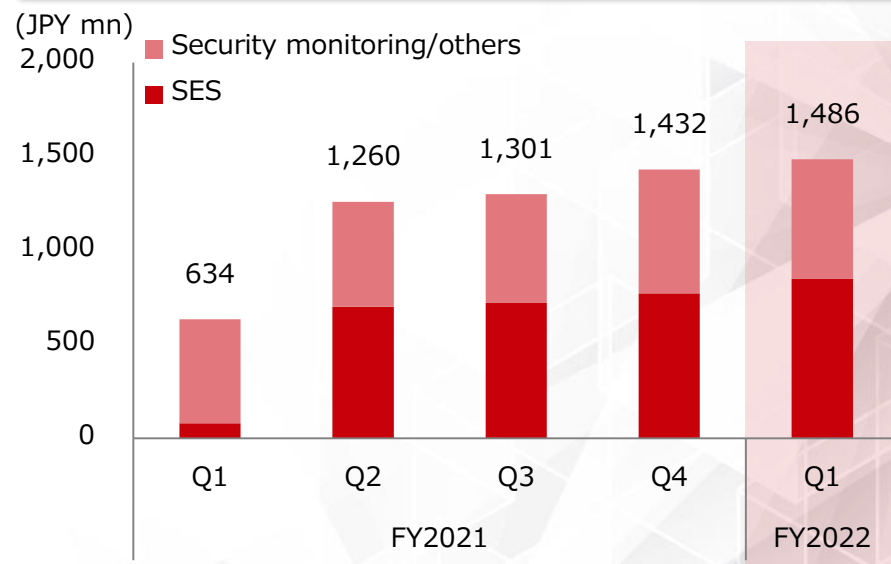


- Aim to expand business scale by strengthening group collaboration with **identity Inc.**, which became a subsidiary in June 2021.
- Organic growth of net sales **YoY 111.6%**, excluding the effects of M&As.
- Steadily capture the increasing demand against the backdrop of the expansion of remote work and increase the number of security monitoring units to over **550K units**.

Quarterly sales



Quarterly sales by service

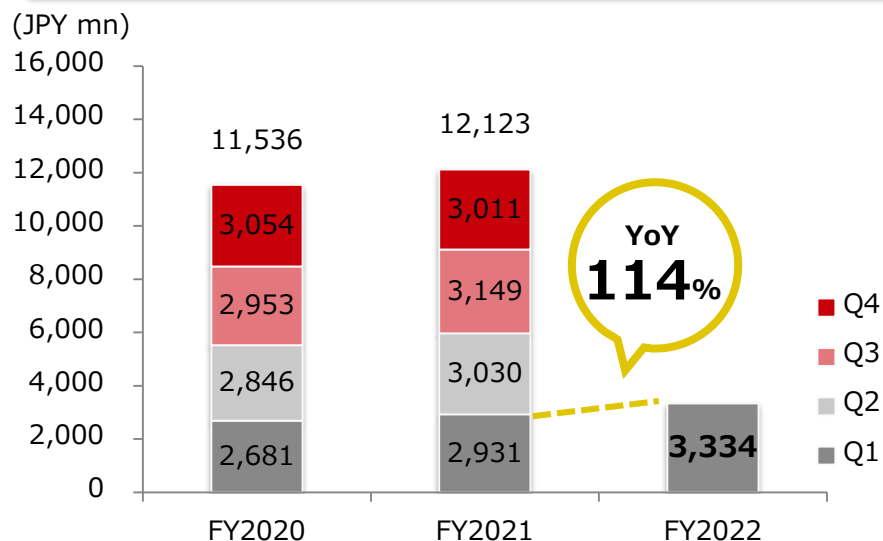


- **Achieve double-digit growth** in both the Domestic debugging and the Global and others, by steadily capturing growing demand against the backdrop of the booming console game market and accelerated overseas expansion of game content.
- **Generate record-high segment income** for Q1, while maintaining **a high margin of 21.5%**, due to its sales expansion and gross margin improvement mainly in Domestic debugging division.

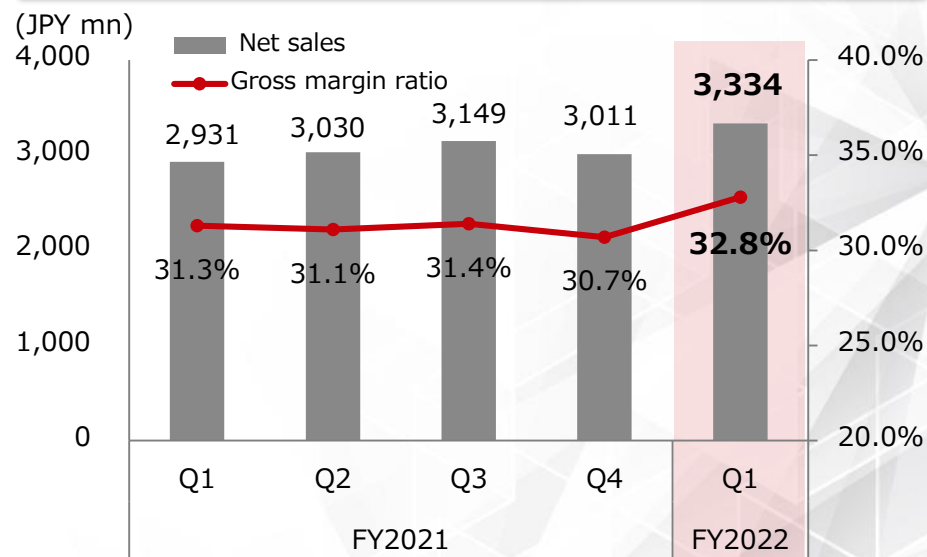
| (JPY mn) | Q1 FY2021 | Q1 FY2022 | YoY Change |
|-----------------------|--------------|--------------|---------------|
| Net sales | 4,069 | 4,818 | 118.4% |
| Domestic debugging | 2,931 | 3,334 | 113.7% |
| Global and others | 1,137 | 1,484 | 130.4% |
| Segment income | 930 | 1,036 | 111.4% |
| EBITDA | 960 | 1,123 | 117.0% |

- **High growth in the Domestic debugging** driven by expansion of service for game consoles with increase in developments of new game titles.
- Remain **gross margin ratio at a high level of 32.8%**, reflecting the efforts to improve operational efficiency and the impact of higher sales.
- Aim to further **increase market share** and **better profitability** as a leading company in game debugging.

Quarterly sales

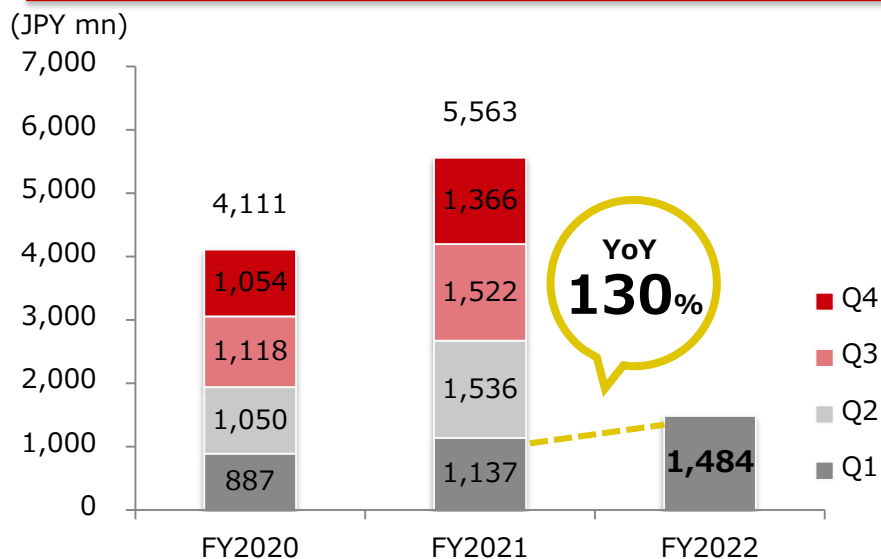


Net sales and Gross margin ratio

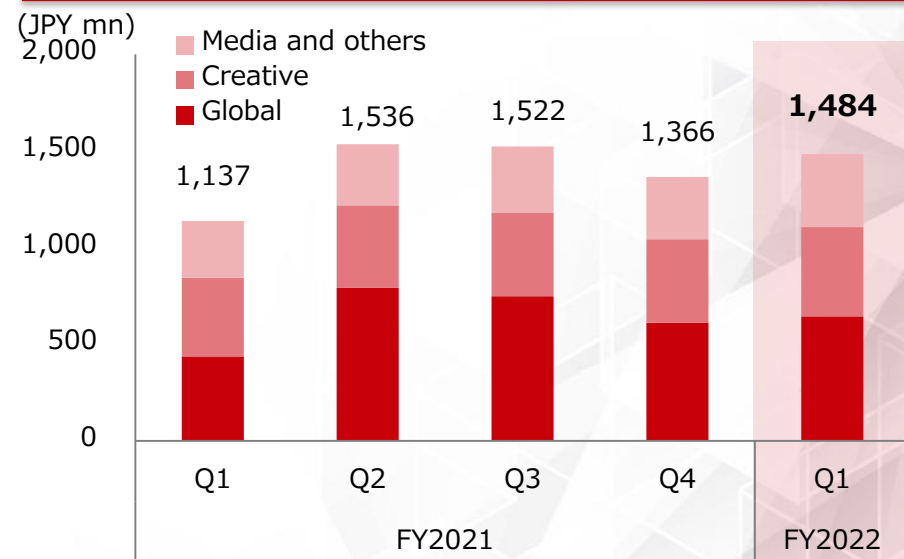


- **Double-digit sales growth in each service** of Global, Creative, and Media by securing cross-border and global projects against a backdrop of favorable market conditions.
- Aim for **expanding our business in the Asian area** and for **creating new service value**, by the synergies with the **DIGITAL HEARTS CROSS** Group acquired last year and the initiatives with alliance partners such as **GameWith, Inc.**

Quarterly sales



Quarterly sales by service



FY2022 Consolidated Financial Forecast

- Aim for **record-high net sales and operating income** while accelerating investment for future growth.
- **The Enterprise Business will keep driving the growth of the group.**

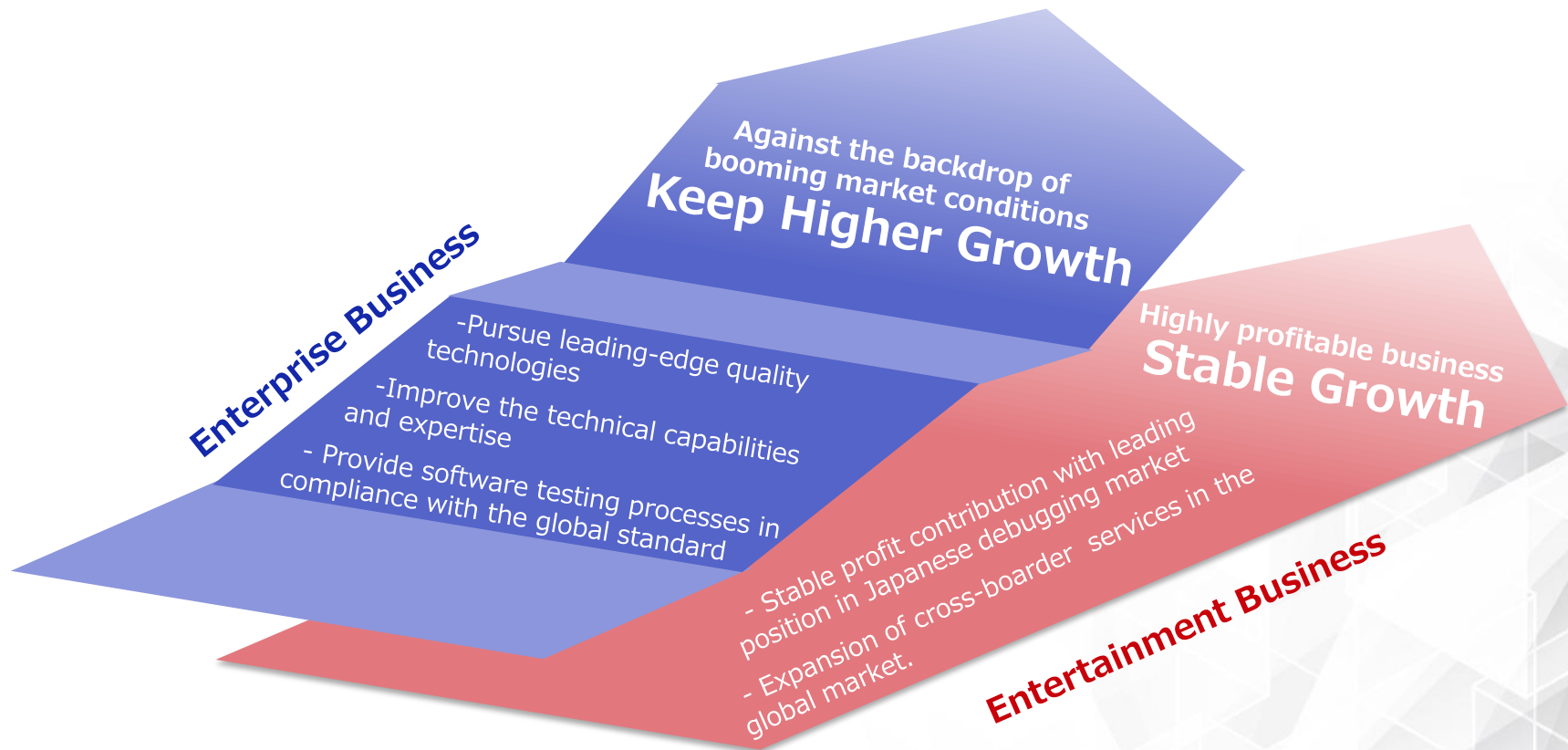
| (Mln Yen) | Full-year FY2021 (Actual) | Full-year FY2022 (Forecast) | YoY Change |
|--|------------------------------|--------------------------------|---------------|
| Net sales | 29,178 | 35,500 | 121.7% |
| Enterprise | 11,491 | 15,375 | 133.8% |
| Entertainment | 17,687 | 20,125 | 113.8% |
| Operating income | 2,701 | 3,290 | 121.8% |
| Operating income margin | 9.3% | 9.3% | +0.0points |
| Ordinary income | 2,778 | 3,290 | 118.4% |
| Profit attributable to owners of parent | 1,780 | 2,250 | 126.4% |
| EBITDA | 3,430 | 4,240 | 123.6% |

Growth Strategy

(Disclosed on May 12, 2022)

Based on the stable growth of highly profitable Entertainment Business, accelerating the rapid expansion of Enterprise Business through strengthening human resources and technology to provide the best QA solution services

To be a Global Quality Partner



With the acceleration of Digital Transformation and technological evolution, demand for software testing is growing rapidly and requiring higher expertise.

Changes in utilization of technology



- Core business IT system
- Web system
- Built-in software system

Development Methods
Waterfall model



- Software application
- IoT equipment
- X-Tech-related IT system

Development Methods
Agile model



- CASE
- Smart City
- Metaverse
- AI

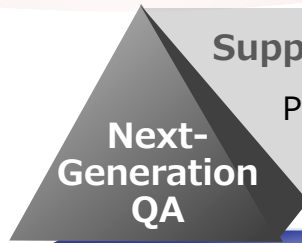
Evolving Requirements for Testing

- Comprehensive testing including non-functional aspects such as cybersecurity
- Verifying that the system operates as planned in the final process of development

- Test consulting in the early stage of the development life cycle (shift-left testing)
- Improving the efficiency of test processes by test automation or use of impact analysis tools
- Providing suitable testing services to ever-evolving technology

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

SAVE the DIGITAL WORLD



Support the innovation of clients' business with a rich user experience

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



Advanced Testing

Support optimization of the testing process by utilizing technology

Contribute to improving the quality of software including non-functional aspects such as security or the efficiency of testing processes using automation tools.



Test Outsourcing

Assist the testing process from a third-party perspective

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



In FY2022, further investing in the business foundation such as human resources and technology, and strengthening higher services as “Advanced Testing” and “Next-Generation QA”

| 2017- Launch Enterprise Business | 2020-2021 Develop the 'Second Pillar' of the Business | 2022- Evolve the business in preparation for Next-Generation QA | 2023- To be a leading-edge quality technology company | |
|---|--|---|---|------------------------------|
| <ul style="list-style-type: none"> ➤ Aggressively invest in engineers. ➤ Expand services through alliances. ➤ Build an operation system. | <ul style="list-style-type: none"> ➤ Turn profitable in FY2020. ➤ Expand the talent pool of IT human resources and improve technological capability through aggressive M&As. ➤ Decide its group reorganization for further growth | <ul style="list-style-type: none"> ➤ Develop to reach global standards in the three aspects of business: human resources, technology, and processes through AGEST, Inc. ➤ Expand our client base by strengthening the marketing and sales structure. ➤ Keep aggressive M&As. | <ul style="list-style-type: none"> ➤ Contribute to the creation of a secure and safe digital society by providing unprecedented QA solutions. ➤ Continue to research cutting-edge technologies and continuously update testing methods. | |
| FY2017 (Actual) | FY2021 (Actual) | FY2022 Plan | | FY2023 Target |
| Net sales ¥1.8 bn | Net sales ¥11.4 bn | Net sales ¥15.3 bn | | Net sales ¥25.0bn + α |
| OP margin -% (Operating loss) | OP margin 5.7% | OP margin 5% - 6% | | OP margin 8% - 10% |

Improve quality of human resources, technology, and processes according to global standards in preparation for evolving to Next-Generation QA.

Leading-edge quality technologies

=

Acquisition of global standards in testing industry

+

Exploration of advanced and practical testing methods

Recruit engineers with specialized knowledge and skills

- Technology experts
- Infrastructure engineers
- Development engineers
- Security specialists
- Testing engineers
 - QA consultants
 - Automation engineers
 - Test planners/designers
 - Test operators

Human Resources



Technology



Processes



Utilize cutting-edge tools for software testing

Acquire specialized knowledge in new testing methods

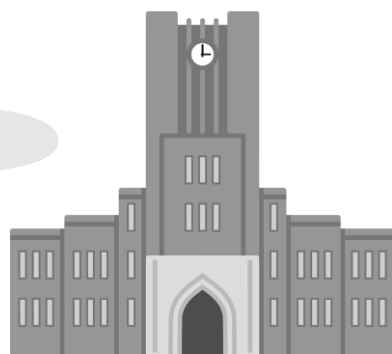
Develop optimal testing processes suitable for each QA solution

People



Established "AGEST Academy" to enable staff to gain software testing knowledge both academically and practically, to standardize engineer skills and improve the overall capabilities of the group.

AGEST Academy



Test-engineer training programs based on **Rex Black's ISTQB(*)** syllabus

CYBER BOOT CAMP

to learn practical skills from **ethical hackers**

Regular lectures **by industry experts**

AI test training program supervised by **Dr. Reid**

To develop rich contents supported by authorities in software testing industry in Japan and overseas

Rex Black



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

Hung Nguyen



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

Juichi Takahashi



A pioneer in software testing in Japan. Holds a PhD in software testing and has published many works. Our Chief Testing Solution Officer (CTSO).

Technology

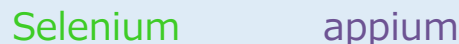
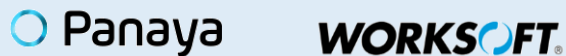
Pursue initiatives such as researching advanced technologies and developing new testing methods.

01

Improving and developing test automation tools

- Developing test automation tools for SAP systems through group collaboration.
- Strengthening alliances to expand QA services with automation tools.




Automation Tools



02

Promoting R&D of new testing methods through industry-university collaboration

As a new R&D center,
Newly established **AGEST Testing Lab.**

| Research Activities | Researcher |
|---|--|
| Adaptation of Software Testing to AI Products |  <p>The University of Electro-Communications Dr. Yasuharu Nishi</p> |
| Research on agile testing |  <p>WASEDA University Dr. Hironori Washizaki</p> |
| R&D on security testing using fuzzing testing methods |  <p>University of Nagasaki Dr. Masahiko Kato</p> |



Early compliance with ISO/IEC/IEEE 29119 to be the leader in the testing industry

What is ISO/IEC/IEEE 29119?

An international standard for software testing. It was released in stages between 2013 and 2016 as the world's first testing standard and is designed to be used in any form of software testing by any organization.

Supported by

Dr. Stuart Reid



The founder of the ISTQB. Advising the development of global standards for the testing process as the convener of ISO Software Testing Working Group 26, which has published software testing standard, "ISO /IEC/IEEE 29119."

Develop a testing process in compliance with ISO/IEC/IEEE 29119

- Improve the accuracy and quality of testing services by developing a testing process in compliance with the global standards.

The first developed training program for ISO/IEC/IEEE 29119 in Japan, supervised by Dr. Reid

- Have a single global standard for testing quality for all internal engineers by providing this training program through AGESt Academy.

Accelerate strengthening human resources and technologies with aggressive M&As.

Past M&As

People 

Technology 

iidentity

Freelance engineer talent pool

dws 

Test automation tools for Oracle software

Key person



Kenzo Miyajima
Director of AGEST, Inc.



Software testing engineers in Japan

LogiGear

Test automation expertise and offshore in Vietnam

Key person



Juichi Takahashi
Executive Officer and CTSO of AGEST, Inc.



SAP's expertise



Software Development engineers

Key person



Mamoru Seki
Director and CPO of AGEST, Inc.



Salesforce expertise

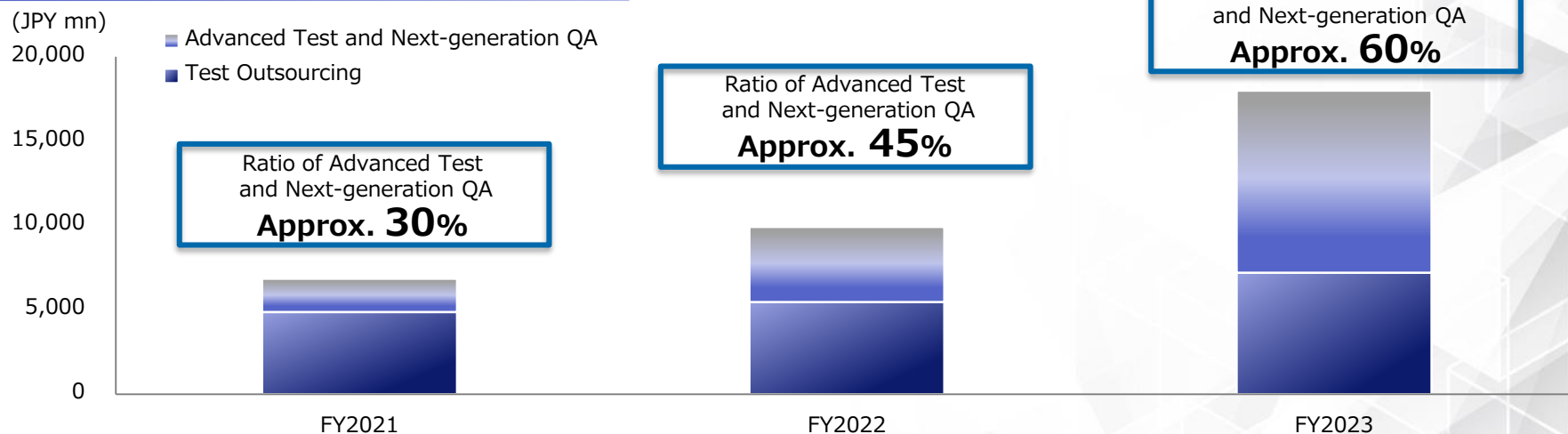
M&As have contributed to strengthen management personnel as well.

Providing optimal QA solutions for more diverse testing needs with “Use of leading-edge tools,” “Compliance with global standards,” and “Development of unconventional testing methods”

Scope of services for each project



Illustrative net sales of QA solutions



Medium-Term Targets (FY2021-FY2023)

FY2023 Target

| Group Business | <FY2020 Result> | <FY2021 Result> | | <FY2023 Target> |
|--|------------------|--------------------|---|---------------------------|
| Consolidated Sales | ¥22.6 bn | ¥29.1 bn | » | ¥50.0 bn |
| ROIC (*1) | 16.8% | 22.0% | » | over 15% |
| M&A and Alliances | 3 projects | 3 projects | » | 5 projects (in 3years) |
| Number of Clients in Japan as a Group | 878 companies | 1,005 companies | » | 2,000 companies |

SDGs

| | | | | |
|---|--------------|---------------|---|---------------|
| Number of IT Human Resources incl. Qualitist (*2) | 4,517 people | 10,660 people | » | 20,000 people |
| Female Managers Ratio (ratio to total managers) (*3) | 10.7% | 11.8% | » | over 20% |

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

*2 Qualitist...Our original term for specialists contributing to quality incl. engineers

*3 Calculated from the data of our group companies in Japan

Strategic growth through M&As following strict guidelines

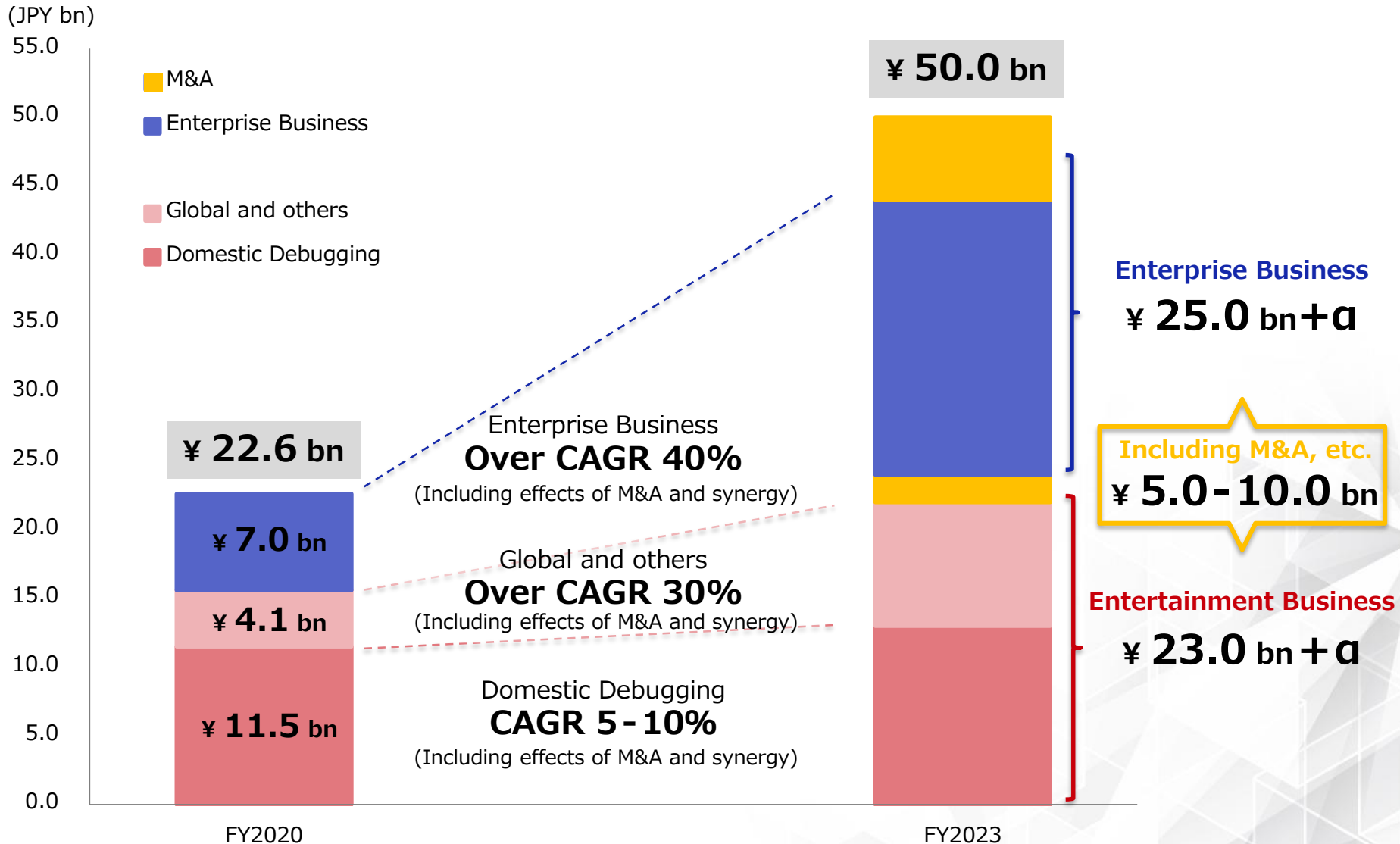
M&A Strategy

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

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

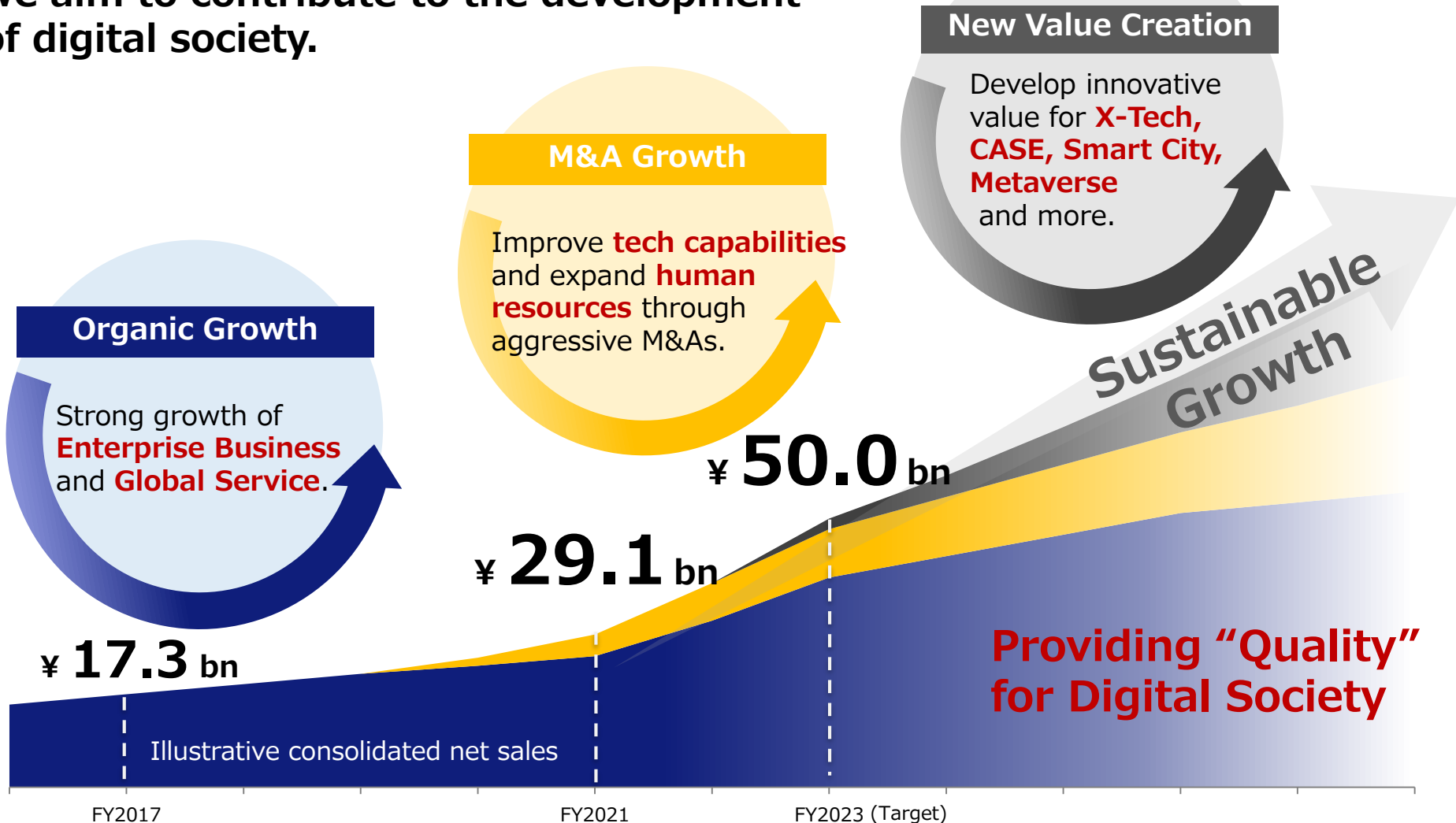
| | |
|---------------------------------|---|
| Target companies | <p>To obtain engineer human resources</p> <ul style="list-style-type: none"> - Software testing companies - Companies with engineers especially for development of open systems - SES providers with rich human resources as own employee <p>To strengthen technological capabilities</p> <ul style="list-style-type: none"> - ERP-related service providers in Japan |
| Size of target companies | <p>Net sales: ¥0.5 - 3.0 bn</p> <p>Number of engineers: 30 – 150 engineers</p> <p>Acquisition price: Max. ¥3.0 bn</p> |
| Number of projects | <p>Around 2-3 projects per year as a plan</p> |
| Governance | <ul style="list-style-type: none"> - Internal Investment Committee from various views including business operations, legal, finance, HR, and others. - Board of Directors including counsel from outside directors who have knowledge and experience in M&As or finance. |

Sales Targets



For Future Sustainable Growth

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



Appendix

One of the few
testing companies in Japan



Ratio of
outside directors
50.0%



Employment creation
for more than
8,000 testers



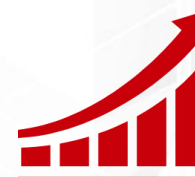
Business that supports
Digital security



Foreign staff
members of more
than
30 nationalities



High sales growth of
CAGR 14% (*)



Our Mission

SAVE the DIGITAL WORLD

Market environment

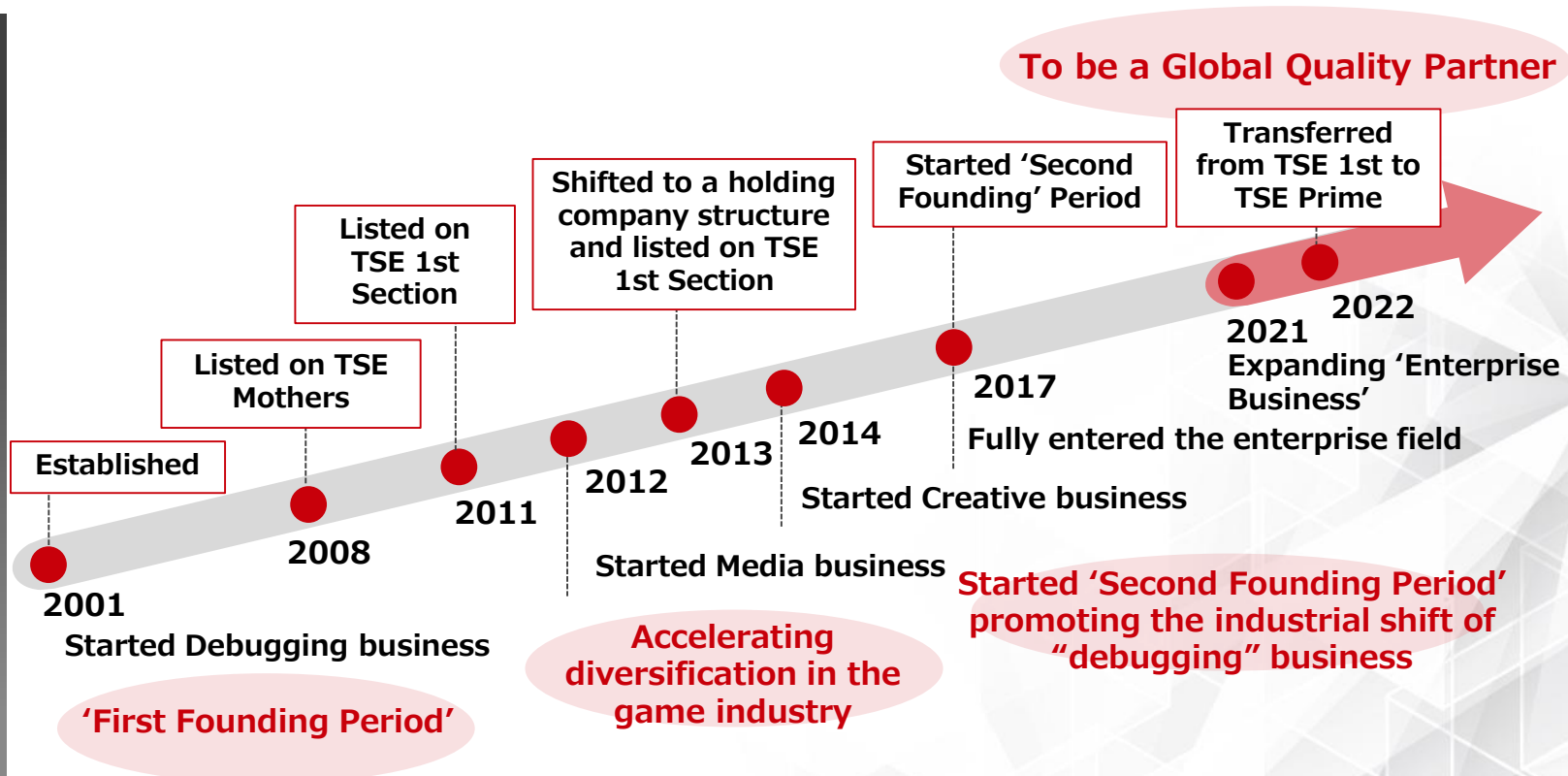
Growth of console game market

Growth of mobile game market

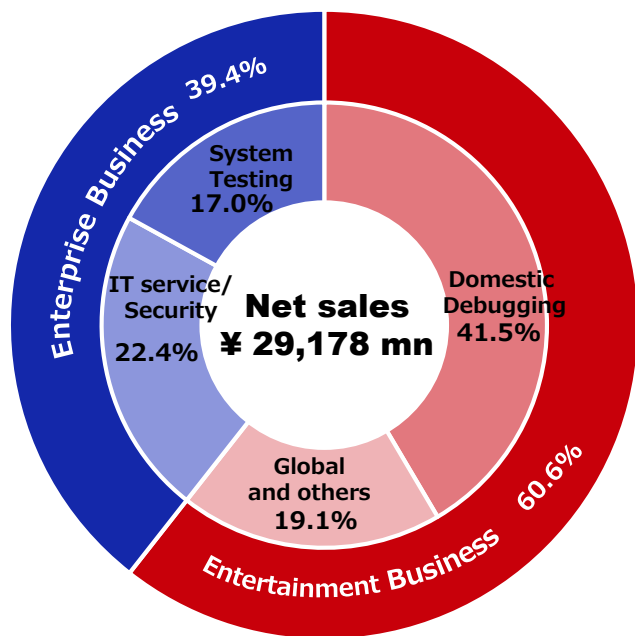
Expansion of IoT

Expansion of DX

History



Our core business: System Testing and Debugging

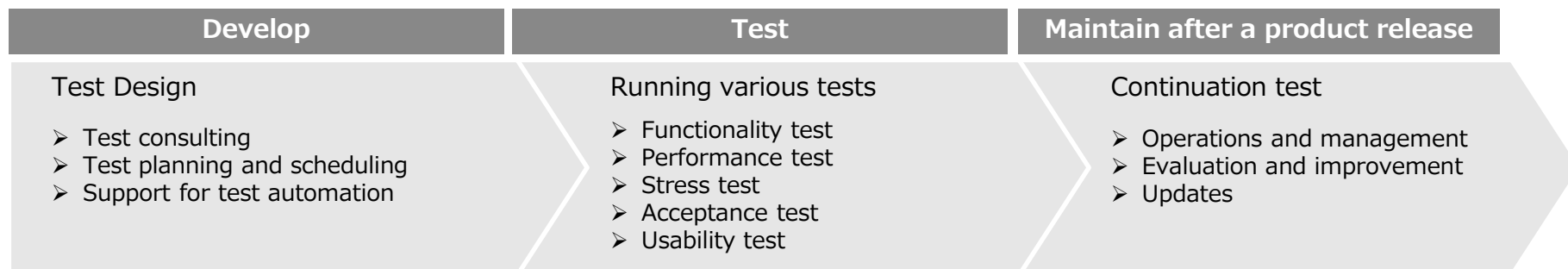


Sales breakdown by segment (FY2021)

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

| | | | |
|------------------------|---------------------|-------|--|
| Enterprise Business | System Testing | 17.0% | <ul style="list-style-type: none"> ➤ Testing for business systems incl. online ➤ Support for test automation ➤ Vulnerability diagnoses ➤ DevOps/Agile testing support |
| | IT service/Security | 22.4% | <ul style="list-style-type: none"> ➤ Development support for IT systems ➤ IT support ➤ Penetration test ➤ Security monitoring |
| Entertainment Business | Domestic Debugging | 41.5% | <ul style="list-style-type: none"> ➤ Debugging for console games, mobile games and pachinko/slot machines |
| | Global and others | 19.1% | <ul style="list-style-type: none"> ➤ Translation, LQA*, and localization for game software ➤ Marketing support for game launching in overseas markets ➤ Game development and CG development ➤ Game information site "4Gamer.net" ➤ Customer support |

Our Services



Outline of Services

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

ISTQB Global Partner (One of three companies in Japan)



Largest class
in Japan

Number of people
with ISTQB qualifications
365 people

(Consolidated base as of March 31,2022)

What is the ISTQB?

ISTQB is an international accreditation body for software testing.

There are four levels defined for the program: Silver, Gold, Platinum, and Global. To be eligible for the Global level, a group has to have at least one Platinum-level company and Gold-level companies in two or more countries.

Diverse automation tools

One of the largest variety of tools
in the domestic software testing industry



Supported by global authorities in software testing



Dr. Stuart Reid

The founder of the ISTQB. The convener of ISO Software Testing Working Group 26



Rex Black

Former President of the ISTQB



The co-author of a bible for test engineers.

Hung Nguyen



A pioneer in software testing in Japan who has published many works.

Juichi Takahashi

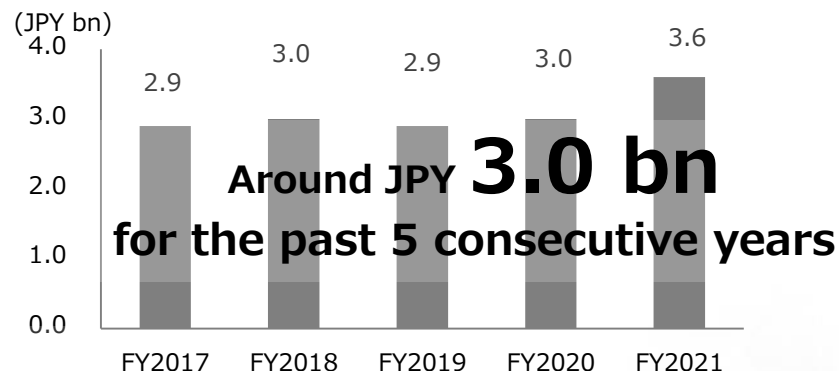
Market Leader in domestic debugging service

Debugging service involvement ratio
among top 100 new console game titles *

Approx. **75%**

*Based on an internal investigation

Strong operating profits



Passionate talents who love game



Approx. **8,000**
registered testers

Abundant and wide variety of test terminals



Game consoles
2,054



Smartphones
6,782
(As of March 31, 2022)

Over 20 locations



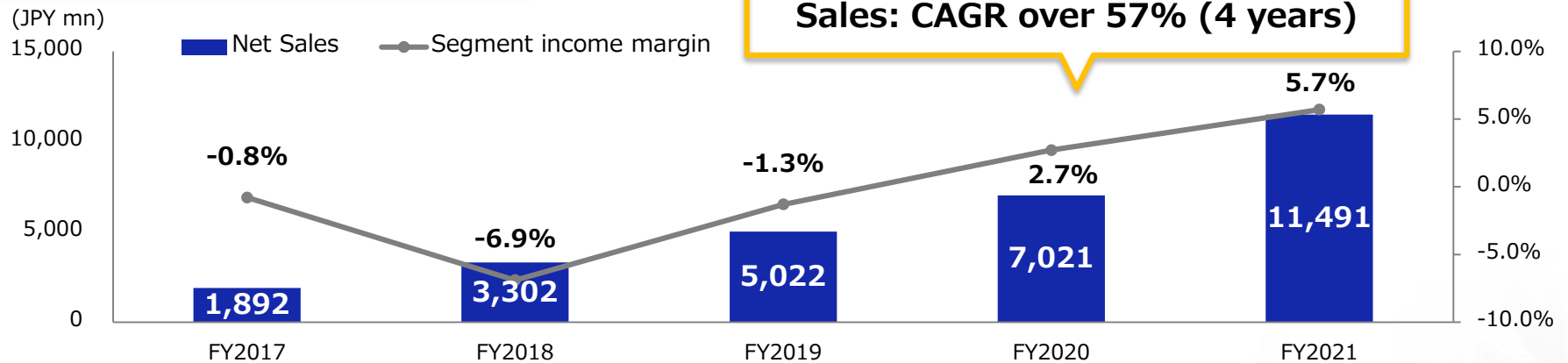
Japan
13

Global
8

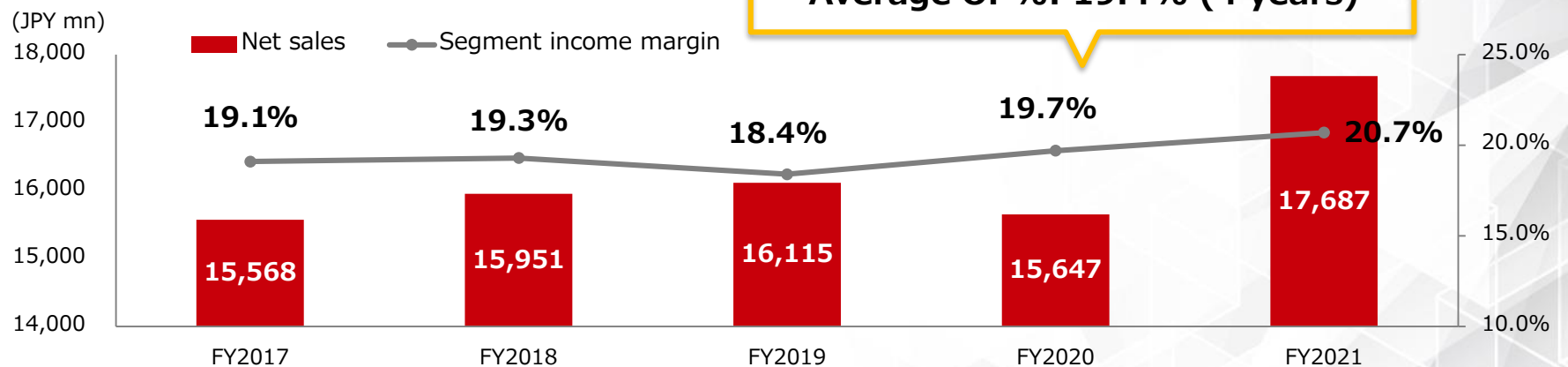
(As of March 31, 2022)

Rapid expansion of the Enterprise Business using the Entertainment Business as a foundation.

Enterprise Business



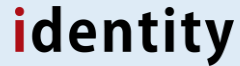










Entertainment Business



Consolidated financial statement

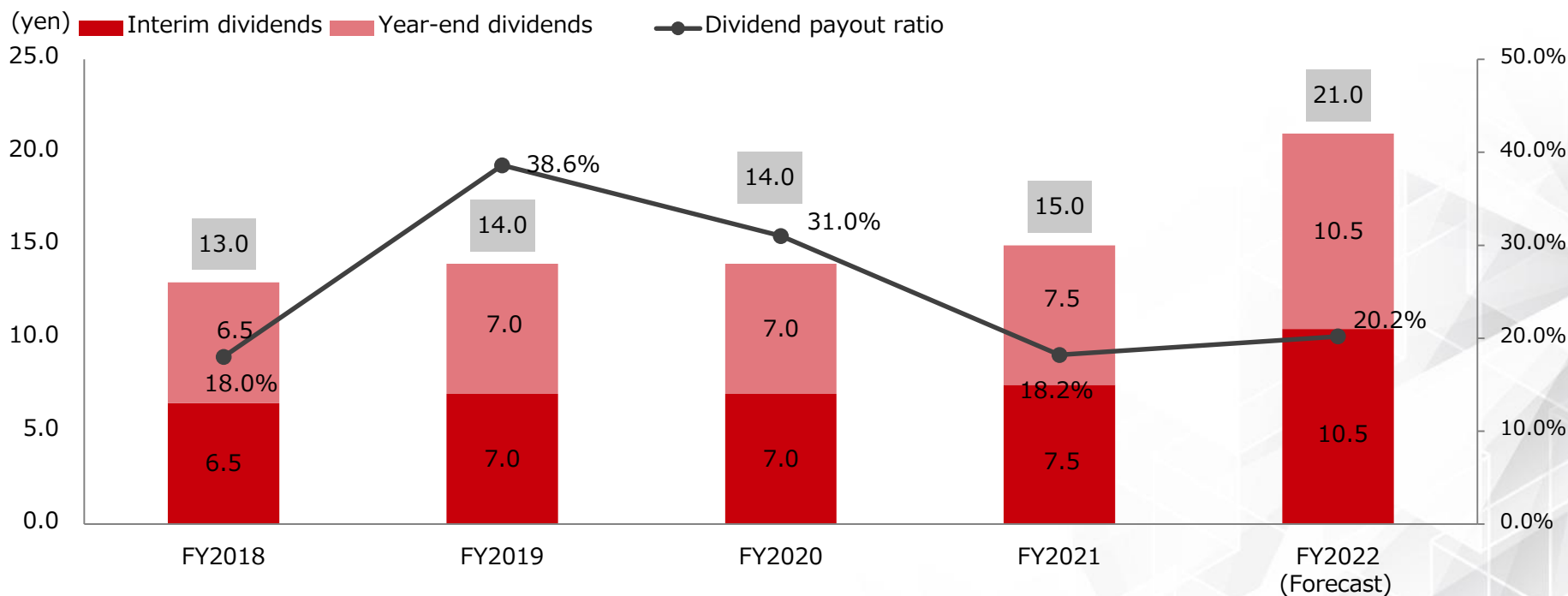
| (JPY mn) | FY2014 | FY2015 | FY2016 | FY2017 | FY2018 | FY2019 | FY2020 | FY2021 |
|---|--------|--------|--------|--------|--------|--------|--------|--------|
| Net sales | 13,285 | 15,011 | 15,444 | 17,353 | 19,254 | 21,138 | 22,669 | 29,178 |
| Enterprise Business | 1,713 | 2,382 | 1,952 | 1,892 | 3,302 | 5,022 | 7,021 | 11,491 |
| Entertainment Business | 11,609 | 12,696 | 13,544 | 15,568 | 15,951 | 16,115 | 15,647 | 17,687 |
| Adjustments | -39 | -70 | -52 | -108 | -0 | - | - | - |
| Operating income | 1,517 | 1,963 | 1,906 | 1,735 | 1,605 | 1,394 | 1,908 | 2,701 |
| Enterprise Business | 50 | 71 | 203 | -14 | -226 | -67 | 188 | 649 |
| Entertainment Business | 1,915 | 2,379 | 2,453 | 2,966 | 3,086 | 2,964 | 3,077 | 3,668 |
| Adjustments | -447 | -486 | -750 | -1,215 | -1,254 | -1,503 | -1,356 | -1,616 |
| Operating income margin | 11.4% | 13.1% | 12.3% | 10.0% | 8.3% | 6.6% | 8.4% | 9.3% |
| Enterprise Business | 2.9% | 3.0% | 10.4% | - | - | - | 2.7% | 5.7% |
| Entertainment Business | 16.5% | 18.7% | 18.1% | 19.1% | 19.3% | 18.4% | 19.7% | 20.7% |
| Profit attributable to owners of parent | 539 | 361 | 795 | 1,200 | 1,575 | 792 | 974 | 1,780 |
| Total assets | 8,272 | 6,533 | 7,651 | 8,575 | 9,832 | 10,637 | 14,338 | 17,565 |
| Current assets | 5,756 | 5,064 | 6,221 | 6,813 | 7,403 | 7,453 | 9,744 | 10,392 |
| Cash and deposits | 3,058 | 2,197 | 3,344 | 3,894 | 4,197 | 3,739 | 5,076 | 5,208 |
| Noncurrent assets | 2,516 | 1,469 | 1,430 | 1,761 | 2,428 | 3,183 | 4,593 | 7,172 |
| Goodwill | 1,169 | 437 | 201 | 150 | 481 | 1,027 | 2,467 | 4,763 |
| Total liabilities | 4,104 | 3,444 | 4,793 | 5,005 | 4,819 | 5,198 | 8,024 | 9,989 |
| Interest-bearing liabilities | 1,865 | 1,367 | 1,646 | 1,610 | 1,764 | 2,553 | 4,797 | 5,590 |
| Total net assets | 4,168 | 3,089 | 2,858 | 3,570 | 5,012 | 5,438 | 6,314 | 7,576 |
| Shareholders' equity ratio | 4,092 | 2,814 | 2,632 | 3,369 | 4,791 | 4,922 | 5,691 | 7,004 |
| Shareholders' equity ratio | 49.5% | 43.1% | 34.4% | 39.3% | 48.7% | 46.3% | 39.7% | 39.9% |
| Net cash | 1,193 | 830 | 1,698 | 2,283 | 2,433 | 1,186 | 278 | -382 |
| Debt Equity Ratio | 0.5 | 0.5 | 0.6 | 0.5 | 0.4 | 0.5 | 0.8 | 0.8 |
| Net cash provided by operating activities | 870 | 1,080 | 1,825 | 1,436 | 889 | 1,086 | 1,416 | 3,077 |
| Net cash used in investing activities | -568 | -17 | -610 | -618 | 62 | -1,018 | -1,813 | -2,537 |
| Net cash provided by (used in) financing activities | -950 | -1,913 | -69 | -250 | -693 | -515 | 1,730 | -546 |
| ROE | 13.8% | 10.5% | 29.2% | 40.0% | 38.6% | 16.3% | 18.4% | 28.1% |
| Dividend Payout Ratio | 37.6% | 60.4% | 32.3% | 20.9% | 18.0% | 38.6% | 31.0% | 18.2% |

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

Basic Policy to Return Profits to Shareholders

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

Changes in dividends



Major risks

Countermeasures

1. Leakage of confidential information

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

2. Obsolescence of existing services by technological innovation

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

3. Reduction of productive population in Japan

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

4. Expansion of corporate acquisition and new businesses

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

(Ref.) Our Aims for Sustainable Value Creation

Our Major Initiatives and Sustainable Development Goals (SDGs)

Human resource

To resolve the shortage of IT human resource

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



Human resource

Workplace for diverse human resources

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



Technology

To realize a secure and safe digital society

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



Communities

To revitalize local community and resolve IT disparities

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





DIGITAL HEARTS HLDGS. (Holding Company)

(As of June 30, 2022)

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



CEGB Co., Ltd.

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



Entertainment Business

DIGITAL HEARTS Co., Ltd.

Game debugging, Localization, etc.



DIGITAL HEARTS CROSS Group

Marketing support, etc.



DIGITAL HEARTS (Shanghai) Co., Ltd.

Game debugging, Localization, etc.



DIGITAL HEARTS USA Inc.

Game debugging, Localization, etc.



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"



Strengthen our governance structure and improve business execution capabilities by increasing the number of outside directors and executive officers from FY2022.

Management structure of main group companies



DIGITAL HEARTS HLDGS. (Holding Company)

Representative Director, President and CEO
Yasumasa Ninomiya

Director and Chairman
Eiichi Miyazawa

Director, Executive Vice president and CFO
Toshiya Tsukushi

Outside Director **Takashi Yanagiya**

Outside Director **Emiko Murei**

Outside Director **Ryo Chikasawa**

Standing Audit & Supervisory Board Member
Masahide Date

Audit & Supervisory Board Member
Keiya Kazama

Outside Audit & Supervisory Board Member
Toshifumi Nikawa

Outside Audit & Supervisory Board Member
Yoko Okano

Executive Officer and CSO
Tadahiro Ando

Executive Officer and CTO
Kazutaka Jokura

Executive Officer and CIO
Mamoru Seki

Executive Officer **Toshiyuki Takahashi**

Executive Officer **Hideto Itami**

AGEST

(Core Enterprise Business Company)

Representative Director and President
Yasumasa Ninomiya

Director and Executive Vice President
Ken Hasegawa

Director, Executive Vice President and CTO
Kazutaka Jokura

Director **Toshiya Tsukushi**

Director **Tadahiro Ando**

Director and CPO
Mamoru Seki

Director **Kenzo Miyajima**

Executive Officer and CTSO
Juichi Takahashi



DIGITAL HEARTS

(Core Entertainment Business Company)

Representative Director and President
Toshiya Tsukushi

Director and Executive Vice President
Ryogo Hagiwara

Director **Yasumasa Ninomiya**

Director **Tadahiro Ando**

Director **Shinichiro Kasama**

Director **Takuya Tanaka**

Executive Officer
Koichi Nakashima

Executive Officer
Tetsuya Hiyoshi

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



DIGITAL HEARTS HLDGS.

<Contact>

Investor and Public Relations Division

Phone : +81-3-3373-0081

Email : ir_info@digitalhearts.com

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

This presentation has been developed strictly for the purposes of investor relations activities and does not in any way attempt to influence or facilitate investment decisions or represent a solicitation for investment. While the information provided herein is based on that believed to be reliable at the time of submission, the Company does not guarantee its accuracy, be it partial or overall. Furthermore, because this presentation features the views and assessments of the Company at the time of its writing, it may therefore be subject to change without prior notice due to unforeseen developments in the Company's operating environment. The Company and its affiliated companies, as well as their executive officers, may hold positions in the securities and/or financial products featured in this presentation, and may stand to profit or incur losses from their positions. The relevant parties may also purchase or sell securities and/or financial products, either in person or by proxy. This presentation is protected under exclusive copyright of the Company. To quote, reproduce or transfer any section, either partially or in its entirety, is prohibited by law. Those who wish to quote from, reproduce or transfer the information contained herein must therefore acquire in advance the written consent of the copyright holder.