

Presentation Material

for the Nine Months Ended December 31, 2023

2024/2/8

Tokyo Stock Exchange Prime Market: Code 3676

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

Executive Summary

* The figures for the third quarter ended December 31, 2022 reflect the finalization of provisional accounting treatment for business combination in the last fourth quarter ended March 31, 2023.

Achieved sales growth, with Entertainment Biz recovering from Q3 and continuous strong sales of Enterprise Biz. Decline in operating income of Q3_(nine months), due to the impact of 1H FY2023 including weak results of the U.S. testing subsidiary and the COVID-19 impact in China. **OP margin of Q3_(Oct-Dec) improved from 1H strongly by 3.0 points**, due to sales growth and gross margin improvement of both Entertainment and Enterprise Biz in Q3_(Oct-Dec).

Net sales

¥ **28,666** mn
(YoY 106.6%)

- Enterprise Business kept strong growth of around **YoY1.2 times**, with expansion of high-value-added services with QA technology and increase in the number of engineers.
- **Entertainment Business achieved close to the same level sales as the previous year**, due to recovering of sales in Q3_(Oct-Dec) in the Domestic debugging after the weak sales trend in 1H which we had too strong result in the previous year, and due to the improving sales of localization services for Europe and the U.S. clients even with a certain effect by the regulation changes in Chinese game industry.

Operating income

¥ **1,422** mn
(YoY 66.9%)

- Expenses related to preparations for Spin-Off Listing, such as the strengthening of the head office functions, have been incurred by **¥227 million in Q3_(nine months) FY2023**.
- **OP margin of both Enterprise and Entertainment Business has recovered in Q3_(Oct-Dec)** partly due to the penetration of cost pass-through in the Domestic debugging, from the lower OP margin in 1H due to the temporary slump in the U.S. testing subsidiary and the strategic hourly wage hike for testers.

» Topic Preparations for Spin-Off Listing are progressing steadily

Recruitment and relocation



Completed the recruitment and internal transfer of back-office members.

Group reorganization



Completed the organizational restructuring of the new AGEST group with its consolidated subsidiaries.

Clarify growth strategies



Actively invest in new business area of each business and develop the new management structure.

Decided on a new management structure

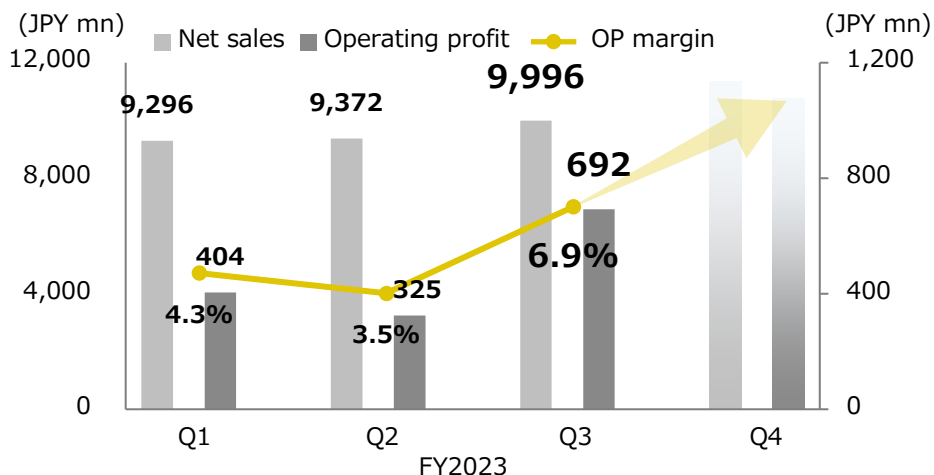


Mr. Ninomiya focusing on new AGEST group, and two of Mr. Miyazawa/ Mr. Tsukushi on new DH group.

Business Highlight for Q3 FY2023

Achieved higher sales appx. ¥10 billion and stronger OP appx. ¥0.7 billion in Q3_(Oct-Dec) than in Q2_(Jul-Sep). Improved OP margin in Q3_(Oct-Dec) to 6.9% and expecting to recover YoY growth of sales and profit from Q4_(Jan-Mar).

Consolidated Results



Improvement of OP margin in Q3_(Oct-Dec)

* Comparison of Q3_(Oct-Dec) against 1H_(Apr-Sep) of this year

(Enterprise Business)

Segment OP margin	Gross margin	
+3.0P	+2.2P	: Stronger margin of foreign subsidiaries
	SG&A ratio	: Lower amortization of goodwill and the effects of cost cut in the U.S. subsidiary
	-0.8P	

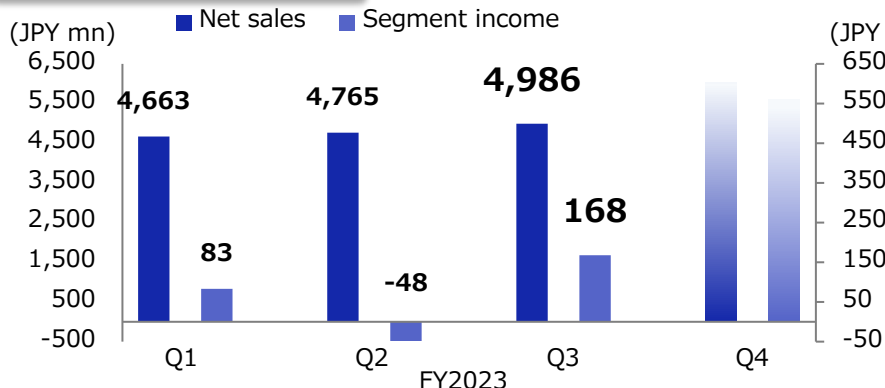
Better margin in Q4_(Jan-Mar) with higher sales is expected

(Entertainment Business)

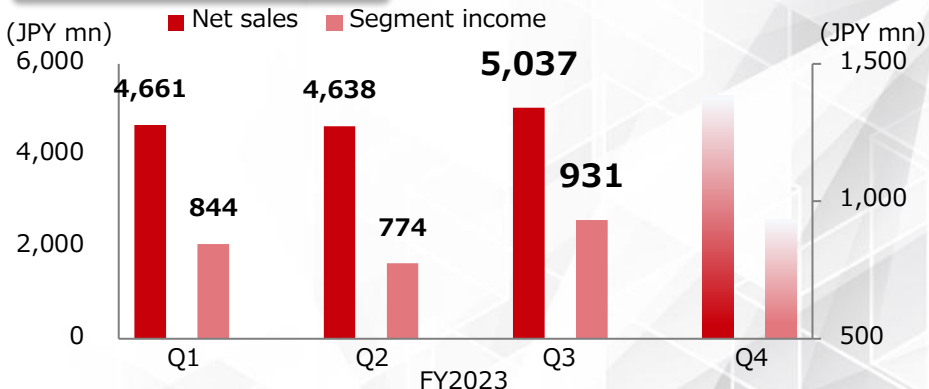
Segment OP margin	Gross margin	
+1.1P	same as 1H	: Improved in Domestic debugging, and strategically invested in Global businesses
	SG&A ratio	: Improved due to sales expansion
	-1.1P	

To maintain its profitability in Q4_(Jan-Mar) as in Q3_(Oct-Dec), while accelerating investment for future growth

Enterprise Business



Entertainment Business



Decided on a new management structure to realize the maximization of corporate value through Spin-Off Listing

Representative of the Company as of April 1



DIGITAL HEARTS HOLDINGS Co., Ltd.
Representative Director
and Chairman

Eiichi MIYAZAWA



DIGITAL HEARTS HOLDINGS Co., Ltd.
Representative Director,
President and CEO

Toshiya TSUKUSHI



AGEST, Inc.
Representative Director,
President and CEO

Yasumasa NINOMIYA

*Mr. Ninomiya is scheduled to resign as a Director at the conclusion of the 11th Ordinary General Meeting of shareholders of the Company to be held in June 2024.

Point
1

The founder, Mr. Miyazawa will return as representative of the Company for the first time in about 7 years. Mr. Tsukushi, representative of DIGITAL HEARTS Co., Ltd., will be representative director, President and CEO of the Company. By leveraging the strengths of two representatives, to aggressively promote the regrowth of new DIGITAL HEARTS group.

Point
2

Current CEO, Mr. Ninomiya will resign as representative of the Company and he will concentrate on managing new AGEST group under the preparation of Spin-Off Listing, as representative director of AGEST, Inc.

Outside Directors of AGEST, Inc.

Three candidates for Outside Director and Outside Audit & Supervisory Board Members, for governance as an independent listed company

Candidate

Brief career summary

Outside Director

Masaharu KAMO

Experience as an executive at several companies, such as McKinsey & Company, Inc., TOSHIBA CORPORATION, and Pan Pacific International Holdings Corporation (present)

Outside Audit & Supervisory Board Member

Yoko FUJITA

Certified public accountant, currently a member of ES NETWORKS CO., LTD.

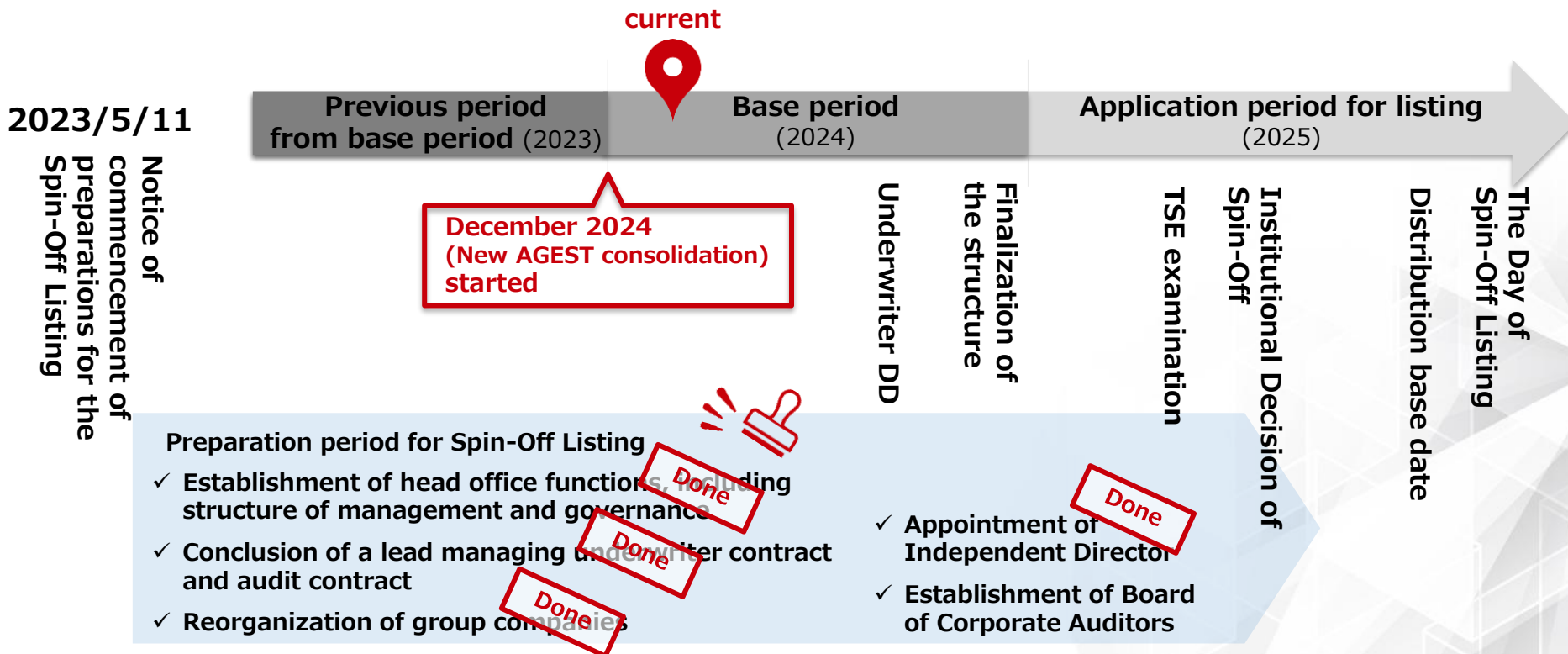
Outside Audit & Supervisory Board Member

Sakurako TOJO

Lawyer, currently a member of GAIEN PARTNERS

Completed the internal preparation steps for listing
“Base period” began from January 1, 2024, aiming to achieve Spin-Off Listing within 2025

- Fully recruited to build HQ function as a listed company and transferred employees from group companies to AGEST.
- Completed the group-wide reorganization with AGEST and its consolidated subsidiaries
- Changed the fiscal year-end of AGEST from March to December
- Made decisions on a new management structure with an eye to listing



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

Objectives and Goals of Spin-off Listing

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

New AGESt Group

AGESt

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

- Accelerate to grow with centering AGESt, Inc.

New DH Group

 DIGITAL HEARTS

To be the Global Quality Partner in the Entertainment Industry

- Challenge for global markets and new domains

Market environment

Domestic software testing market (*1)

Approx. ¥6 tn

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

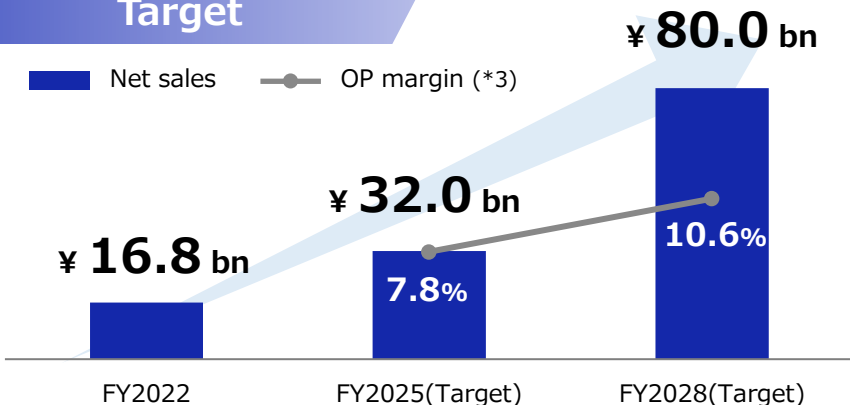
Market environment

Global digital content market(*2)

Approx. ¥53 tn

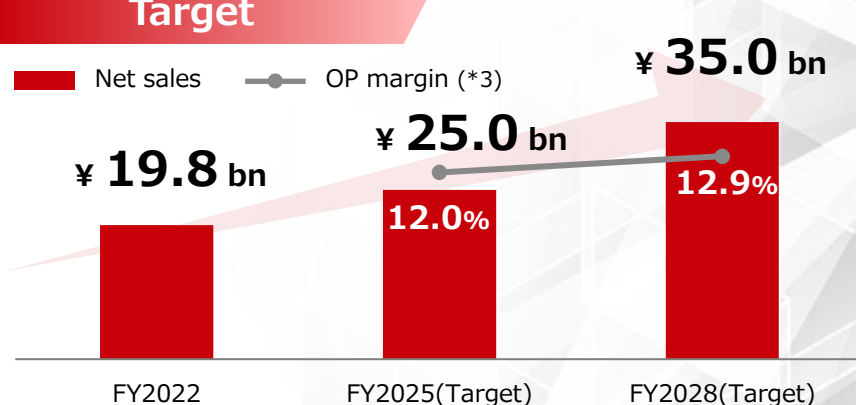
- Simultaneous game titles launching
- From the domestic to the global
- Entertainment digital contents than games

Target



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

Target

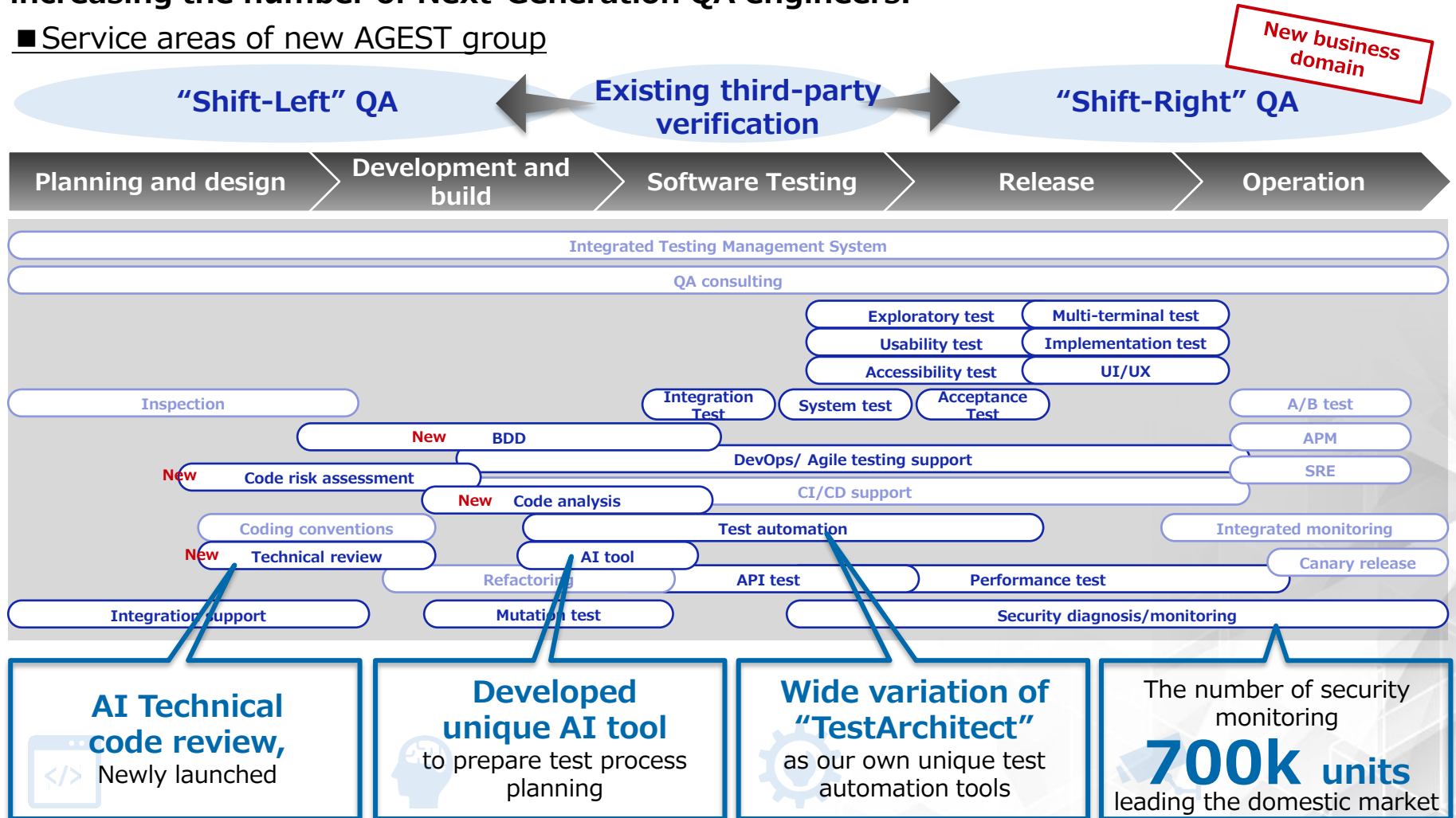


*1 Source: METI "Overview of the Global and Japanese Markets for Contents" Definition of digital content: Digital markets for music, publishing, video, and games. Calculated at \$1 = ¥150.67

*2 Figures for FY2025 and FY2028 are consolidated base with the assumption of after the Spin-Off Listing. Since these figures differ from the definition of FY2022 segment profit, operating income of FY2022 has no date here.

Aiming to **develop a “QA technology support” model**, including new “Shift-Right” QA solutions, by expanding new solutions utilizing cutting-edge AI and QA technologies and increasing the number of Next-Generation QA engineers.

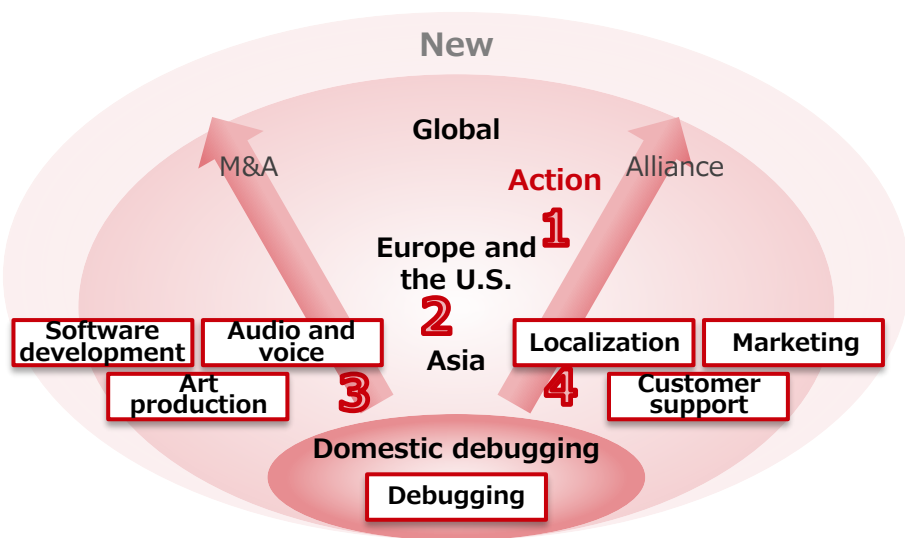
■ Service areas of new AGEST group



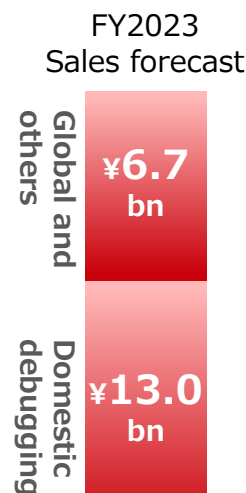
With the clear and unique growth strategy of Entertainment Business, accelerating the future investment and reinforcing the business basement.

Aiming strong growth and higher profitability through global expansion and new solutions.

Accelerate investment for future growth




Action




-  **Localsoft**
Localization Services
Business alliance with Localsoft for strengthening the businesses in Europe and the U.S.
-  **JetSynthesys**
GLOBAL GAME DEVELOPERS
Joint-venture company with JetSynthesys in India for debugging service.
-  **G-angle**
Capital and business alliance with G-angle Co., Ltd. strong in audio/voice recording of games.
-  **ROZETTA**
Developing a translation engine for games utilizing generated AI with Rozetta Corp.

Reinforcement of business basement


For the regrowth of Entertainment Business, to rebuild and strengthen the business basement including management strategy, recruitment policy, organizational structure, financial strategy, HR systems, and corporate culture.




Corporate culture
To penetrate "DHQ"* committing to the success of clients



Sales
From a single servicer to a comprehensive solution provider



Human resources
To design multiple career passes in the entertainment field



Group management
Shifting to manage Entertainment Business as a "One Team"

Consolidated Financial Results for Q3 FY2023

Summary of Business Results for the Nine Months Ended December 31, 2023

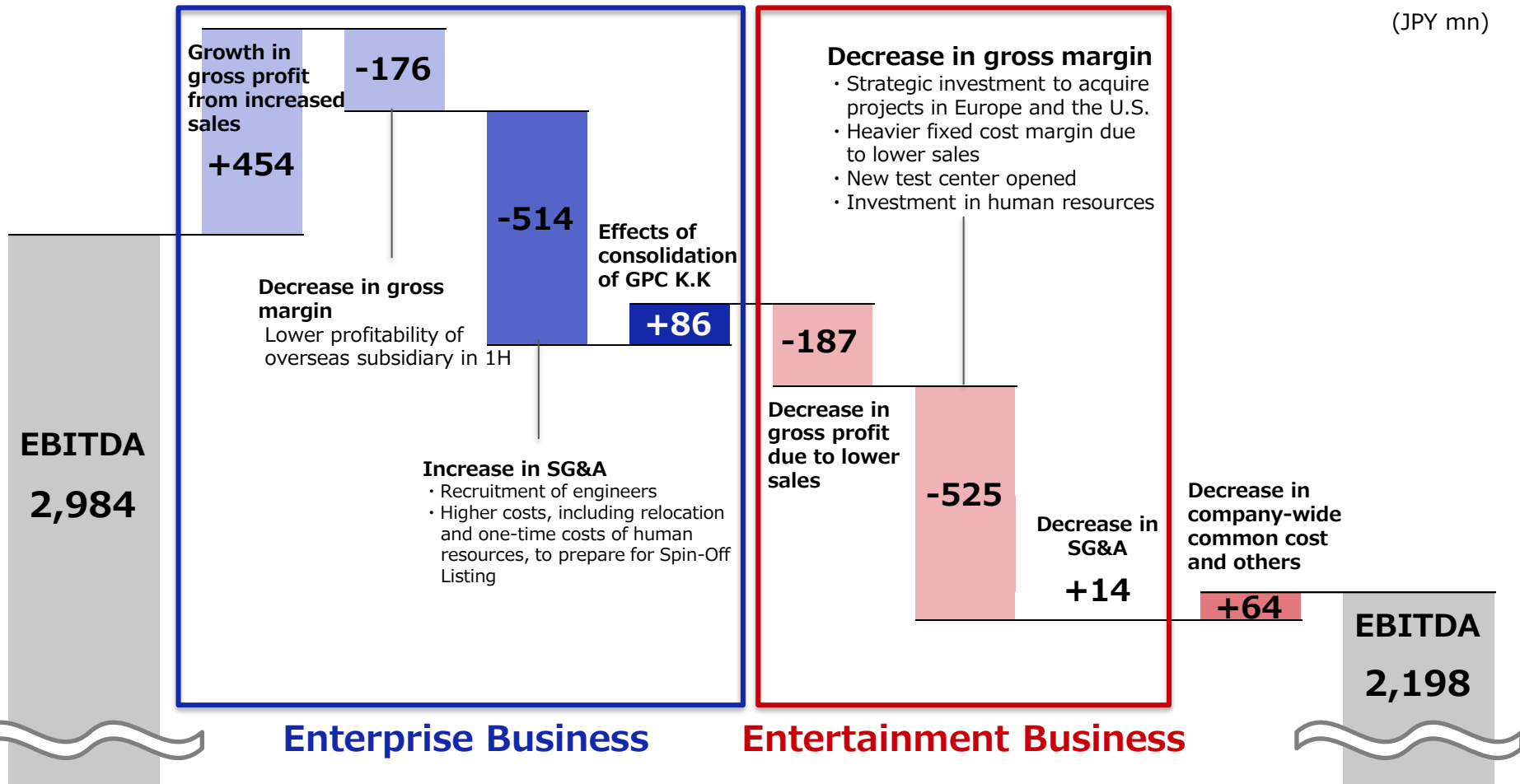
- Sales : Enterprise Biz continuing to expand, and Entertainment Biz restarted to increase from Q3_(Oct-Dec).
- Operating income : Recovered close to the previous year's level in Q3_(Oct-Dec) from significant decreasing in 1H of the year.
- Net income : Turned profitable in Q3_(Oct-Dec) after large impact of impairment losses of foreign subsidiaries recorded in 1H.

(JPY mn)	Q3 FY2022	Q3 FY2023	YoY Change	
Net sales	26,879	28,666	1,768	106.6%
Cost of sales	19,067	21,181	2,113	111.1%
Cost of sales (%)	70.9%	73.9%		+3.0points
Gross profit	7,811	7,484	-326	95.8%
SG&A	5,686	6,062	376	106.6%
Operating income	2,125	1,422	-703	66.9%
Operating income margin	7.9%	5.0%		-2.9points
Ordinary income	2,336	1,525	-811	65.3%
Profit attributable to owners of parent	1,394	-76	-1,470	—
EBITDA	2,984	2,198	-785	73.7%

Analysis of Changes in EBITDA

EBITDA decreased temporarily, due to worse gross margin of foreign subsidiaries in 1H and heavier SG&A expenses related to the preparation of Spin-Off Listing in Enterprise Business, and due to strategic spendings for Europe and the U.S. businesses and the impact of lower 1H sales in Entertainment Business.

(JPY mn)



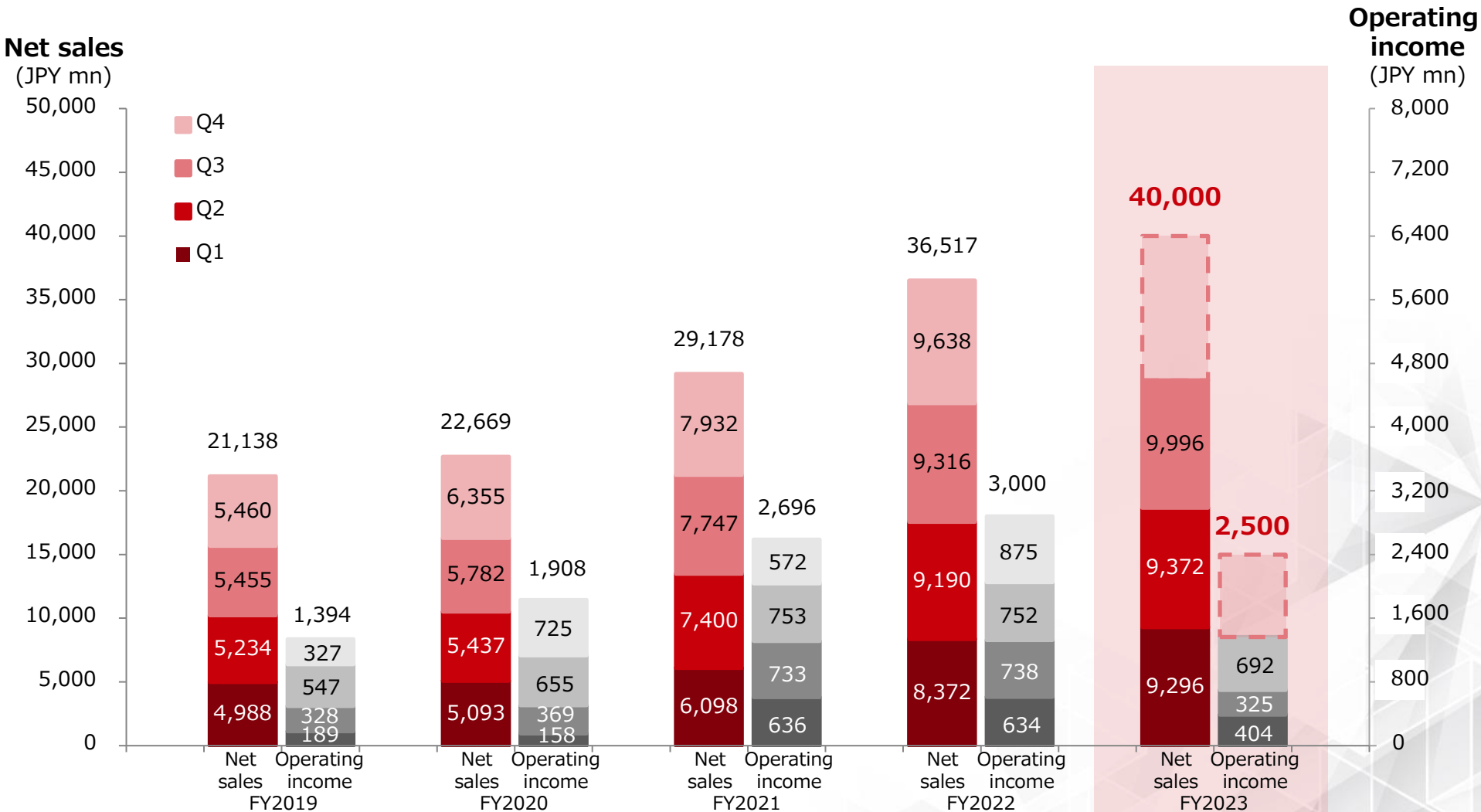
Q3 FY2022

Q3 FY2023

Trend in Net Sales and Operating Income

Started recovering the profitability of both businesses since the beginning of 2H.

Aiming for record-high Net sales and Operating income as a half year in total 2H.



Consolidated Balance Sheets

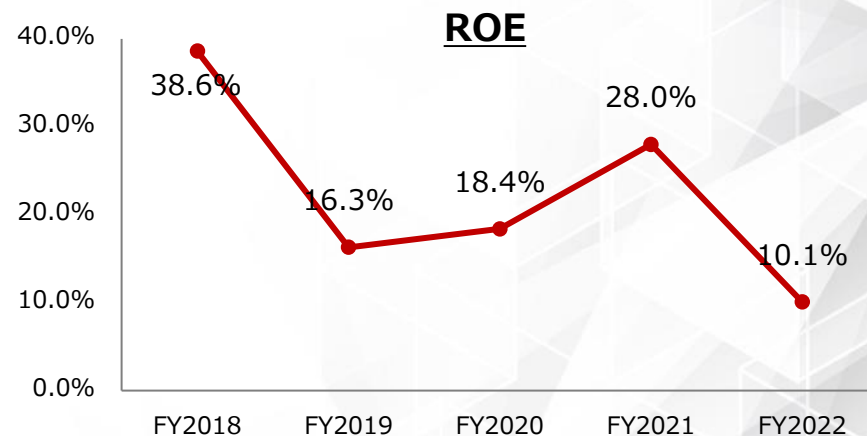
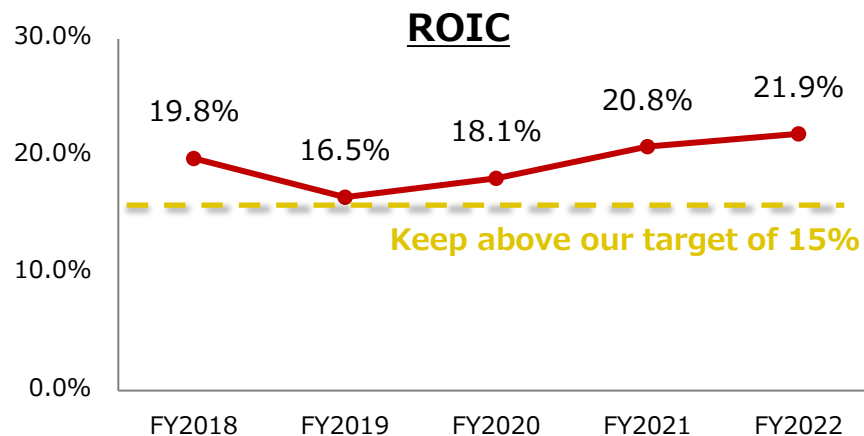
(JPY mn)	Q4 FY2022 (As of March 31, 2023)	Q3 FY2023 (As of December 31, 2023)	Change from Q4 FY2022
Total assets	19,581	20,914	1,332
Current assets	12,528	13,818	1,289
Cash and deposits	6,456	7,350	893
Noncurrent assets	7,052	7,096	43
Property, plant and equipment	1,169	1,320	151
Intangible assets	4,188	2,947	-1,240
Goodwill	3,468	2,352	-1,115
Investments and other assets	1,694	2,827	1,133
Total liabilities	10,107	12,322	2,215
Current liabilities	9,930	12,120	2,189
Short-term loans	5,106	7,206	2,100
Noncurrent liabilities	176	202	26
Total net assets	9,474	8,591	-882
Shareholders' equity	8,283	7,436	-846
Accumulated other comprehensive income	522	723	200
Subscription rights to shares	6	—	-6
Non-controlling interests	661	431	-229
Total liabilities and net assets	19,581	20,914	1,332

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

Remained at high levels of both ROIC and ROE.



Financial Results of Q3 FY2023 by Segment and Full-year Forecast of FY2023

Summary of Financial Results by Segment

(JPY mn)	Q3 FY2022	Q3 FY2023	YoY Change
Net sales	26,879	28,666	106.6%
Enterprise	12,066	14,415	119.5%
Entertainment	14,926	14,336	96.0%
Adjustments	-113	-86	—
Operating income	2,125	1,422	66.9%
Enterprise	298	203	68.2%
Entertainment	3,206	2,550	79.5%
Adjustments	-1,379	-1,331	—
EBITDA	2,984	2,198	73.7%
Enterprise	835	684	82.0%
Entertainment	3,495	2,796	80.0%

- Thanks to strong demand for software testing in Japan, net sales of mainstay QA solution made a rapid **growth of YoY131.7%** by strengthening the recruitment of Next-Generation QA engineers and expanding “Shift Left” QA services, and the segment sales also achieved **high growth of YoY119.5%**.
- Achieved a **high gross margin 31.5% in Q3_(Oct-Dec)** for QA solution, through expanding high-value-added services and improving profitability in the foreign subsidiaries by changing the growth strategy.
- Increasing **expenses related to preparations for Spin-Off Listing**, such as the group subsidiaries reorganization to the structure centered on AGEST, the increase of HQ personnel, and the relocation of HQ functions.

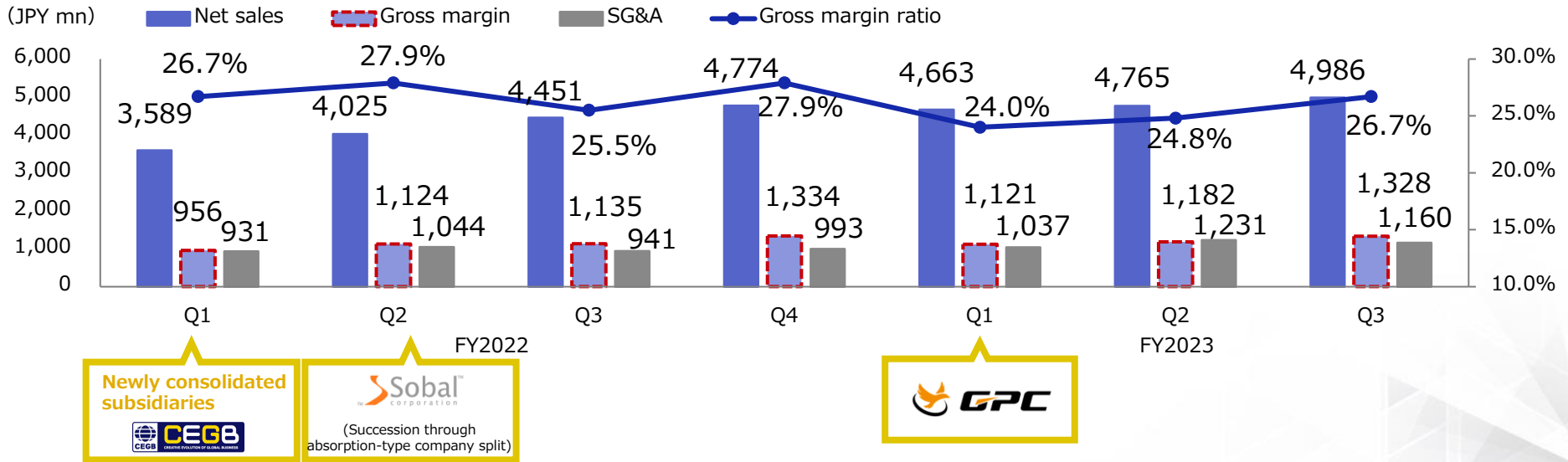
(JPY mn)	Q3 FY2022	Q3 FY2023	YoY Change
Net sales	12,066	14,415	119.5%
QA solution	7,314	9,631	131.7%
IT services and others	4,751	4,783	100.7%
Segment income	298	203	68.2%
EBITDA	835	684	82.0%

Key KPIs of Enterprise Business

Enterprise Business

- YoY120% sales growth trend due to existing business growth and the effects of M&As.
- Gross margin of Q3(Oct-Dec) recovered to 26.7%, almost same as FY2022, by improving QA solution.
- Significantly improved YoY growth of both the number of clients with order and the average sales per client and increasing the number of engineers at a pace of over 100 people per year.

Performance Trends



QA solution division

Number of clients with orders (*)

Q3 FY2022

693 companies

Breakdown of YoY changes in number of clients with orders

Q3 FY2023

819 companies

Domestic +79 companies
Overseas +47 companies

Annual sales per client (*)

Q3 FY2022

¥12 mn

Q3 FY2023

¥14 mn

Number of engineers

Q3 FY2022

993 people

Q3 FY2023

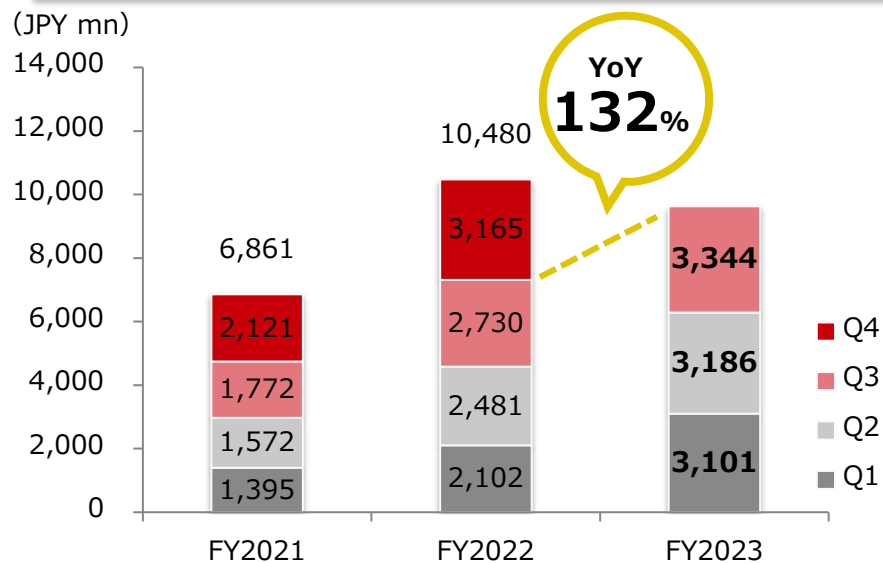
1,108 people

Breakdown of YoY changes in number of engineers

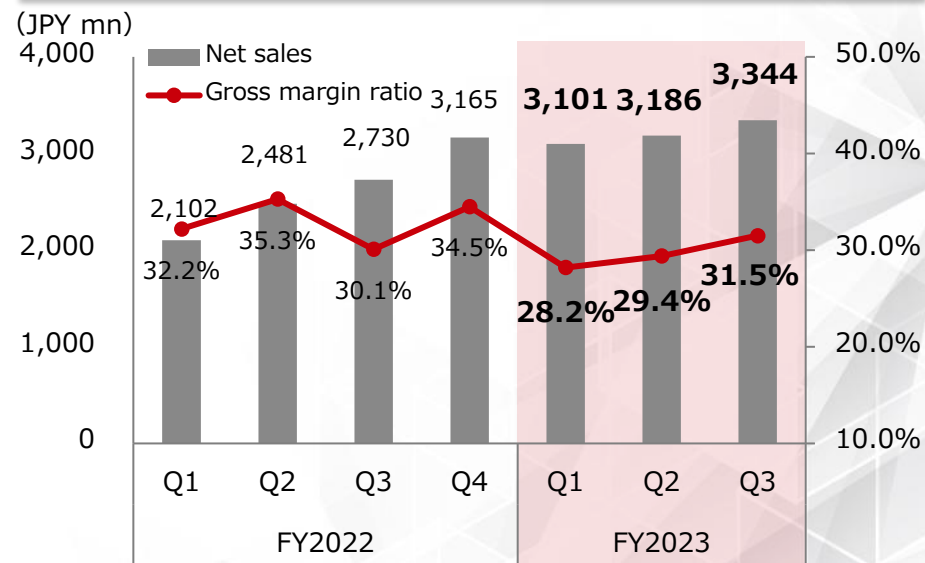
Domestic +104 people
Overseas +11 people

- Rapid growth of **YoY122.3%** in sales excluding the effects of M&A, with continuous increase in demand for software testing in Japan with the acceleration of DX.
- The number of engineer has reached to **1,108** by strengthening recruitment by utilizing the 'Tech' brand image of AGEST for wider range from **Next Generation QA engineers** to **unexperienced engineer candidates**.
- Gross margin recovered to **31.5% in Q3_(Oct-Dec)** due to the expansion of high-value-added services including “Shift Left” QA services and the improvement in the foreign subsidiaries with changing the growth strategy.

Quarterly sales

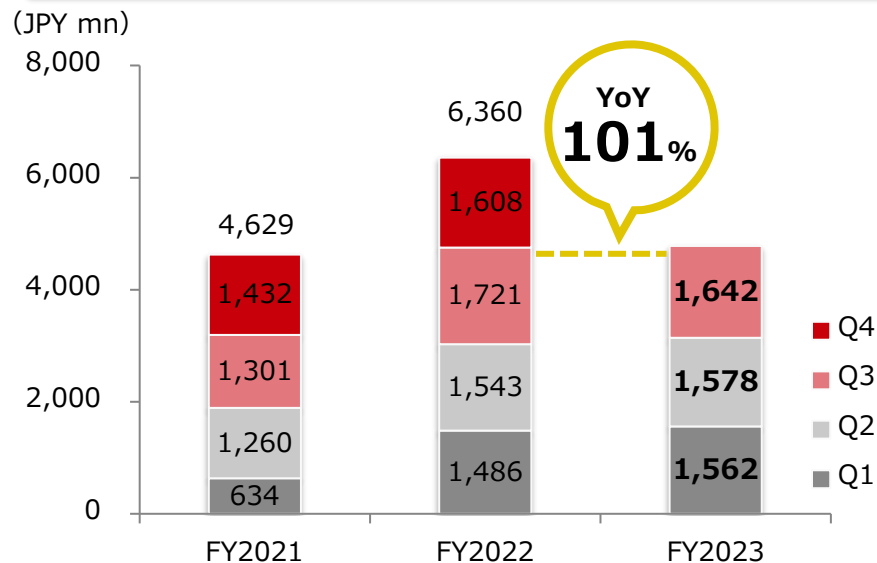


Net sales and Gross margin ratio

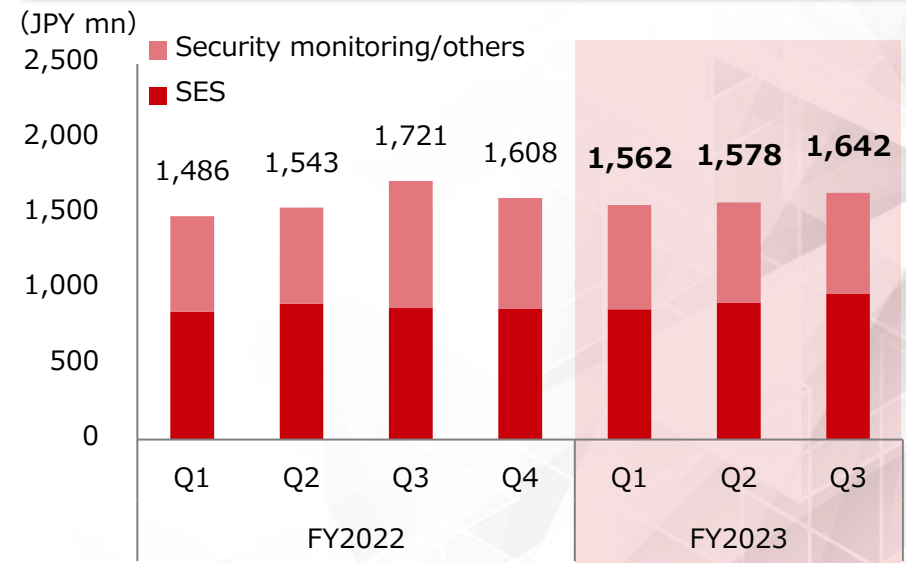


- IT services and others division's net sales remained at the same level as FY2022 with the growth of YoY100.7%, supported by **a stable businesses base and steady demand.**
- **Security monitoring services achieved to have 700 thousand units under its service,** by steadily capturing increasing demand against the backdrop of expansion of remote work.
- The registered engineers, SES services, in identity Inc. reached **34 thousand** people.

Quarterly sales



Quarterly sales by service

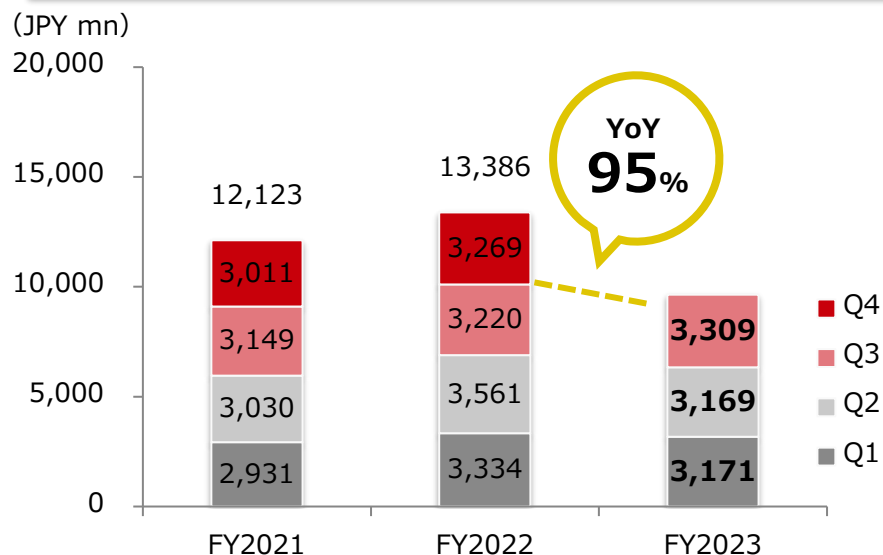


- **Domestic debugging sales trending upward in Q3_(Oct-Dec) with growth of YoY102.8%, with the result of YoY95.4% as Q3_(nine months) including the weaker sales of 1H, due to the sales expansion for console games. Gross margin in Q3_(Oct-Dec) has improved close to 30%** due to the penetration of cost pass-through.
- **Global and others sales** recovering to the growth **YoY102.5% in Q3_(Oct-Dec)**, despite the effects of regulation changes in the China, due to sales growth of translation/LQA and marketing support services.

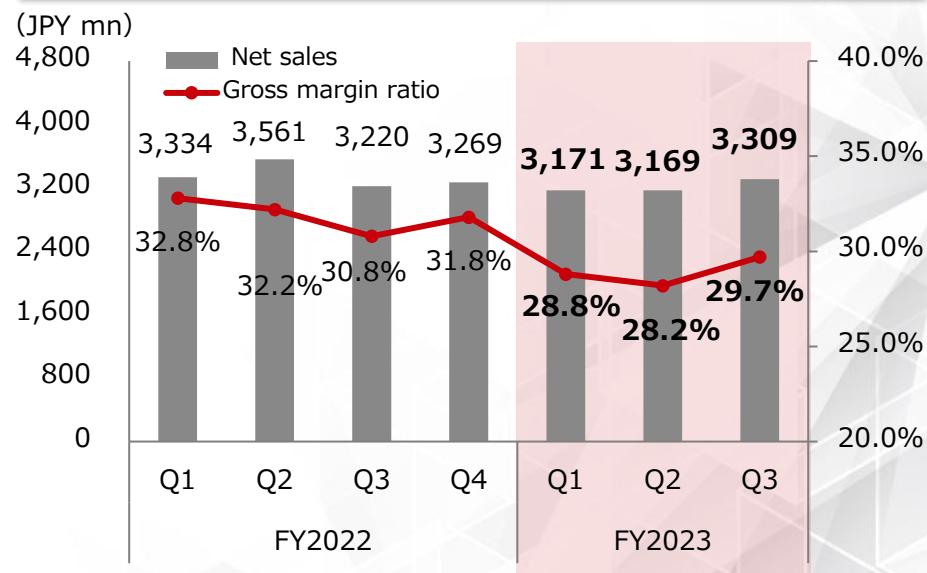
(JPY mn)	Q3 FY2022	Q3 FY2023	YoY Change
Net sales	14,926	14,336	96.0%
Domestic debugging	10,116	9,650	95.4%
Global and others	4,809	4,686	97.4%
Segment income	3,206	2,550	79.5%
EBITDA	3,495	2,796	80.0%

- Domestic debugging's quarter sales achieved a high level of ¥3.3 billion (YoY102.8%) for the first time in the past five quarters**, due to progress in acquiring orders for console games and continued efforts to strengthen the quality of services through its "DHQ" operation.
- Gross margin of Q3_(Oct-Dec) restored to 29.7%** close to FY2022 level, due to the penetration of cost pass-through and the effects of sales expansion since the beginning of 2H, despite a temporary decline in 1H due to the hourly wage hike for testers and the additional costs for opening a new testing center.

Quarterly sales

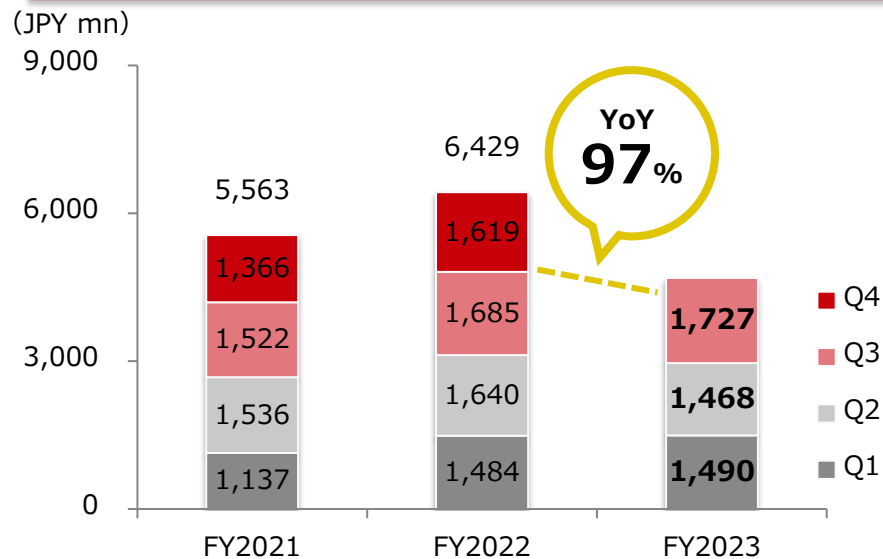


Net sales and Gross margin ratio

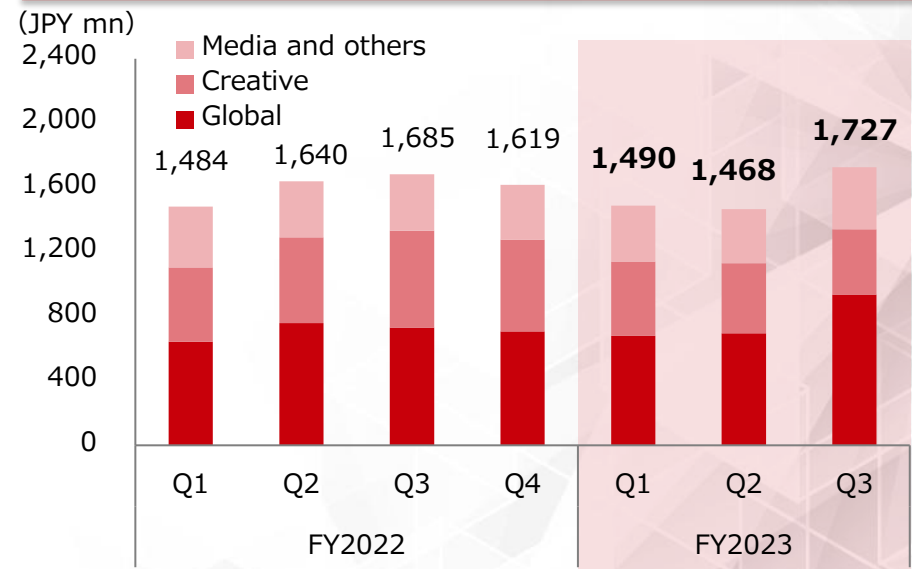


- Amid the lingering effects of game regulation changes in the Chinese market, Q3^(nine months) sales of **the Global services (translation/LQA and marketing support)** made the **high growth YoY108.3%** by expanding the translation/LQA including EFIGS languages and by getting new orders of marketing support for E-commers players.
- Taking initiatives in the global market, to strengthen the services for the U.S. and Europe, such as forming **business alliance with a Spanish localization company**, establishing **JV company with an Indian game developer**, and starting development of **translation engines for video games by utilizing AI**.

Quarterly sales



Quarterly sales by service



FY2023 Consolidated Financial Forecast

- Aiming Net sales of ¥40 billion and a consolidated Operating income of ¥2.5 billion.
- With an actual profitability recovering from Q3_(Oct-Dec), forecasting a record-high ¥1.7 billion for the Operating income as a half-year period.
- Target of Profit attributable to owners of parent is ¥0.5 billion, due to significant impact of impairment losses in foreign subsidiary.

(JPY mn)	Full-year FY2022 Actual	Full-year FY2023 Forecast (As of November 9, 2023)	YoY
Net sales	36,517	40,000	109.5%
Enterprise	16,840	20,435	121.3%
Entertainment	19,815	19,645	99.1%
Operating income	3,000	2,500	83.3%
(Excluding costs to prepare for the Spin-Off Listing of AGESE, Inc.)	3,000	2,800	93.3%
Operating income margin	8.2%	6.3%	-2.0 points
Ordinary income	3,152	2,560	81.2%
(Excluding costs to prepare for the Spin-Off Listing of AGESE, Inc.)	3,152	2,860	90.7%
Profit attributable to owners of parent	799	550	68.8%
EBITDA	4,176	3,460	82.8%

Spin-Off Listing

(Disclosed on November 11, 2023)

Why?

To win in the growing market by refining their respective expertise and human resources in the rapidly evolving and globalizing IT/game markets!

Enterprise Business

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

- Accelerate rapid growth as a unique model originating in Japan centered on advanced IT engineers.

Entertainment Business

To be a “Global Quality Partner” committed to the success of entertainment companies

- Supporting the quality and operation of digital content, centered on human resources who love game and entertainment

How?

Acquire optimal human resources and investment funds through branding as an independent, publicly traded company!

Enterprise Business

“Global Tech-brand” growing with cutting-edge in both tech and QA

Entertainment Business

“Global entertainment brand” enjoying creativity and diversity.

Enterprise Business has become the second pillar of profitability. Each unique expertise is required to further grow each business.

Net sales (Target)
¥80bn

Enterprise Business

Started the Enterprise Business by utilizing human resources/expertise developed in game debugging service.

Net sales Approx.
¥17bn

Pursue "QA" technologies, including cutting-edge technologies



Next-generation QA domains in response to "shift left"



Field of manual testing by "Engineer"

AGEST

Composition of core company

2001

2017

2023

2029

First Founding

Second Founding

Present to Future

Have been providing game debugging services in the domestic game market by people with passionate about games.



DIGITAL HEARTS

Establishment of core company



Domestic game-related debugging domain with overwhelming market shares



Cross-border projects and debugging services for various entertainment contents

Entertainment Business

Net sales Approx.
¥20bn

Expanding cross-border projects and new debugging areas for other entertainment contents

Net sales (Target)
¥35bn

Enterprise Business

Aiming for "Safe and Secure Software"



Contribute to the improvement of the quality as functions and non-functions of software and to support every aspect of life

Goal

"Expert in QA" to help improve the accuracy and efficiency of testing



Testing utilizing cutting-edge QA know-how, including shift-left support and the use of test automation tools

Value

Group of engineers pursuing cutting-edge technologies



Keep pace with rapidly changing trends in technology and improve own skills

Human resources

Entertainment Business

Aiming for "Maximizing the Attractiveness of Entertainment Contents"



Contribute to the creation of comfortable lifestyles by providing total support, from the creation of attractive contents to marketing activities.

Support for improving content quality from the "user's perspective"



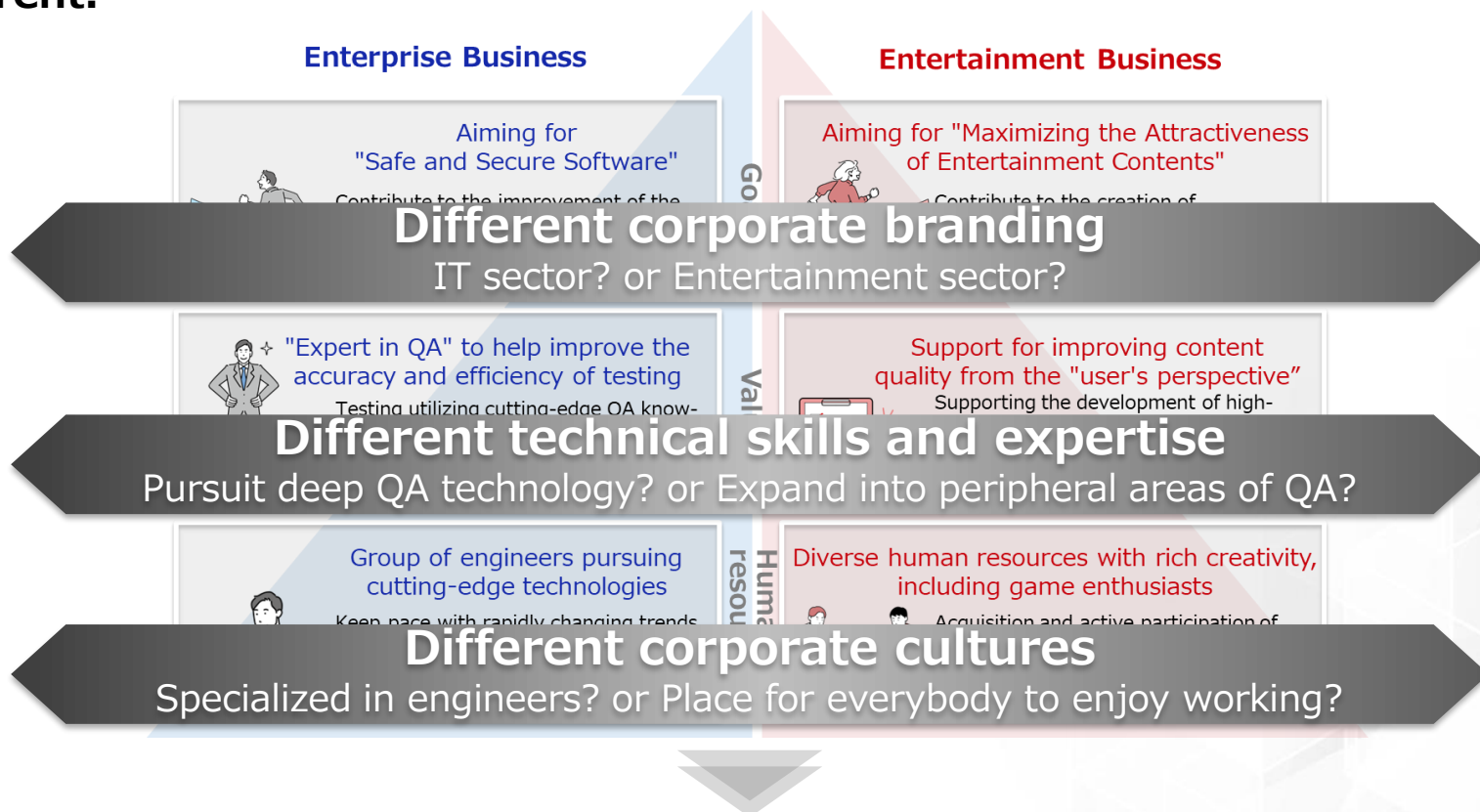
Supporting the development of high-quality contents by detecting bug or defect utilizing the sensibilities of game-lovers and translating them with understanding the worldview of each title.

Diverse human resources with rich creativity, including game enthusiasts



Acquisition and active participation of various testers including withdrawal experienced, young actors, creators and translation professionals.

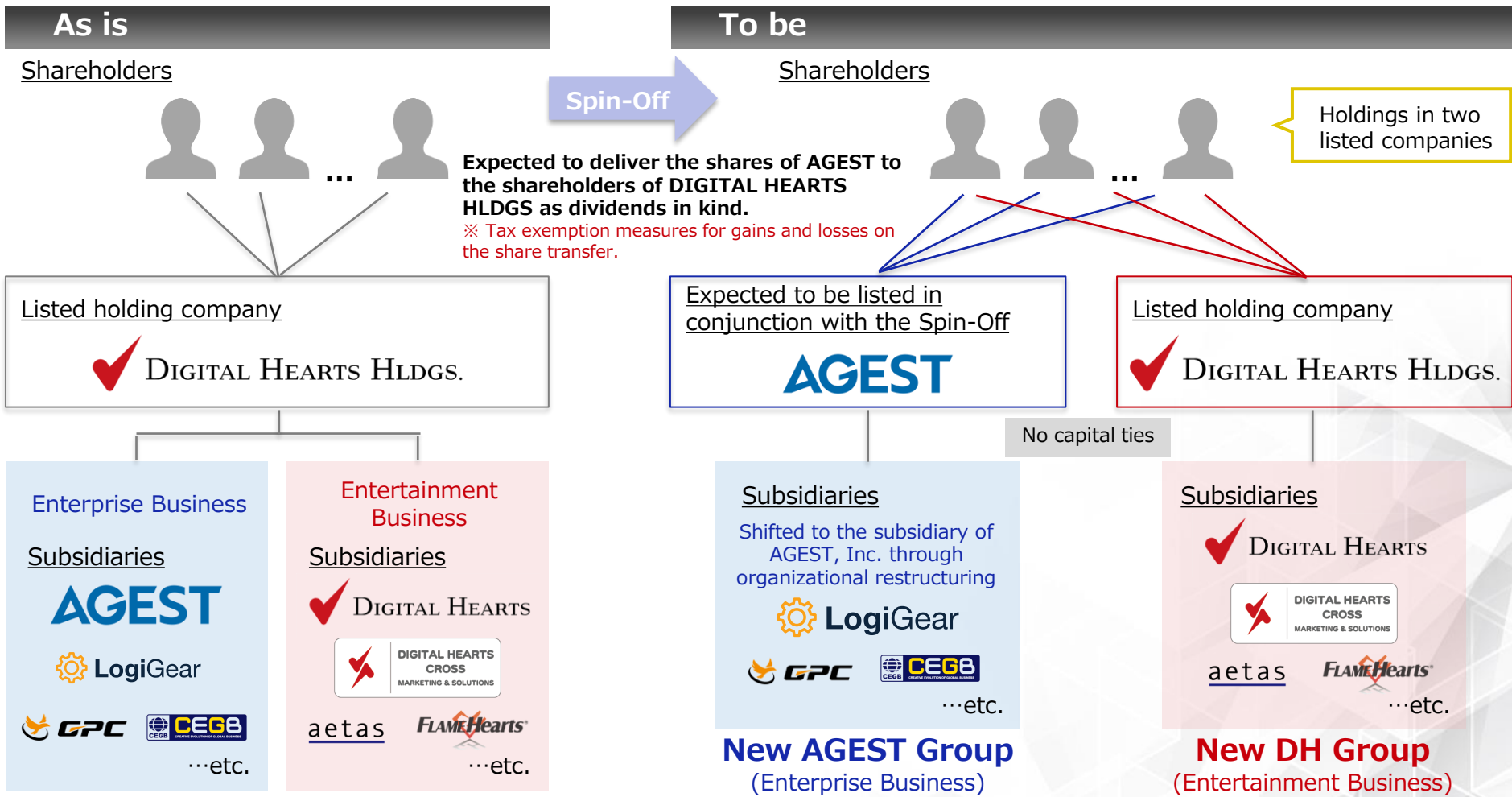
Now that both businesses are of the same size, challenges due to the mix of different specialties and different corporate cultures have gradually become apparent.



Started preparing for the Spin-Off Listing of AGEST, Inc., the core subsidiary of the Enterprise Business, to maximize the growth potential of "both" businesses by making each business as an independent and unique one.

(Appendix) Scheme of Spin-Off Listing

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



Continue to strategically invest in new technologies/human resources, mainly in the domestic market. Aim to become a global QA company with net sales of ¥80 billion and 10% OP margin.

Market environment

Domestic software testing market (*1)



■ Business opportunity

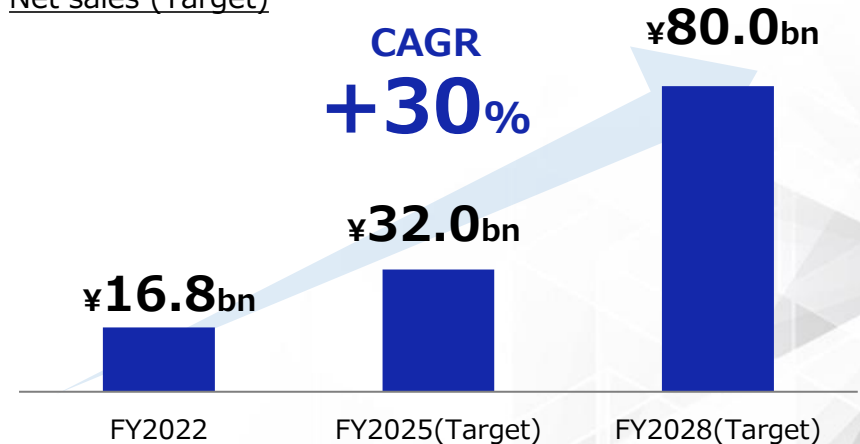
- Chronic shortage of engineers.
- "Quality" is the source of our competitiveness, and the testing process has become more and more important.
- Sophisticated testing technologies.

The outsourcing of testing processes for specialized companies is accelerated

Target

(consolidated)	FY2022*2	FY2025	FY2028
Net sales	¥16.8 bn	¥32.0 bn	¥80.0 bn
Operating income	-	¥2.5 bn	¥8.5 bn

Net sales (Target)



New AGEST Group



*1 See p.6 of this document for source and other details.

*2 Figures for FY2025 and FY2028 are consolidated base with the assumption of after the Spin-Off Listing. Since these figures differ from the definition of FY2022 segment profit, operating income of FY2022 has no date here.

Accelerating businesses expansion in Europe, the U.S. and other global markets, and challenging in new areas such as NFT and Metaverses, while maintaining stable revenues in the domestic Debugging businesses.

Market environment

Global digital content market (*1)



■ Business opportunity

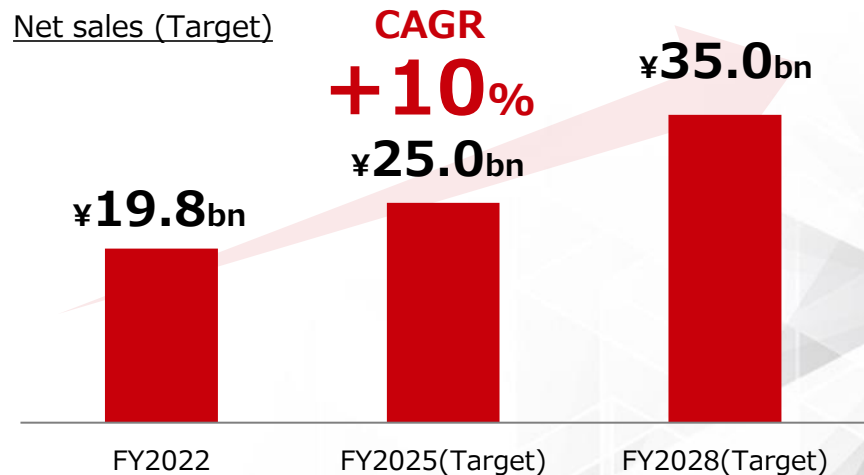
- Accelerating the global expansion of game titles from the domestic to the global
- Increase in entertainment digital contents other than video games



New needs as a quality partner

Target

(consolidated)	FY2022*2	FY2025	FY2028
Net sales	¥19.8 bn	¥25.0 bn	¥35.0 bn
Operating income	-	¥3.0 bn	¥4.5 bn



New DH Group



*1 See p.6 of this document for source and other details.

*2 Figures for FY2025 and FY2028 are consolidated base with the assumption of after the Spin-Off Listing. Since these figures differ from the definition of FY2022 segment profit, operating income of FY2022 has no date here.

Appendix

One of the few
testing companies in Japan



Ratio of
outside directors
50.0%



Employment creation
for more than
8,000 testers



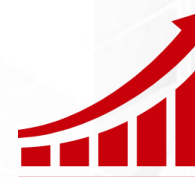
Business that supports
Digital security



Foreign staff
members of more
than
30 nationalities



High sales growth of
CAGR 16% (*)



Our mission

SAVE the DIGITAL WORLD

Market environment

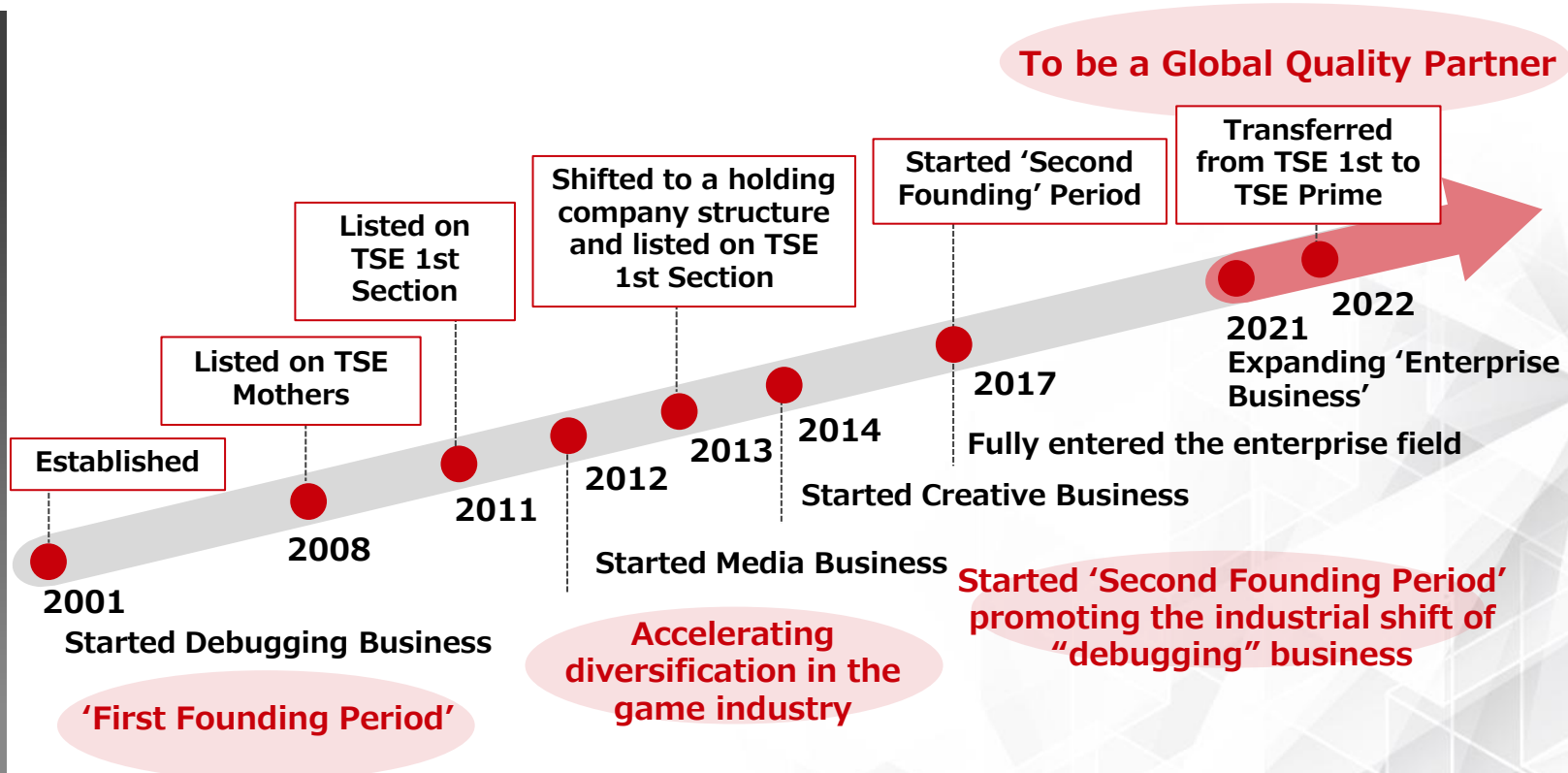
Growth of console game market

Growth of mobile game market

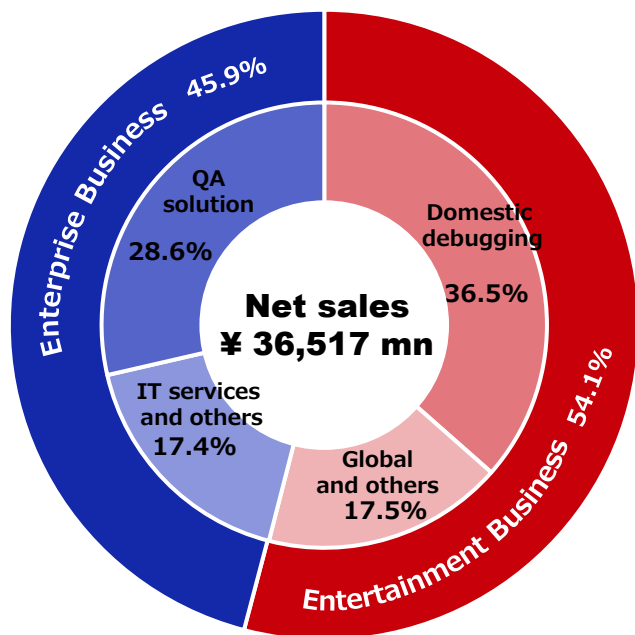
Expansion of IoT

Expansion of DX

History



Our core business: QA(Quality Assurance) and Debugging



Sales breakdown by segment (FY2022)

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

Enterprise Business	QA solution	28.6%	<ul style="list-style-type: none"> ➤ Testing for business systems incl. online ➤ Support for test automation ➤ Security test ➤ Introduction of ERP and CRM ➤ System development
	IT services and others	17.4%	<ul style="list-style-type: none"> ➤ IT engineer platform service ➤ Security monitoring ➤ IT support
Entertainment Business	Domestic debugging	36.5%	<ul style="list-style-type: none"> ➤ Debugging for console games, mobile games, etc.
	Global and others	17.5%	<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

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

(As of December 31, 2023)

Enterprise Business

AGEST, Inc.

System testing, Cyber-security, etc.

AGEST Vietnam Co., Ltd.

System testing, Test automation support

LOGIGEAR CORPORATION

System testing, Test automation support

MK Partners, Inc.

Salesforce consulting

DEVELOPING WORLD SYSTEMS LIMITED

Introduction and maintenance support for Oracle products

identity Inc.

IT freelance engineer platform service

CEGB Co., Ltd.

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

GPC K.K

SAP/ERP implementation support, System development, etc.

Entertainment Business

DIGITAL HEARTS Co., Ltd.

Game debugging, Localization, etc.

DIGITAL HEARTS CROSS Group

Marketing support, etc.

DIGITAL HEARTS (Shanghai) Co., Ltd.

Game debugging, Localization, etc.

DIGITAL HEARTS USA Inc.

Game debugging, Localization, etc.

DIGITAL HEARTS Seoul Co., Ltd.

Game translation, Marketing support, etc.

Digital Hearts Linguitronics Taiwan Co., Ltd.

Game translation

FLAME Hearts Co., Ltd.

Game development and CG content development

Aetas, Inc.

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

(As of December 31, 2023)



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

People



Dr. Juichi Takahashi

A pioneer in software testing in Japan. Holds a PhD in software testing and has published many works. Chief Technical Advisor of AGEST, Inc., our subsidiary



Dr. Hironori Washizaki Professor, WASEDA University

Researcher in agile development.



Mr. Rex Black

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



Dr. Masahiko Kato Professor, University of Nagasaki

Researcher in Security Testing.

Process



Mr. Yohei Takagi

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



Dr. Stuart Reid














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

Technology



Mr. Hung Nguyen

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

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

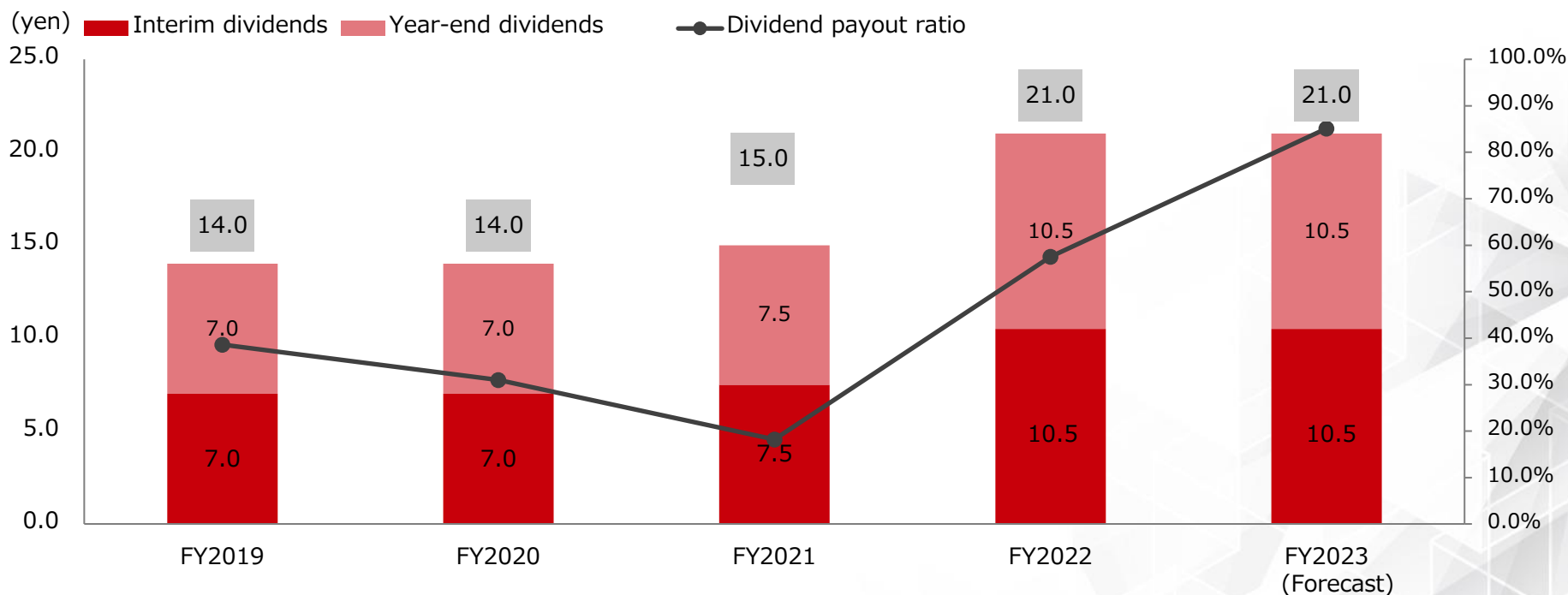
Consolidated Financial Statement

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

Basic Policy to Return Profits to Shareholders

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

Changes in dividends



Major risks

Countermeasures

1. Leakage of confidential information

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

2. Obsolescence of existing services by technological innovation

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

3. Reduction of productive population in Japan

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

4. Expansion of corporate acquisition and new businesses

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

(Ref.) Our Aims for Sustainable Value Creation

Our Major Initiatives and Sustainable Development Goals (SDGs)

Human resource

To resolve the shortage of IT human resource

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



Human resource

Workplace for diverse human resources

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



Technology

To realize a secure and safe digital society

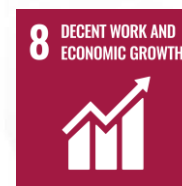
- Established "AGEST Testing Lab. " to promote research on new software testing methods to support the evolving software society through industry-academic collaboration.
- Launched factory cyber security solutions to Japan market collaboratively with four companies including Siemens K.K.



Communities

To revitalize local community and resolve IT disparities

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



Terms	Definition
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.
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.

<Contact>

Investor and Public Relations Division

Phone : +81-3-3373-0081

Email : ir_info@digitalhearts.com

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

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.