

# Presentation Material

for the Fiscal Year Ended March 31, 2024

May 9, 2024

Tokyo Stock Exchange Prime Market: Code 3676

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

# Executive Summary

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Aiming to maximize the corporate value of both DH Group and AGEST Group by separating businesses with different markets/characteristics to be two independent listed companies through Spin-Off Listing, and by achieving swift management decisions and financing in line with each strategy.

## Entertainment Business

To be the Global Quality Partner in the Entertainment Industry

Shifting to a growth trajectory

Towards a global company

Diverse and abundant human resources

## Enterprise Business

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

Keep high growth

Cutting-edge technologies

Engineer specialists

FY2024

AGEST Group

DH Group

FY2023

Have done the preparations for new value creation

- ✓ Shifted to an independent management structure and organization of both groups
- ✓ Completed the capital reorganization of AGEST Group subsidiaries

## Group Mission

# *SAVE the DIGITAL WORLD*

### DH Group



Maximize the appeal of entertainment contents and

Contribute to the creation of better comfortable life with people's smile

### Bring Japan Quality to the World

- High quality standards with "mindful and sensitive" as one of the Japanese characters
- Provide suitable solutions to digital contents with quickness and global standards
- Disseminating the attractiveness of Japanese "subcultures" such as anime, manga, and games

### AGEST Group



Provide Quality, Security, and Agility for every software development and

Contribute to the creation of a secure and safe digital society

### Develop New Standard in Japan with World-class Technologies

- Continuous evolution in line with rapidly changing technological trends
- One of the few leading Japanese groups with "QA" specialists

## DH Group

### Aggressive alliances to transition to a growth trajectory

New Alliance partners

Expand business in U.S. and Europe



Expand audio/voice recording services



Expand functional QA in English language



## DH Group

### Strategic investing to expand AI-related businesses

Capital participation in growing company to expand annotation business



Joint development of "ELLA", translation engine for game by utilizing generative AI



## Management

New management structure from April 1, 2024, as part of businesses reorganization

DIGITAL HEARTS HOLDINGS Co., Ltd.



Representative Director and Chairman

Eiichi Miyazawa



Representative Director, President and CEO

Toshiya Tsukushi

AGEST, Inc.



Representative Director, President & CEO

Yasumasa Ninomiya

## AGEST Group

### Received [Testing Champion of the Year] in "Partner Award 2023" of Panaya



Left : AGEST President & CEO Yasumasa Ninomiya  
Right : Panaya Ltd. CEO Mr. David Binny

## AGEST Group

### Actively utilizing AI to develop entirely new QA services



#### AI Technical Code Review

Evaluation from three perspectives: coding practices, security, and performance.



#### AI Debugging for Enterprise

AI analyzes the log based on information collected by APM(\*), and identifies problem source code and prepares corrections.

Consolidated net sales	<b>¥38,790 mn</b> (YoY 106.2%)	Consolidated operating income	<b>¥2,039 mn</b> (YoY 68.0%)	Profit attributable to owners of parent	<b>¥176 mn</b> (YoY 22.1%)
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## DH Group Business (\*)

### ■ Net sales

Entertainment Business

**¥19,180 mn**  
(YoY 96.8%)

New Segment Standard

**¥23,488 mn**

### ■ Segment income

Entertainment Business

**¥3,325 mn**  
(YoY 78.9%)

New Segment Standard

**¥1,734 mn**

\* ¥3,420 mn excluding holding company costs.

### Summary

- Full year sales remained almost same as FY2022, due to growth of "Global and others", despite a decline of the "Domestic debugging" with the impact of delays and cancellations in some game title developments.
- Decrease in operating income due to the smaller sales in highly profitable Domestic debugging, despite the progress in passing on costs to raise the tester's hourly wage.
- Actively invest in new growth strategies.

## AGEST Group Business (\*)

### ■ Net sales

Enterprise Business

**¥19,714 mn**  
(YoY 117.1%)

New Segment Standard

**¥15,975 mn**

### ■ Segment income

Enterprise Business

**¥423 mn**  
(YoY 66.3%)

New Segment Standard

**¥305 mn**

### Summary

- Kept double-digit sales growth with a booming market environment as a tailwind.
- Good will impairment loss of 1.0 billion yen in 1H related to U.S. subsidiaries' weaker performance and the changes of its management team and organization including its business plan.
- Excluding the impact of expenses related to preparing for Spin-Off Listing in FY2023, actual segment income achieved an increase to over 0.7 billion yen.

**Aiming to achieve record-high net sales and operating income of FY2024 by reversing the trend of sales and profit growth for both DH Group and AGEST Group.**

Consolidated net sales (Forecast)

**¥44,100 mn**  
(YoY 113.7%)

Consolidated operating income (Forecast)

**¥3,100 mn**  
(YoY 152.0%)

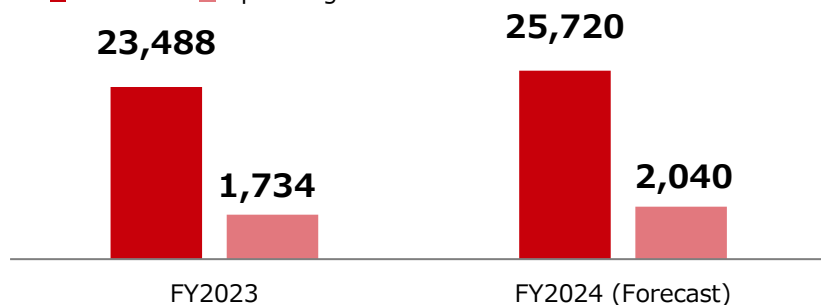
Profit attributable to owners of parent (Forecast)

**¥2,100 mn**  
(YoY 1,186.9%)

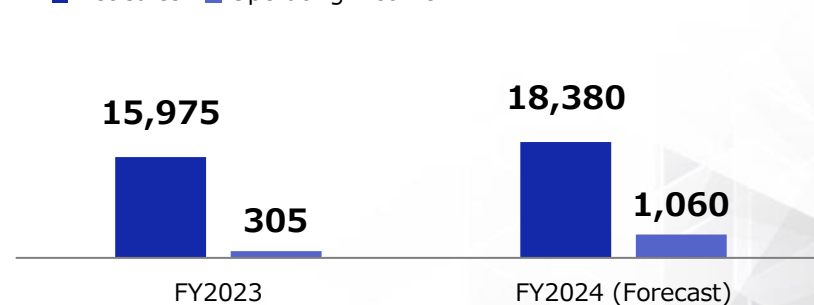
## DH Group Business(\*)

## AGEST Group Business(\*)

■ Net sales ■ Operating income



■ Net sales ■ Operating income



- Forecasting **a strong sales growth over YoY120% in "Global and others"** such as translation/ LQA and marketing support through expanding services and strengthening the business in U.S. and Europe.
- Planning **a stable results in "Domestic debugging"** with recovering orders.
- Aiming for **significant income increase to 2.0 billion yen** operating income by improving gross margin ratio with cost pass-through pricing and cost controlling.

- **Keeping high sales growth plan over YoY120% in "QA solution,"** due to steady domestic market expansion and strategic enhancements such as utilizing AI.
- Forecasting **gross margin improving to around 30%** due to expansion of high-value-added services.
- Aiming to improve income to **1.0 billion yen**, triple as FY2023, while investment in AI-tech and high-skill QA engineers.
- Assuming expenses to **prepare for Spin-Off Listing to be almost unchanged** from FY2023.

## As a part of the reorganization with future Spin-Off Listing, to change the business segments to “DH Group” and “AGEST Group” from FY2024

### ■ Before FY2023

### ■ After FY2024

\* The changes are **Underlined**

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

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



# DH Group

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In the Entertainment Industry

To be the Global Quality Partner

Business Domain



- Accelerating global expansion and increasing frequency of updates of digital content
- Growing demand for third-party QA and creative support as cross-border services
- Diversify entertainment contents such as video distribution apps and manga apps

Resource



- Multinational management personnel familiar with local business practices
- Cross-border team of professionals brimming with diverse game and entertainment enthusiasts

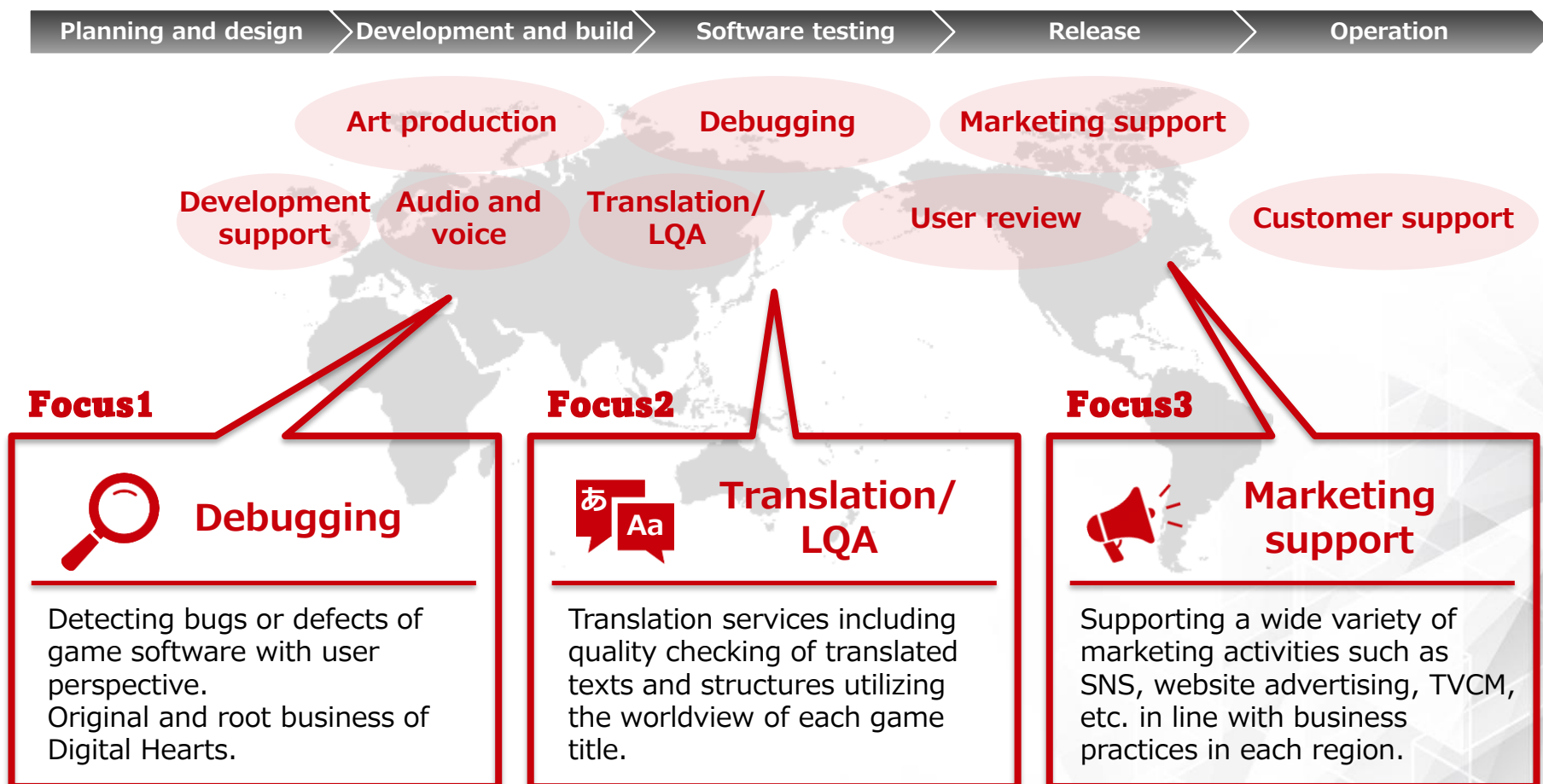
Providing Value



- Detecting bug or defect from a player's perspective
- Translation/ LQA utilizing the worldview of each game title
- 2D/3D graphic and sound development to enhance the attractiveness of game titles

Comprehensive support for improving the quality of content by providing a wide range of solutions suited to the lifecycles of game software and entertainment content.

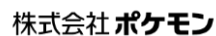
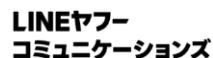
## ■ DH Group's major solutions



DH Group has had business results with most of the domestic game manufacturers, and recently been expanding its base with foreign business players and indie games as well.

## ■ Examples of clients

\* Alphabetical order



Pursue the unique quality method DHQ (Digital Hearts Quality), and a wide range of solutions from software development support, debugging service to marketing-support.

## ■ Examples of ordered project titles

### Debugging



©ATLUS ©SEGA All rights reserved.

Title  
**PERSONA3 RELOAD**

Publisher  
**SEGA CORPORATION**

Developed by  
**ATLUS. CO., LTD.**

### Debugging



©Bandai Namco Entertainment Inc.  
©1997-2023 FromSoftware, Inc. All rights reserved.

Title  
**ARMORED CORE VI  
FIRES OF RUBICON**

Publisher  
**(JP) FromSoftware, Inc.  
(WW) Bandai Namco  
Entertainment Inc.**

Developed by  
**FromSoftware, Inc.**

### Development Support

### Debugging



©2024 Rabbit & Bear Studios / 505 Games SpA.

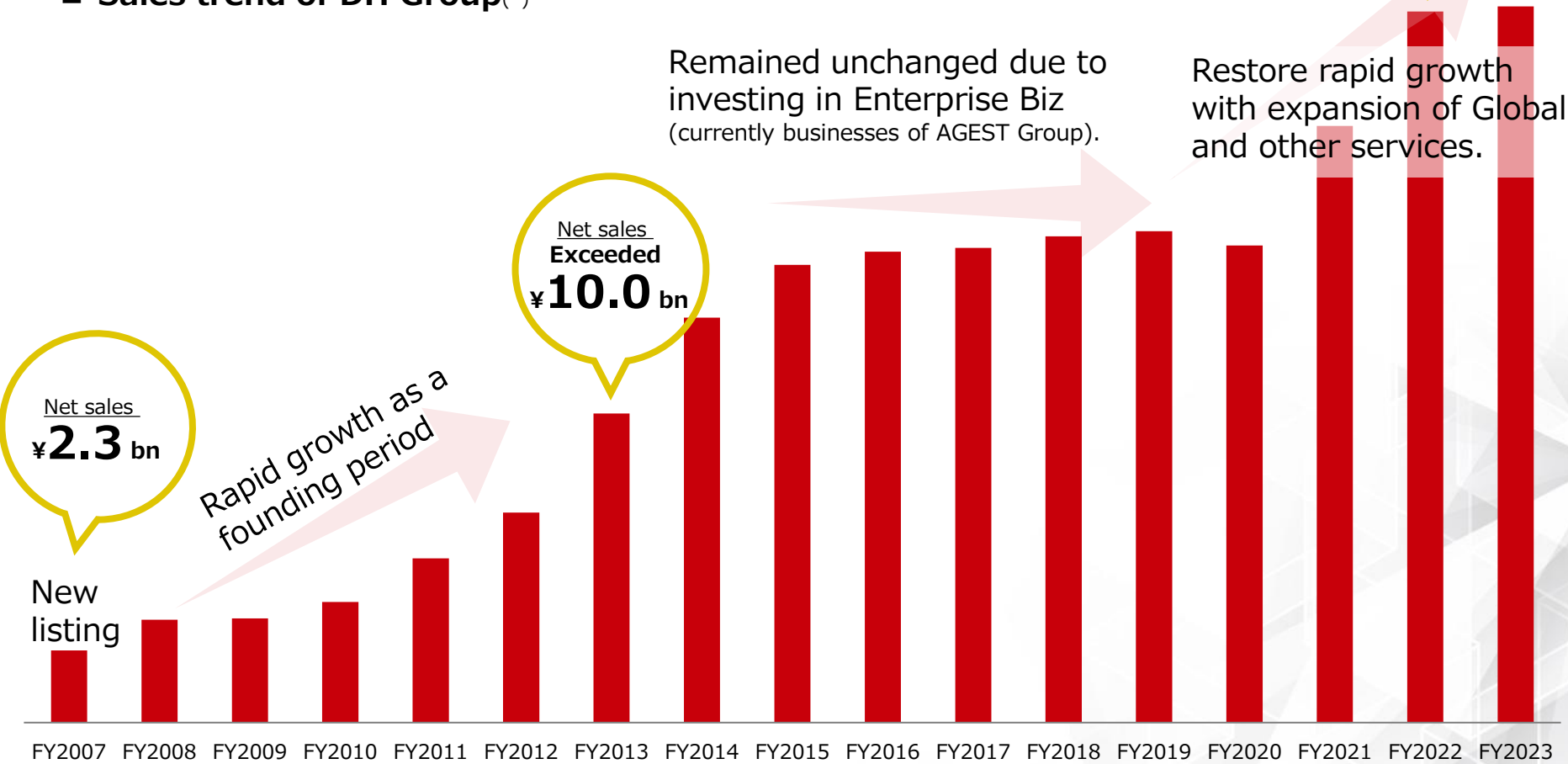
Title  
**Eiyuden Chronicle: Hundred Heroes**

Publisher  
**505Games S.p.A.**

Developed by  
**Rabbit&Bear Studios Inc.**

Rapid growing mainly in the Domestic Debugging since its establishment

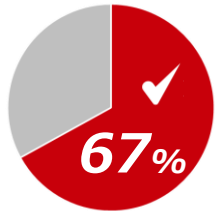
■ Sales trend of DH Group(\*)



Aiming to make further growth by utilizing the business wealth developed in the game debugging businesses.

## Soft Power

Market leader in domestic debugging service\*



- High quality service
- Unique quality control method "DHQ(Digital Hearts Quality)"
  - Management and analysis tools etc...

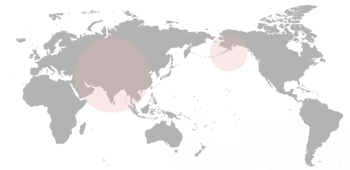
\* Debugging service involvement ratio among top 100 new console game titles (Based on an internal investigation in FY2023)

## Hard Power

Abundant test terminals



Over 20 locations



\*As of March 31,2024

## People Power

**Diverse professionals from around the world, passionate about games and entertainment contents**

Abundant pool of testers

Approx. **8,000**  
registered testers



Diverse human resources

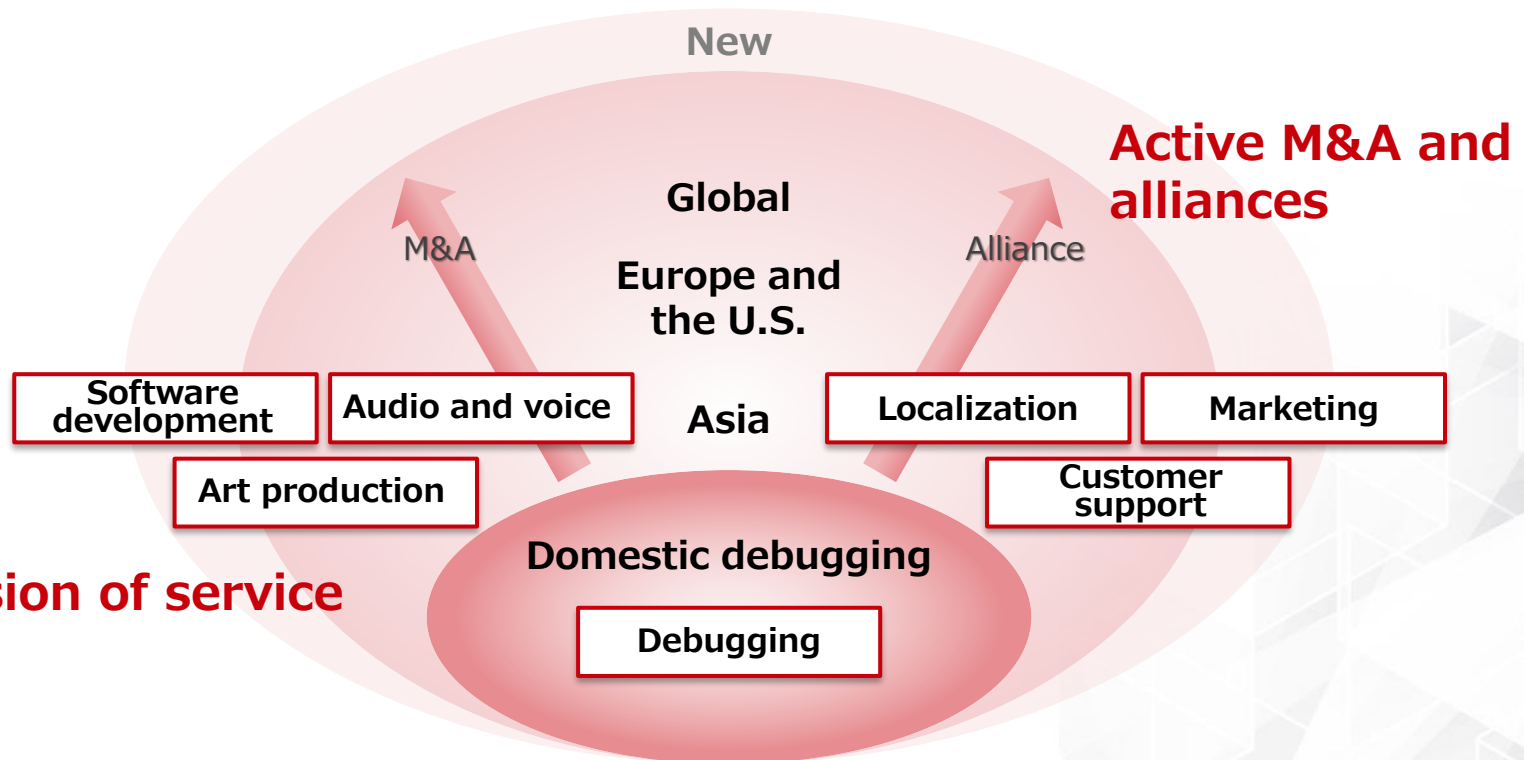
Nationality Over  
**40 countries**

Native staff Over  
**350 people**



Making the growth by both geographical expansion and new service developments based on our core competence.  
To be the Global Quality Partner committing to the success of client companies in the global entertainment industry.

## Geographical expansion





## Planting new seeds for future growth

### Expansion of service

Developing “ELLA”, translation engine for game by utilizing generative AI



Development in collaboration with Rozetta Corp.

Expanding Debugging businesses in English language



Joint-venture company with JetSynthesys Private Limited in India for debugging service.

Expanding voice recording and music production support services



Capital and business alliance with G-angle Co., Ltd. strong in audio/voice recording of games.

### Geographical expansion

Expand businesses bases not only in East Asia but also in Southern Asia and Europe by utilizing alliances and others.

Main business locations



Japan



China



South Korea



Singapore



India

*New*



USA



Spain

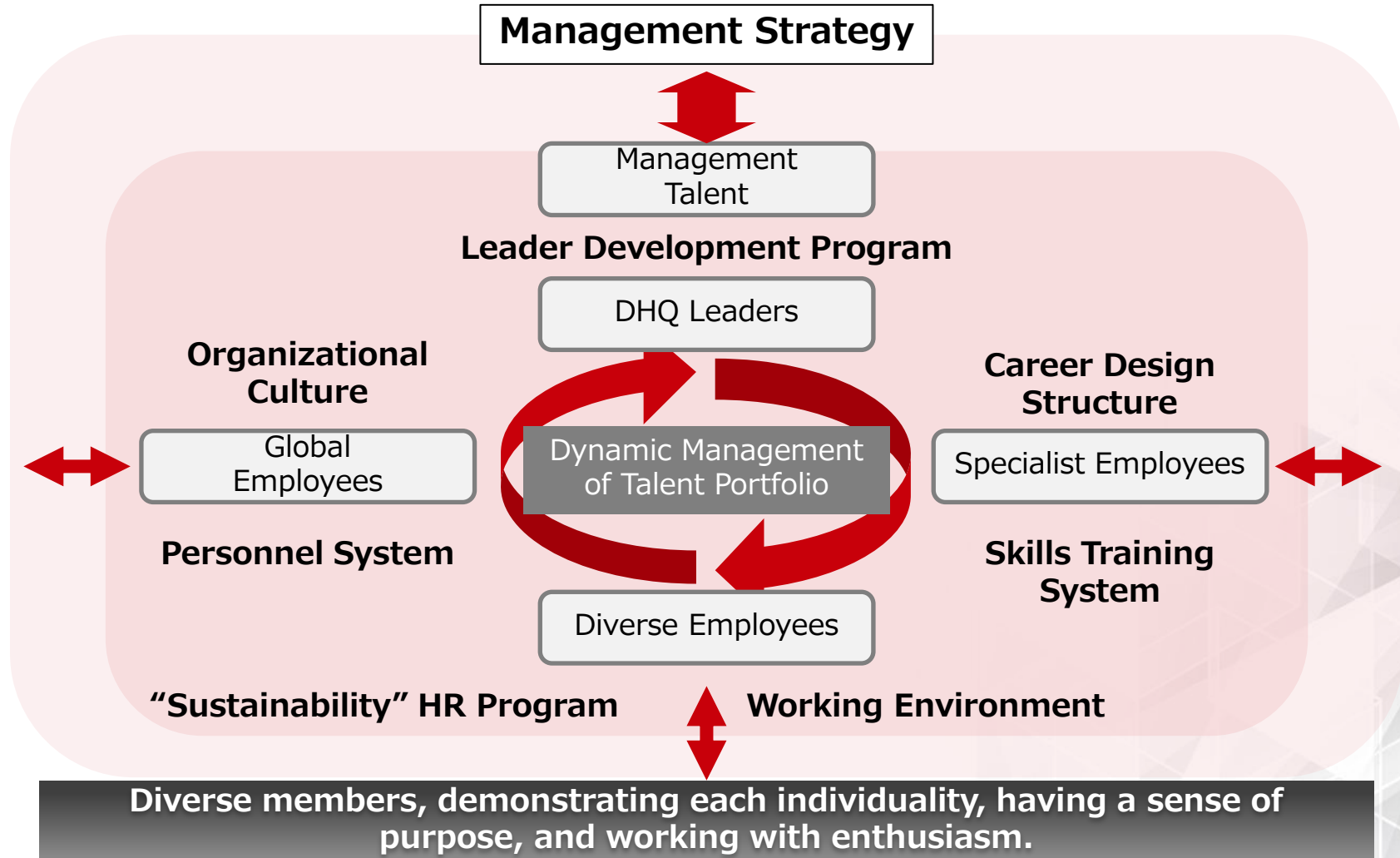
*New*

### Overseas clients

Increased not only in domestic clients but also in foreign clients.



**Aiming “An organization promoting diversity and engagement among the people” as our own unique structure by various initiatives related to human resource.**





Growth rate of  
group's net sales

YoY  
Over **110%**

\* Including growth through M&As, etc.



Sales growth rate of  
"Global services"

YoY  
Over **120%**

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



Operating income  
margin ratio

Over **10%**



ROIC

Over **15%**

\* Calculated by  $ROIC = (EBITDA \times (1 - \text{Effective tax rate})) \div (\text{Interest-bearing debt} + \text{Shareholders' equity})$

# AGEST Group

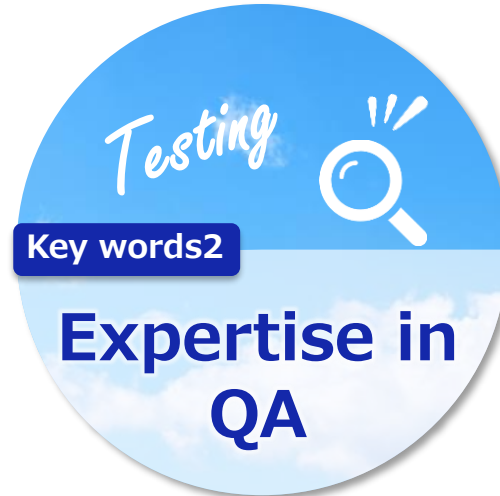
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Supporting the "quality" of various enterprise system and software

# QA (Quality Assurance) Solution Company



- Organization with venture spirits growing since its full launch in 2018
- Rapid expansion of demand for outsourcing testing due to a shortage of engineers and sophisticated QA technologies



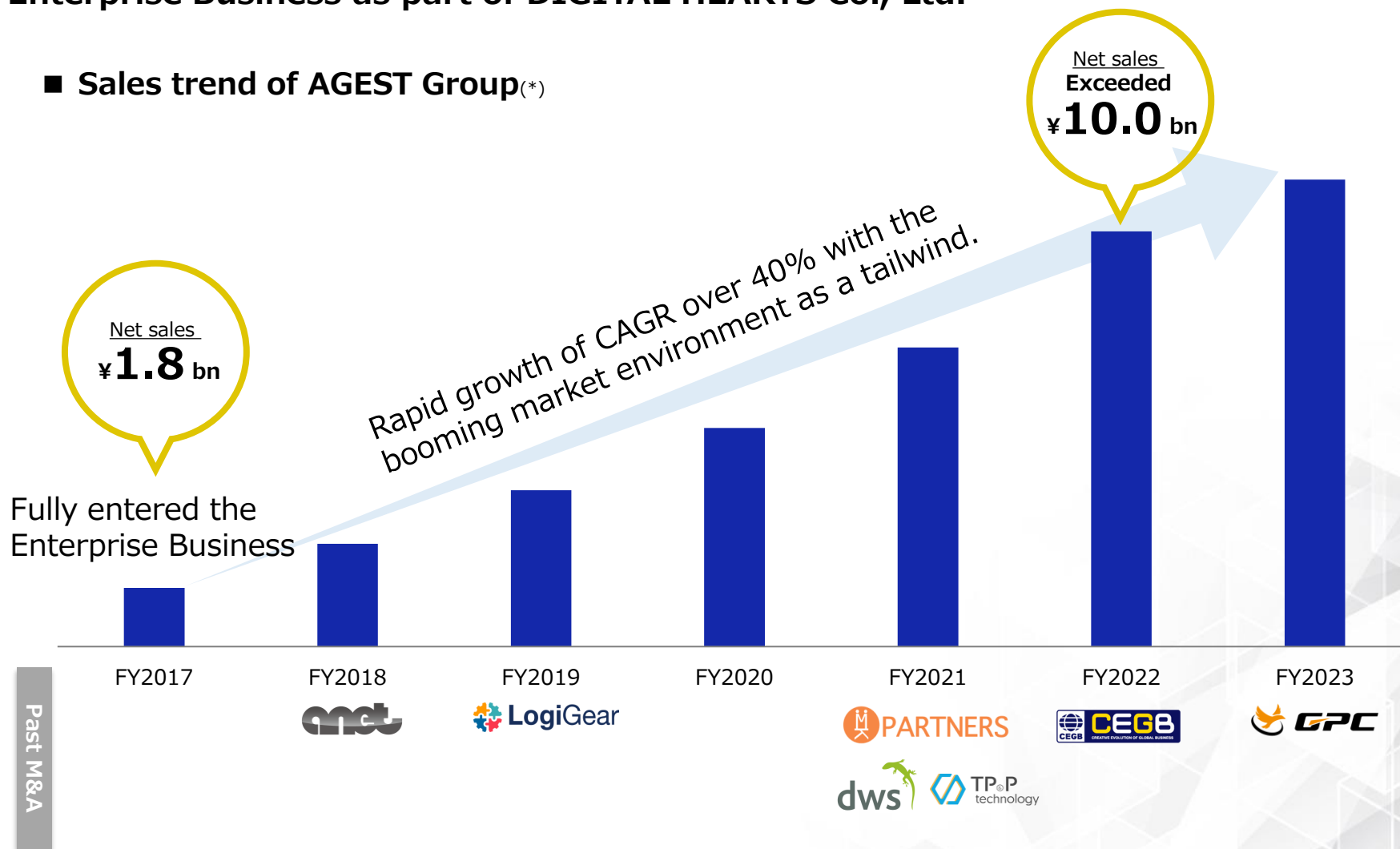
- Global experts in software testing industry
- QA in "Shift-Left" and "Shift-Right" areas, which are not supported by conventional third-party testing



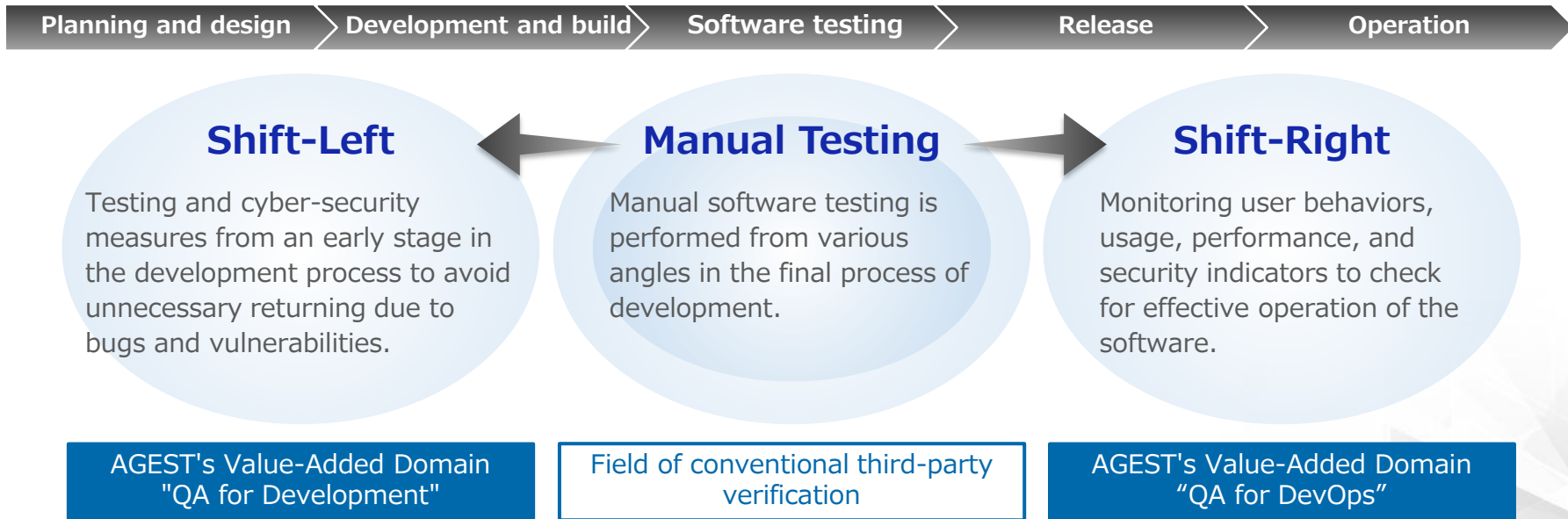
- Unique test automation tools using cutting-edge Silicon Valley technologies
- "Next-Generation QA engineers" utilize AI-technology in every process of testing-service to greatly reduce the burden on development engineers

Rapid growth by investing in engineer and utilizing M&As, since a fully launch of the Enterprise Business as part of DIGITAL HEARTS Co., Ltd.

## ■ Sales trend of AGEST Group(\*)



**Aiming to be the leading QA solution provider in the global market by providing wider solutions to meet diversifying QA needs of clients.**



## Business basement



Next-Generation QA engineers

QA engineers / Testers

Next-Generation QA engineers  
Security experts



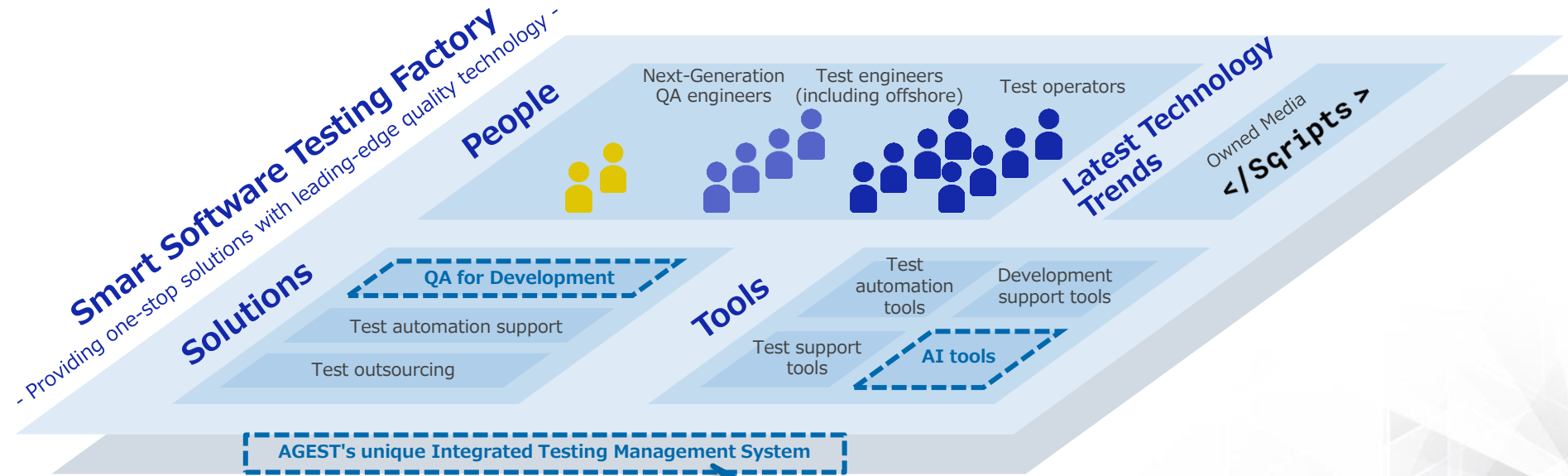
AI tools  
Integrated testing management system

Test automation tools  
Integrated testing management system

Monitoring tools  
Integrated testing management system

1.

Started internal use of  $\beta$  version of our original "Integrated Testing Management System," which is the cornerstone of the "Smart Software Testing Factory (SSTF)" as AGESt's future vision.



## AGESt's "Integrated Testing Management System" Features

Visualize quality and progress in real time



Collaboration with test automation tools, etc.

TestArchitect



Data base of test cases



In accordance with international standard for software testing

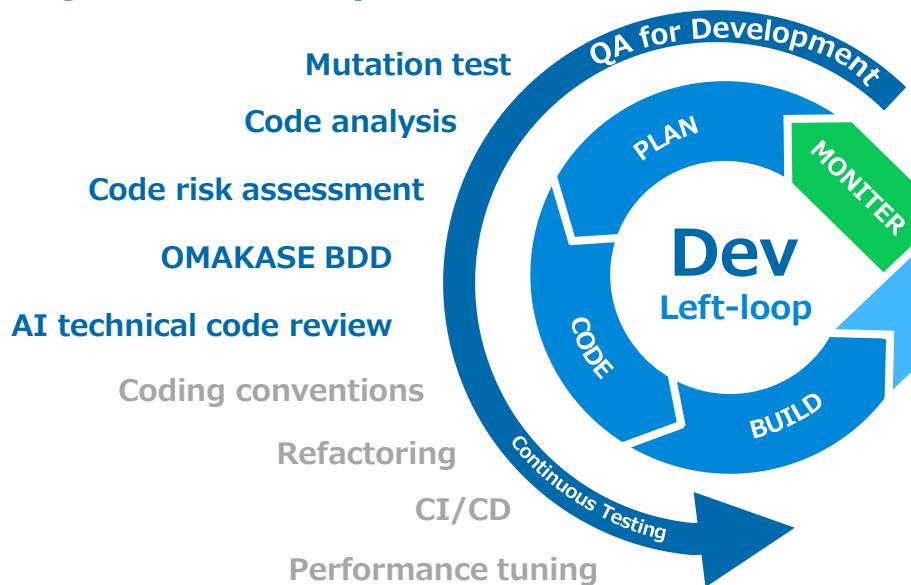
ISO/IEC/IEEE 29119



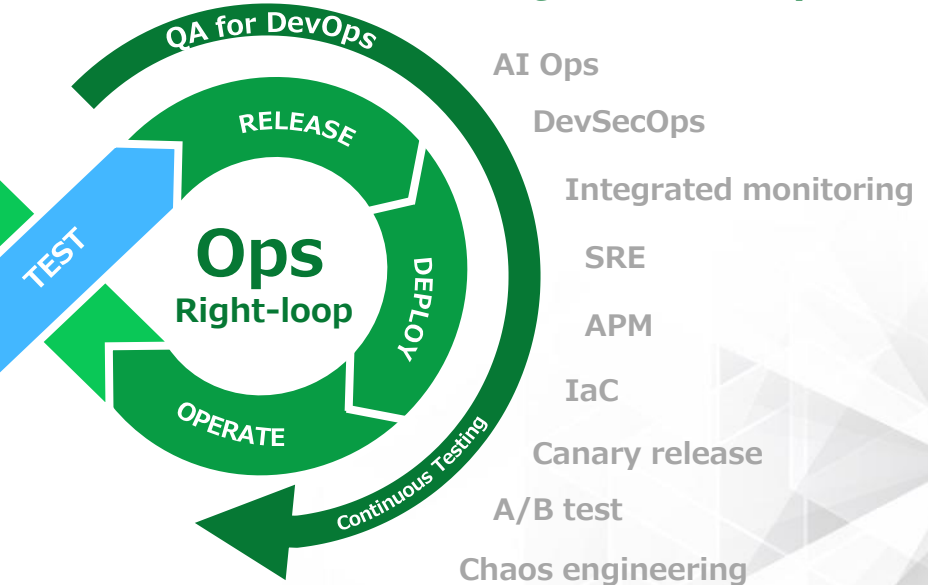


## 2. Releasing a series of “QA for Development” services.

### QA for Development



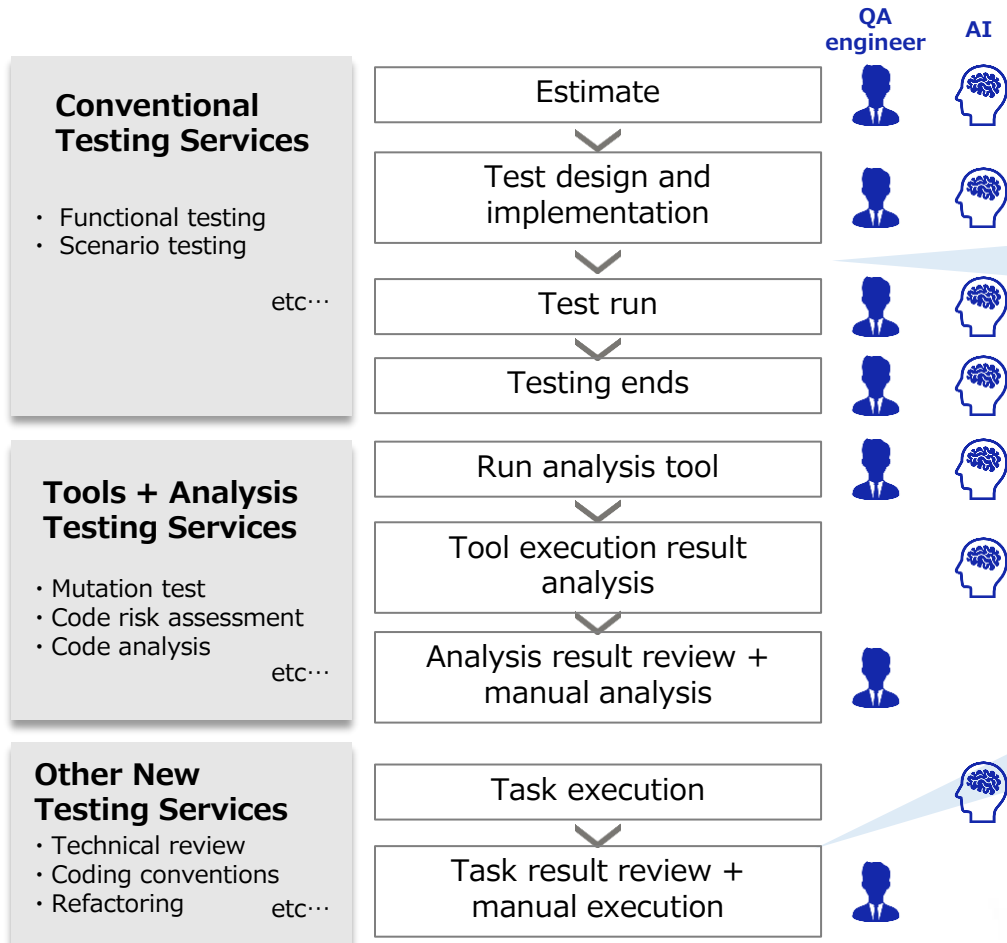
### QA for DevOps



**Already launched**  
To be launched

## 3. Promote "Human-AI Teaming" to reduce client-development man-hours and make our operations more efficient.

### ■ Illustrative image of AI usage by AGEST Group



### New Service

#### AI Debugging for Enterprise

- **Significantly reduce developer man-hours** by identifying problem areas and presenting corrections at the source code level.
- **Significantly reduce man-hours of QA**, such as reproducing bugs and preparing bug reports.

#### AI Technical Code Review

- **Review in a short time** even for large number of target codes.
- **Improve the accuracy of reviews** by utilizing prompts and tools based on AGEST's unique review perspective and AI knowledge.

## Recruitment and training of "Next-Generation QA engineers" as highly-skilled engineers capable of promoting "Shift-Left" and "Shift-Right" services.

### Recruitment

Aiming for efficient recruitment of engineers, with strengthening of direct recruitment as the core of measures, in addition to expanding recruitment by conventional agents.

FY2024 Target for number of QA solution engineers

YoY Over **+200** people

### Strengthen the branding initiatives



- ✓ Presentation of a new career path as "Next-Generation QA engineers"
- ✓ Focusing on the attractiveness of "Shift-Left / Shift-Right" or "Advanced QA technologies" rather than merely acting as testing operator

Referral recruitment



Recruiting led by the businesses department



### Development

Develop mainly experienced engineers into the Next-Generation QA engineers through AGEST's unique educational structure.

AGEST's unique educational institution

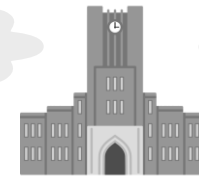
### **AGEST Academy**

Comprehensive knowledge of QA experts

Curriculum in line with ISTQB syllabus

Skill-level programs

Compliance with international standards of testing



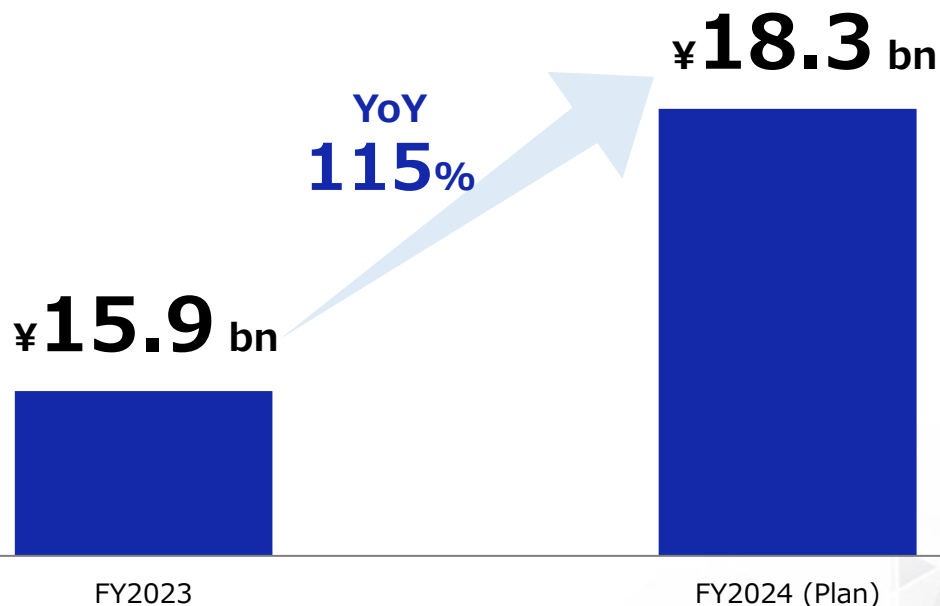
AGEST's unique R&D institute

### **AGEST Testing Lab.**

Research cutting-edge technologies through industry-university collaboration

Security testing	with University of Nagasaki
Testing methods	with University of Electro-Communications
Agile quality	with WASEDA University

## Net sales



## QA solution KPI

	FY2023	FY2024 (Plan)
Number of engineers 	<b>1,080</b> people	<b>1,319</b> people
Number of clients with orders 	<b>872</b> companies	<b>963</b> companies
Annual sales per client 	<b>¥15</b> mn	<b>¥17</b> mn

# Consolidated Financial Results for FY2023

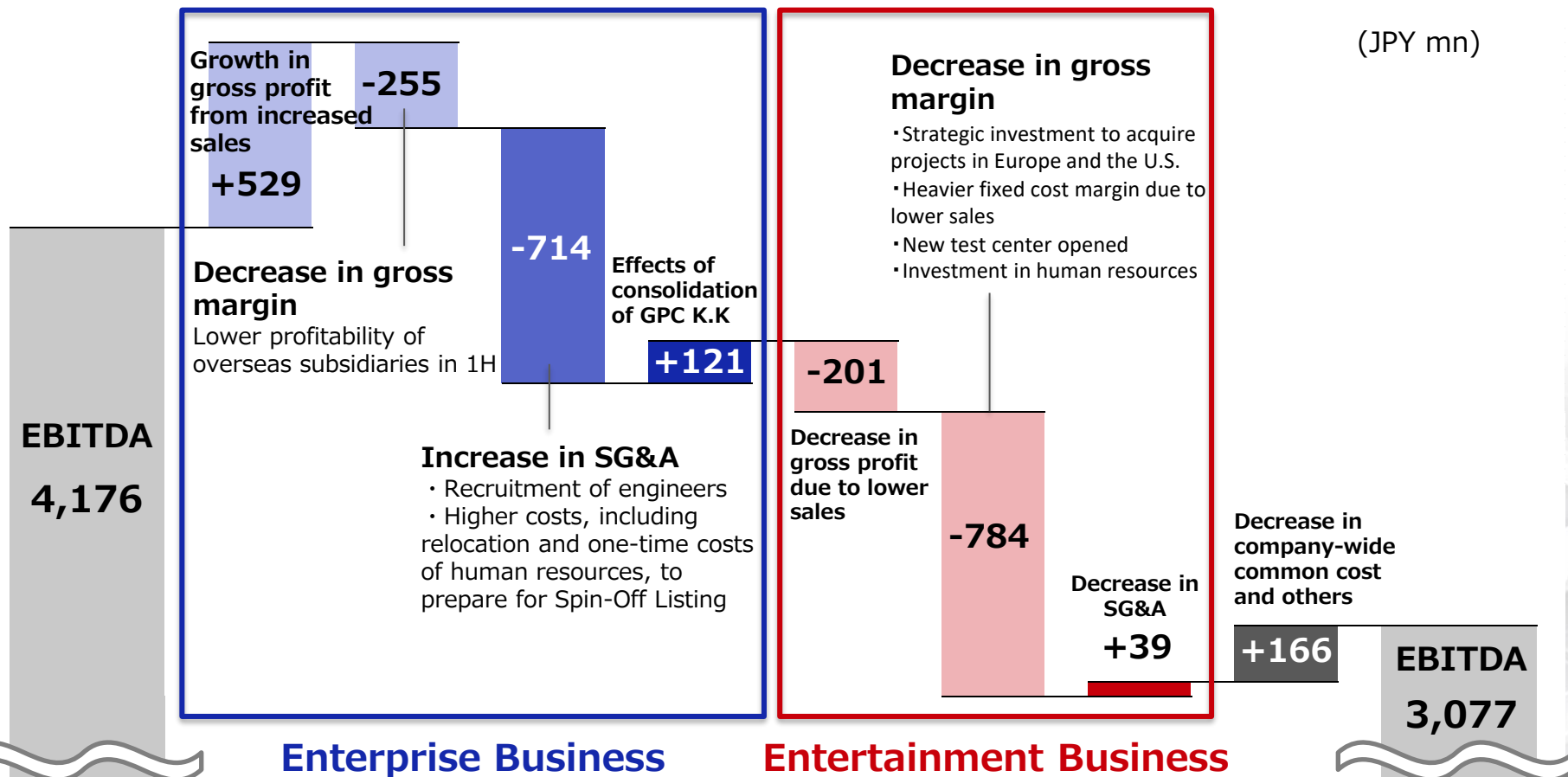
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# Summary of Financial Results for FY2023

- Achieved consolidated net sales growth of FY2023 by continuous strong trend in Enterprise Biz, although Entertainment Biz sales remained just close to FY2022. Aiming to achieve sales growth in both businesses in FY2024.
- A temporary profit decline in FY2023 due to weaker sales of Domestic debugging, Spin-Off Listing preparation cost of 0.37 billion yen, investments in AI related projects, and goodwill impairments loss in the U.S. subsidiary. Aiming to recover profit growth trend in FY2024.

(JPY mn)	FY2022	FY2023	YoY Change	
<b>Net sales</b>	<b>36,517</b>	<b>38,790</b>	<b>2,272</b>	<b>106.2%</b>
<b>Cost of sales</b>	<b>25,885</b>	<b>28,699</b>	<b>2,814</b>	<b>110.9%</b>
<b>Cost of sales (%)</b>	<b>70.9%</b>	<b>74.0%</b>		<b>+3.1points</b>
<b>Gross profit</b>	<b>10,632</b>	<b>10,090</b>	<b>-541</b>	<b>94.9%</b>
<b>SG&amp;A</b>	<b>7,631</b>	<b>8,051</b>	<b>419</b>	<b>105.5%</b>
<b>Operating income</b>	<b>3,000</b>	<b>2,039</b>	<b>-960</b>	<b>68.0%</b>
<b>Operating income margin</b>	<b>8.2%</b>	<b>5.3%</b>		<b>-3.0points</b>
<b>Ordinary income</b>	<b>3,152</b>	<b>2,059</b>	<b>-1,093</b>	<b>65.3%</b>
<b>Profit attributable to owners of parent</b>	<b>799</b>	<b>176</b>	<b>-622</b>	<b>22.1%</b>
<b>EBITDA</b>	<b>4,176</b>	<b>3,077</b>	<b>-1,098</b>	<b>73.7%</b>

**EBITDA decreased temporarily**, due to worse 1H gross margin of foreign subsidiaries and higher Spin-Off Listing preparation costs in Enterprise Business, and due to the impact of lower sales and strategic investing in Europe and U.S. expansion in Entertainment Business.

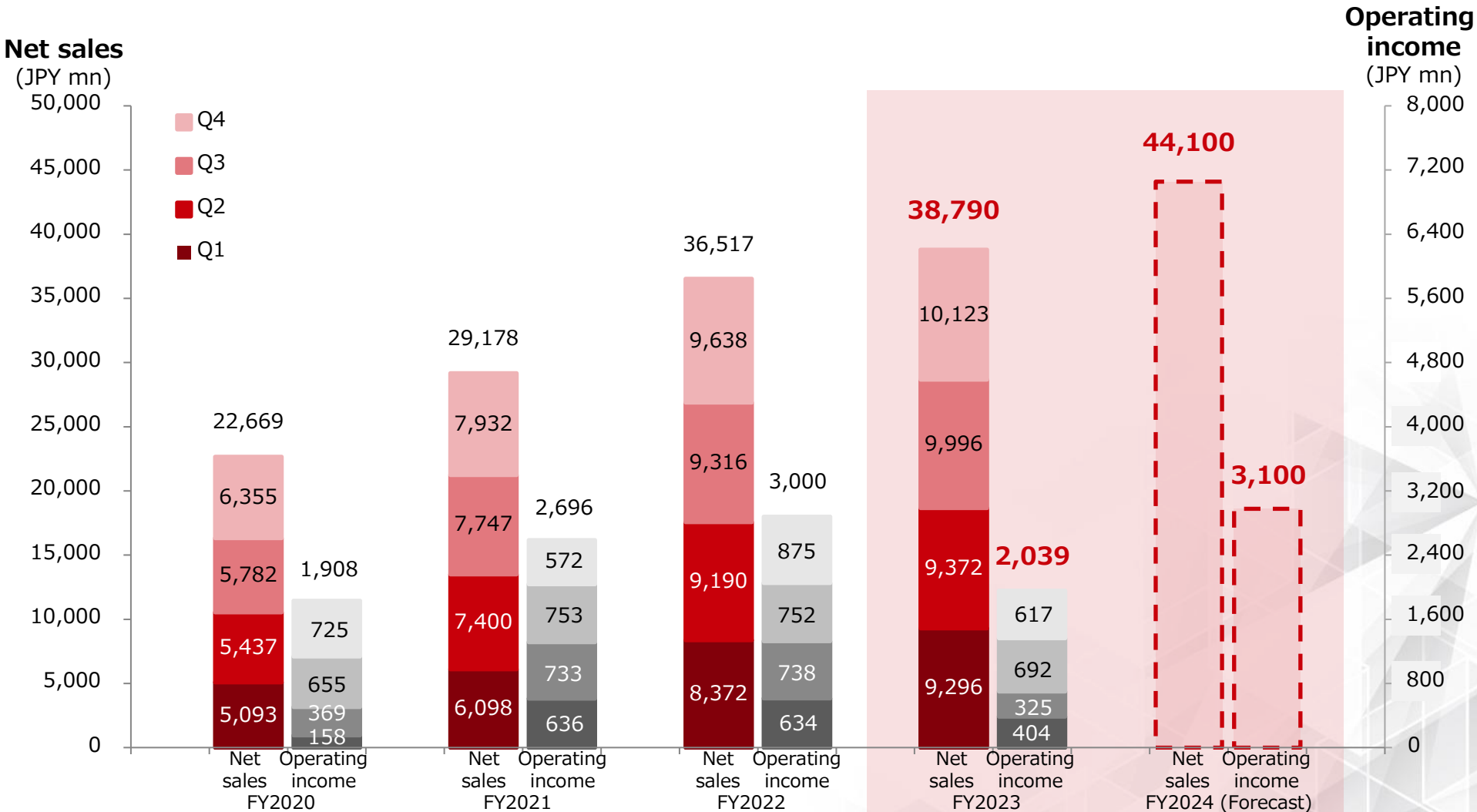


FY2022

FY2023

# Trend in Net Sales and Operating Income

Continued to increase in sales, with quarterly sales exceeding 10 billion yen in Q4.  
 With profitability recovering in 2H, aiming to achieve an annual record-high profit in FY2024.





# Consolidated Balance Sheets

(JPY mn)	Q4 FY2022 (As of March 31, 2023)	Q4 FY2023 (As of March 31, 2024)	YoY Change
<b>Total assets</b>	<b>19,581</b>	<b>21,103</b>	<b>1,521</b>
Current assets	12,528	13,526	997
Cash and deposits	6,456	6,858	401
Noncurrent assets	7,052	7,576	523
Property, plant and equipment	1,169	1,491	321
Intangible assets	4,188	2,908	-1,280
Goodwill	3,468	2,313	-1,155
Investments and other assets	1,694	3,177	1,482
<b>Total liabilities</b>	<b>10,107</b>	<b>12,250</b>	<b>2,143</b>
Current liabilities	9,930	12,026	2,095
Short-term loans	5,106	7,095	1,988
Noncurrent liabilities	176	224	48
<b>Total net assets</b>	<b>9,474</b>	<b>8,852</b>	<b>-622</b>
Shareholders' equity	8,283	7,685	-597
Accumulated other comprehensive income	522	729	206
Subscription rights to shares	6	—	-6
Non-controlling interests	661	436	-224
<b>Total liabilities and net assets</b>	<b>19,581</b>	<b>21,103</b>	<b>1,521</b>

# Consolidated Statements of Cash Flows

(JPY mn)	FY2022	FY2023	YoY Change
<b>Net cash provided by operating activities</b>	<b>2,850</b>	<b>1,764</b>	<b>-1,086</b>
(*Cash flows before income taxes paid)	3,772	2,744	-1,027
<b>Net cash used in investing activities</b>	<b>-1,903</b>	<b>-2,374</b>	<b>-471</b>
<b>Net cash provided by financing activities</b>	<b>141</b>	<b>934</b>	<b>792</b>
Effect of exchange rate change on cash and cash equivalents	194	77	-116
<b>Net increase in cash and cash equivalents</b>	<b>1,283</b>	<b>401</b>	<b>-881</b>
<b>Cash and cash equivalents at the beginning of period</b>	<b>5,173</b>	<b>6,456</b>	<b>1,283</b>
<b>Cash and cash equivalents at the end of period</b>	<b>6,456</b>	<b>6,858</b>	<b>401</b>

# Financial Results by Segment and Full-year Forecast of FY2024

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# Summary of Financial Results by Segment

(JPY mn)	FY2022	FY2023	YoY Change
<b>Net sales</b>	<b>36,517</b>	<b>38,790</b>	<b>106.2%</b>
Enterprise	16,840	19,714	117.1%
Entertainment	19,815	19,180	96.8%
Adjustments	-138	-105	—
<b>Operating income</b>	<b>3,000</b>	<b>2,039</b>	<b>68.0%</b>
Enterprise	639	423	66.3%
Entertainment	4,214	3,325	78.9%
Adjustments	-1,853	-1,709	—
<b>EBITDA</b>	<b>4,176</b>	<b>3,077</b>	<b>73.7%</b>
Enterprise	1,365	1,046	76.6%
Entertainment	4,620	3,673	79.5%

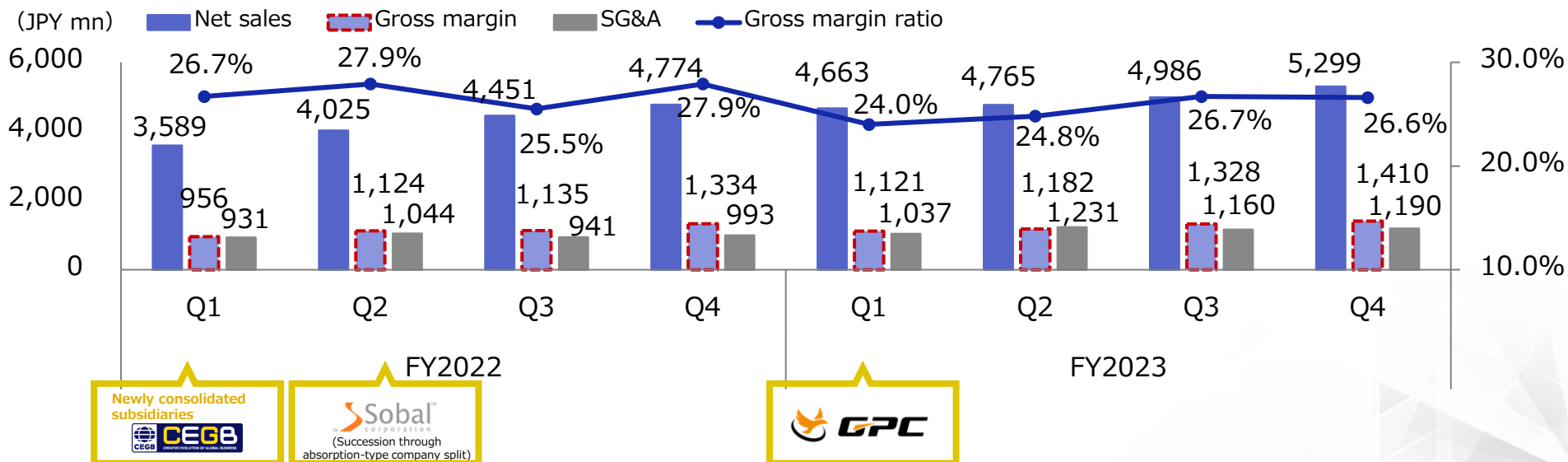
- Segment net sales achieved **double-digit growth of YoY117.1%**. Amid growing demand for outsourcing software testing, **QA solution net sales** maintained a high growth rate of **YoY127.5%** by expanding **"Shift-Left" supports** and **new AI-related services**, and by strengthening human resources such as **Next-Generation QA engineers**.
- **QA solution's gross margin** remained at a high level of **30.1%** due to the expansion of high-value-added services and the improved profitability of foreign businesses.
- Except for **approx. 0.3 billion yen in Spin-Off Listing preparation costs** due to the increase of HQ personnel and the relocation of office of AGEST, segment income is approx. 0.7 billion yen, **exceeding the segment income of FY2022**.

(JPY mn)	FY2022	FY2023	YoY Change
<b>Net sales</b>	<b>16,840</b>	<b>19,714</b>	<b>117.1%</b>
QA solution	<b>10,480</b>	<b>13,362</b>	<b>127.5%</b>
IT services and others	<b>6,360</b>	<b>6,352</b>	<b>99.9%</b>
<b>Segment income</b>	<b>639</b>	<b>423</b>	<b>66.3%</b>
<b>EBITDA</b>	<b>1,365</b>	<b>1,046</b>	<b>76.6%</b>

## Enterprise Business

- Quarterly sales expanded to **over 5 billion yen in Q4 (Jan-Mar)** due to existing businesses expansion and the effects of M&A.
- **Gross margin recovered to close to the level in FY2022 of 27% in 2H**, due to improved gross margin ratio of mainstay QA solution.
- **Improved YoY growth** of both the number of clients with orders and the average sales per client. Increased in the number of engineers in Japan by **around 100 people as annual**.

## Performance Trends



## QA solution division

### Number of clients with orders

Q4 FY2022

**808** companies

Breakdown of YoY changes  
in number of clients with orders

Q4 FY2023

**872** companies

Domestic +43 companies  
Overseas +21 companies

### Annual sales per client

Q4 FY2022

**¥13** mn

Q4 FY2023

**¥15** mn

### Number of engineers

Q4 FY2022

**1,009** people

Q4 FY2023

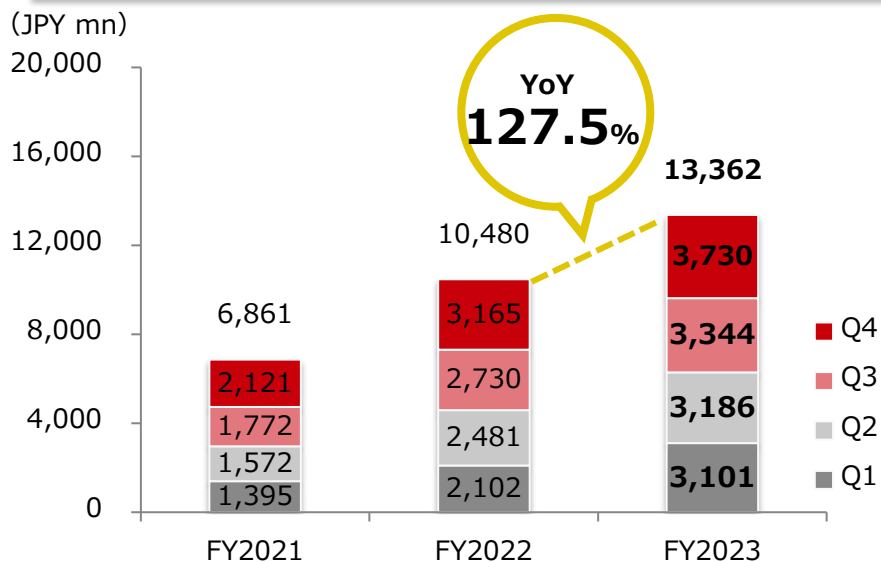
**1,080** people

Breakdown of YoY changes  
in number of engineers

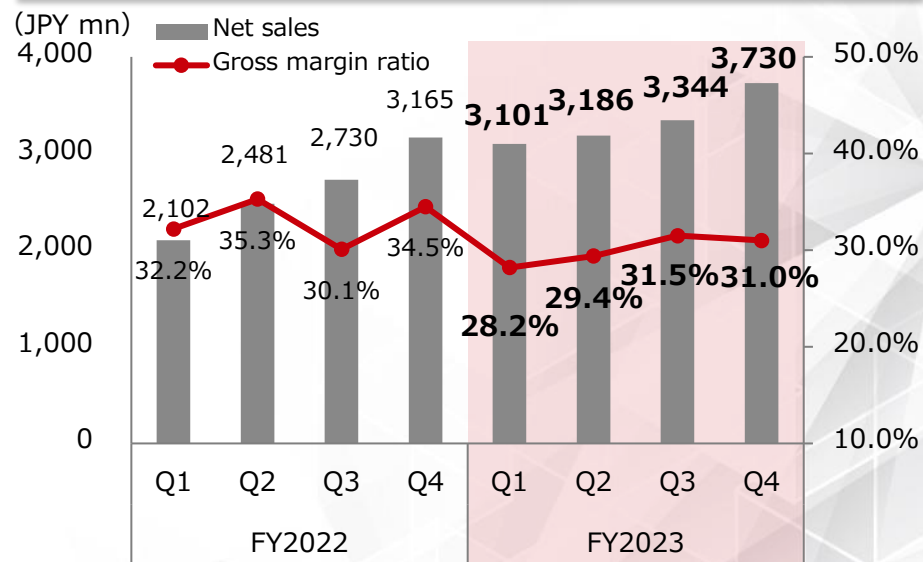
Domestic +97 people  
Overseas -26 people

- **YoY 118% increase in sales** excluding the effects of M&A, with growing demand for outsourcing software testing in Japan with the acceleration of DX.
- **The number of engineer has reached to 1,080 people**, with good progress in resource-strengthening of the Next-Generation QA engineers, supported by the penetration of the “Tech brand” of AGEST as a cutting-edge QA solution provider.
- **Gross margin recovered to 31.2% in 2H**, due to the expansion of high-value-added services such as AI-related services and “QA for Shift-Left” and the improved profitability of foreign businesses.

## Quarterly sales

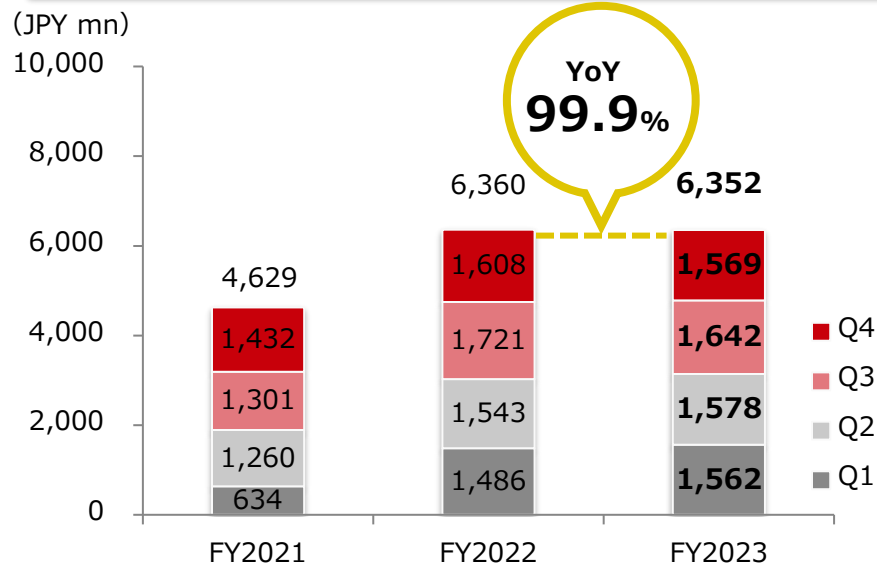


## Net sales and Gross margin ratio

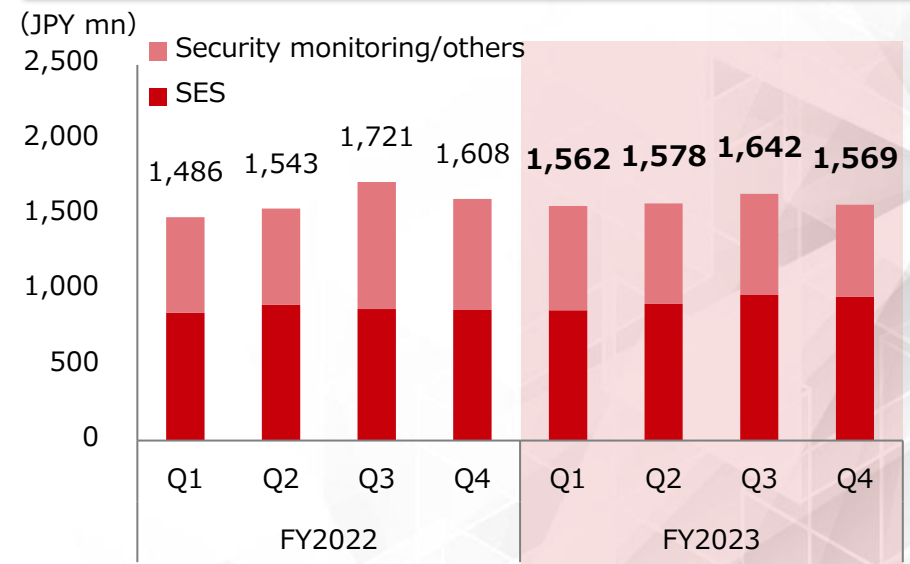


- **Remained close to the previous year's level** with YoY 99.9% due to expansion of security monitoring and SES, while strategic contraction of some low-profit services.
- Security monitoring services achieved to have **700 thousand units** under its service, by steadily capturing increasing demand against the backdrop of expansion of remote work.
- The registered engineers, SES services, in identity Inc. reached **35 thousand people**.

## Quarterly sales



## Quarterly sales by service



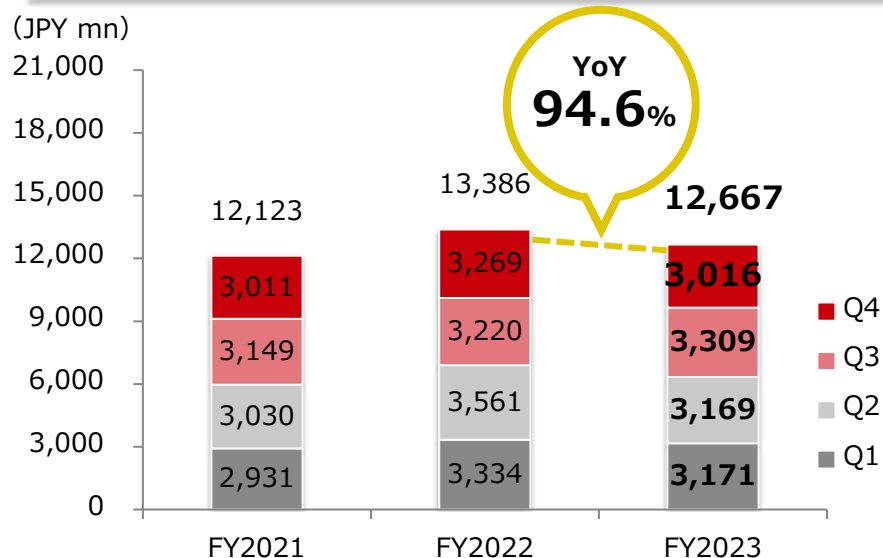


- **Domestic debugging sales** decreased YoY 94.6% due to the weaker sales in 1H FY2023 due to **the impact of project delays and cancellations** of some clients' development schedule and others.
- **Global and others sales** increased YoY 101.3% due to growth in sales of translational/ LQA and marketing support services, despite the impact of game-regulation changes in the Chinese market.
- **Segment income temporarily declined YoY 78.9%**, due to the impact of the lower sales in the profitable Domestic debugging and the increase in strategic spending for **strengthening alliances and developing new AI-related services**.

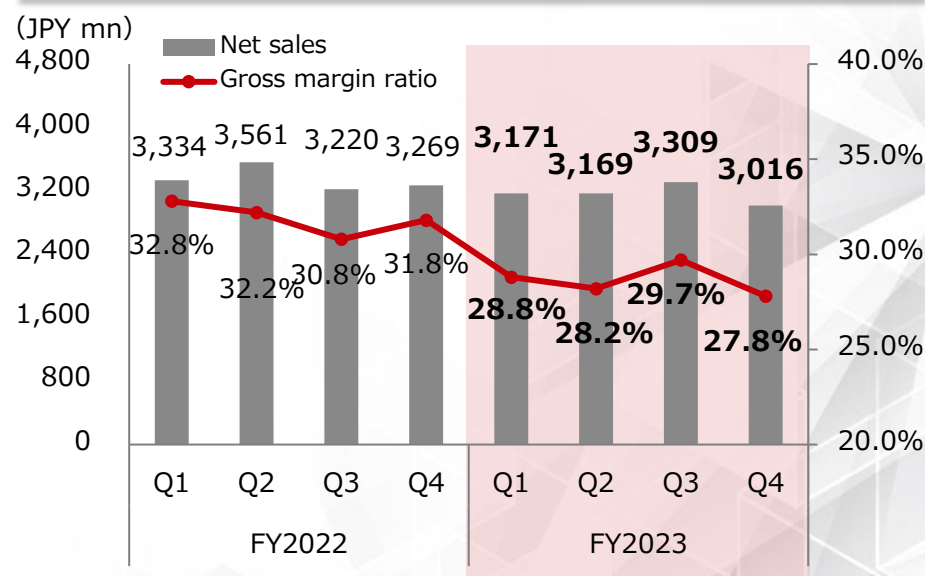
(JPY mn)	FY2022	FY2023	YoY Change
<b>Net sales</b>	<b>19,815</b>	<b>19,180</b>	<b>96.8%</b>
Domestic debugging	<b>13,386</b>	<b>12,667</b>	<b>94.6%</b>
Global and others	<b>6,429</b>	<b>6,513</b>	<b>101.3%</b>
<b>Segment income</b>	<b>4,214</b>	<b>3,325</b>	<b>78.9%</b>
<b>EBITDA</b>	<b>4,620</b>	<b>3,673</b>	<b>79.5%</b>

- Domestic debugging sales showed a temporary decline YoY 94.6% due to the smaller sales in this 1H than FY2022 with many large titles launched, and to the impact of delay and cancellation of some titles in this 2H. Sales trend will recover to grow from FY2024 Q1 by utilizing its strong client base and its service quality with “DHQ.”
- Annual gross margin was 28.7%, mainly due to the weaker sales. Initiatives to improve profitability, such as the streamlining of operations by utilizing AI, while passing on the hourly wage hike for testers implemented since FY2023.
- Capital participation in April 2024 in Turing Inc. which develops fully self-driving vehicle, to expand the businesses of annotations in AI development by utilizing the resources of testers.

## Quarterly sales

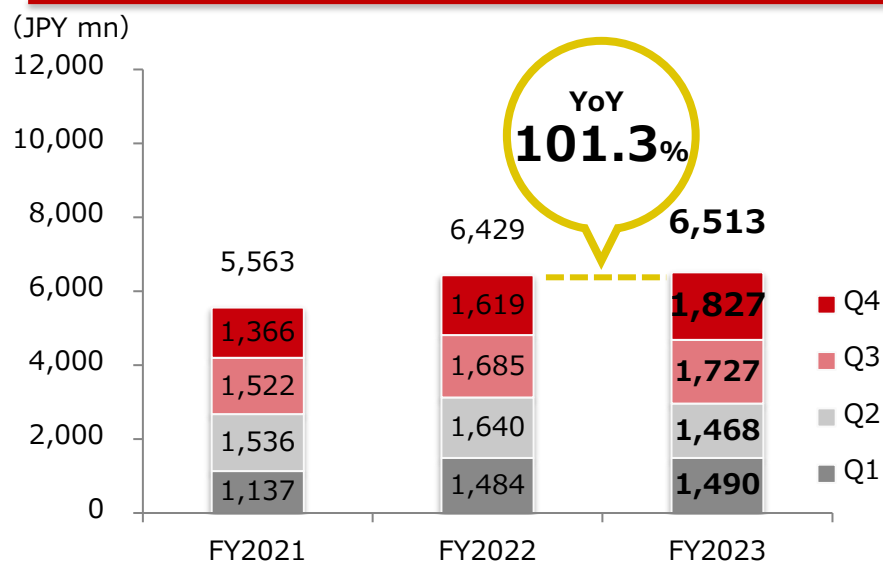


## Net sales and Gross margin ratio

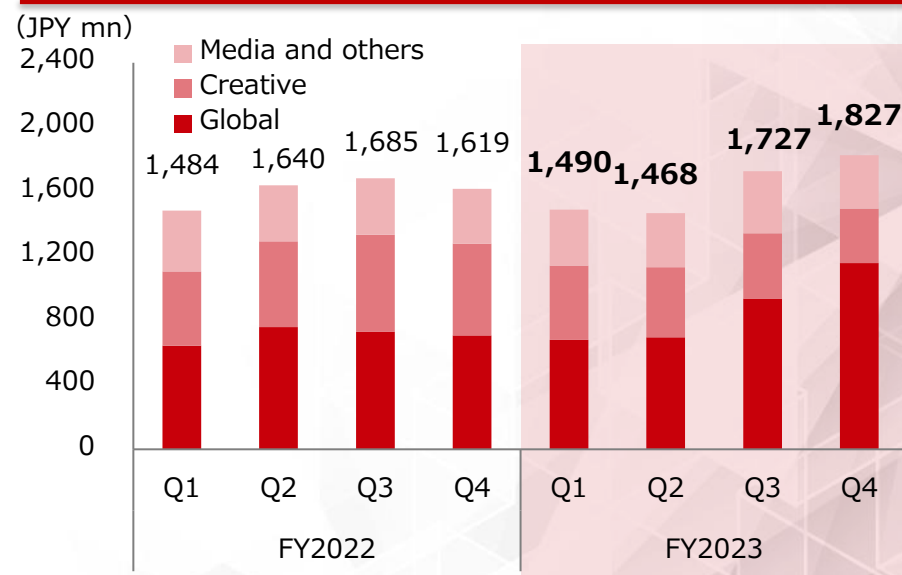


- Amid the lingering effects of game regulation changes in China, **sales of global services (translation, LQA, and marketing support) recorded high growth YoY 122%** by expanding the translation/LQA services including EFIGS languages and by getting new orders of marketing support services for e-commerce businesses players.
- **Accelerate alliance initiatives** for new growth. For example, strengthen services such as translation of EFIGS or voice recording of games by actively forming alliances, establishing new JV company for **debugging in English language**, and jointly developing **AI-based game translation engine**.

## Quarterly sales



## Quarterly sales by service



# FY2024 Consolidated Financial Forecast

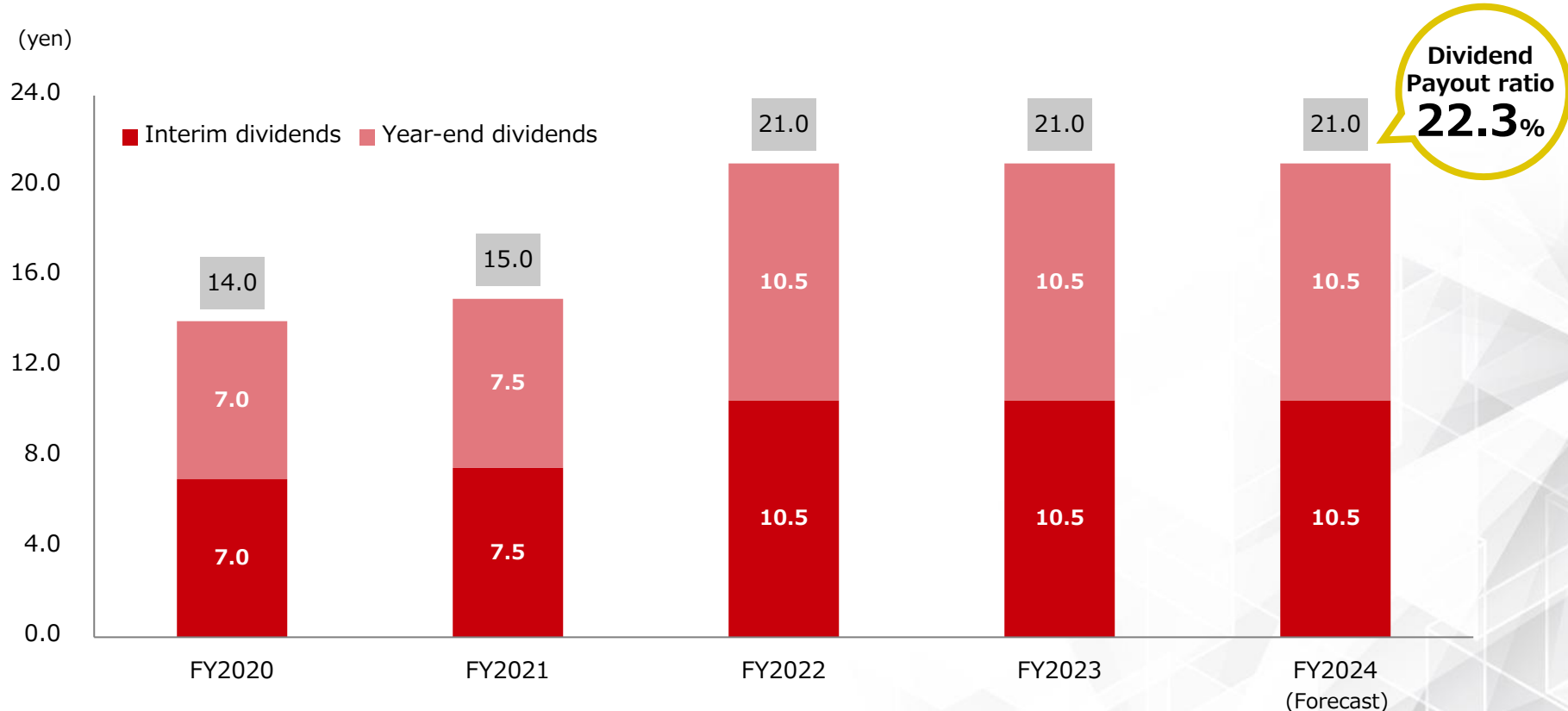
- With a plan of Spin-Off Listing, **the segmentation in FY2024 is revised** to be DH Group and AGEST Group.
- **DH Group is aiming for double-digit sales growth and strong segment income of 2.0 billion yen**, with recovering Domestic debugging sales and keeping Global and others' growth, and by cost pass-through of wage hike, operational efficiency-enhancement, and cost-control.
- **AGEST Group is aiming for continuous rapid sales growth and improvement of segment income to 1.0 billion yen** as over three times as FY2023, with high-value-added services such as "Shift-Left" and "AI-related services" under strong domestic demand and higher gross margin by expanding high-value-added services.
- Expecting the same level of Spin-Off Listing preparation costs as FY2023 and forecasting **a record-high consolidated operating income of 3.1 billion yen in FY2024.**

(JPY mn)	Full-year FY2023 (Actual)	Full-year FY2024 (Forecast)	YoY Change
<b>Net sales (*)</b>	<b>38,790</b>	<b>44,100</b>	<b>113.7%</b>
DH Group	23,488	25,720	109.5%
AGEST Group	15,975	18,380	115.0%
<b>Operating income (*)</b>	<b>2,039</b>	<b>3,100</b>	<b>152.0%</b>
DH Group	1,734	2,040	117.6%
AGEST Group	305	1,060	347.0%
<b>Operating income margin</b>	<b>5.3%</b>	<b>7.0%</b>	<b>+1.8points</b>
<b>Ordinary income</b>	<b>2,059</b>	<b>3,100</b>	<b>150.6%</b>
<b>Profit attributable to owners of parent</b>	<b>176</b>	<b>2,100</b>	<b>1,186.9%</b>

Annual dividend is planned to be **¥21.0 (dividend payout ratio 22.3%)**, maintaining the same amount as the previous fiscal year.

## 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.



# Appendix

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Our mission

## SAVE the DIGITAL WORLD

Market environment

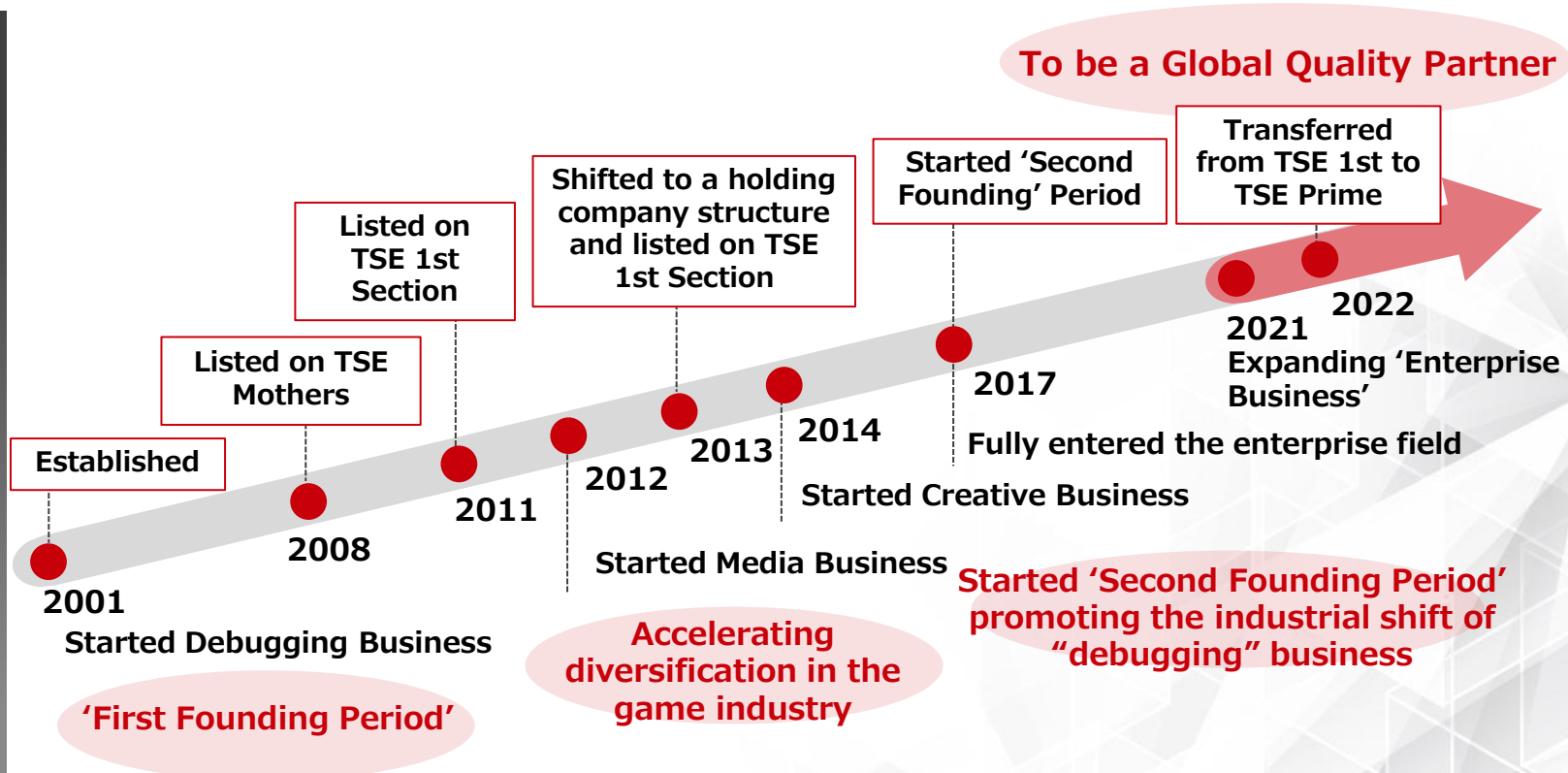
Growth of console game market

Growth of mobile game market

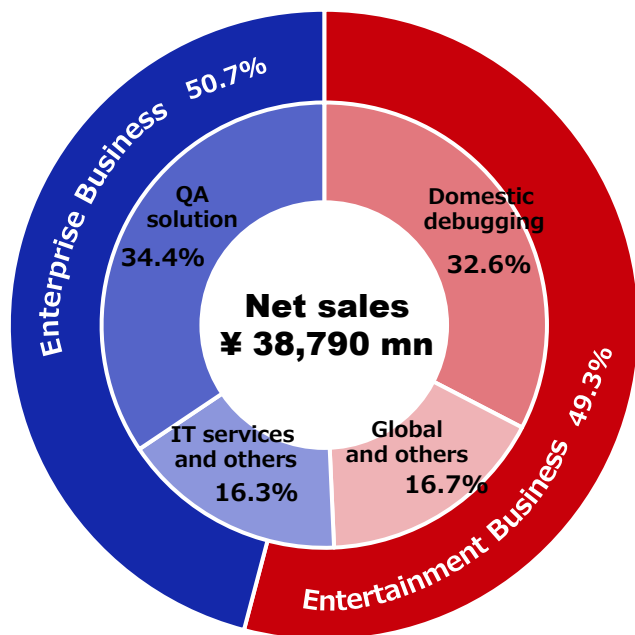
Expansion of IoT

Expansion of DX

History



## Our core business: QA(Quality Assurance) and Debugging



### Sales breakdown by segment (FY2023)

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

Enterprise Business	QA solution	34.4%	<ul style="list-style-type: none"> <li>➤ Testing for business systems incl. online</li> <li>➤ Support for test automation</li> <li>➤ Security test</li> <li>➤ Introduction of ERP and CRM</li> <li>➤ System development</li> </ul>
	IT services and others	16.3%	<ul style="list-style-type: none"> <li>➤ IT engineer platform service</li> <li>➤ Security monitoring</li> <li>➤ IT support</li> </ul>
Entertainment Business	Domestic debugging	32.6%	<ul style="list-style-type: none"> <li>➤ Debugging for console games, mobile games, etc.</li> </ul>
	Global and others	16.7%	<ul style="list-style-type: none"> <li>➤ Translation, LQA*, and localization for game software</li> <li>➤ Marketing support for game launching in overseas markets</li> <li>➤ Game development and CG development</li> <li>➤ Game information site "4Gamer.net"</li> <li>➤ Customer support</li> </ul>



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

(As of March 31, 2024)

## 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 March 31, 2024)



**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. Yoshihiro Kita** **Associate 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
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

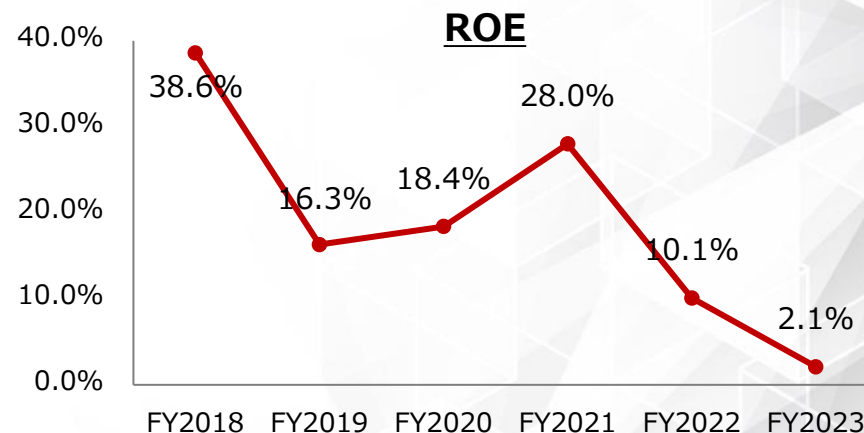
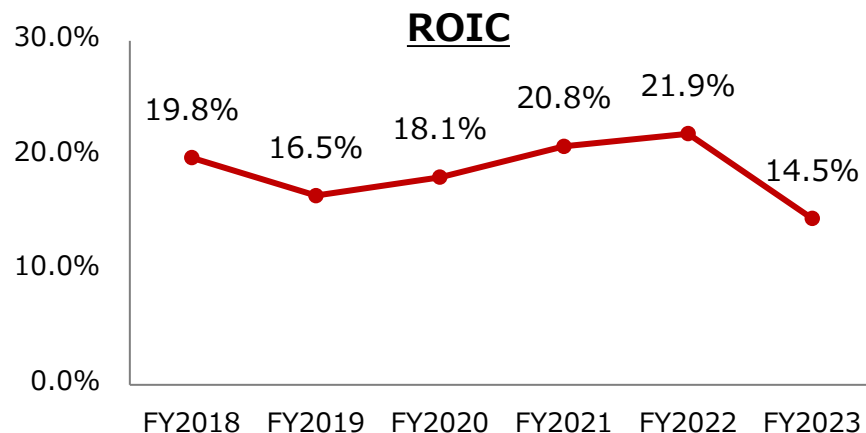
(JPY mn)	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Net sales	15,444	17,353	19,254	21,138	22,669	29,178	36,517	38,790
Enterprise Business	1,952	1,892	3,302	5,022	7,021	11,491	16,840	19,714
Entertainment Business	13,544	15,568	15,951	16,115	15,647	17,687	19,815	19,180
Adjustments	-52	-108	-0	-	-	-	-138	-105
Operating income	1,906	1,735	1,605	1,394	1,908	2,696	3,000	2,039
Enterprise Business	203	-14	-226	-67	188	645	639	423
Entertainment Business	2,453	2,966	3,086	2,964	3,077	3,668	4,214	3,325
Adjustments	-750	-1,215	-1,254	-1,503	-1,356	-1,616	-1,853	-1,709
Operating income margin	12.3%	10.0%	8.3%	6.6%	8.4%	9.2%	8.2%	5.3%
Enterprise Business	10.4%	-	-	-	2.7%	5.6%	3.8%	2.1%
Entertainment Business	18.1%	19.1%	19.3%	18.4%	19.7%	20.7%	21.3%	17.3%
Profit attributable to owners of parent	795	1,200	1,575	792	974	1,778	799	176
Total assets	7,651	8,575	9,832	10,637	14,338	17,610	19,581	21,103
Current assets	6,221	6,813	7,403	7,453	9,744	10,392	12,528	13,526
Cash and deposits	3,344	3,894	4,197	3,739	5,076	5,208	6,456	6,858
Noncurrent assets	1,430	1,761	2,428	3,183	4,593	7,217	7,052	7,576
Goodwill	201	150	481	1,027	2,467	4,588	3,468	2,313
Total liabilities	4,793	5,005	4,819	5,198	8,024	10,044	10,107	12,250
Interest-bearing liabilities	1,646	1,610	1,764	2,553	4,797	5,590	5,106	7,095
Total net assets	2,858	3,570	5,012	5,438	6,314	7,566	9,474	8,852
Shareholders' equity	2,632	3,369	4,791	4,922	5,691	6,991	8,806	8,415
Shareholders' equity ratio	34.4%	39.3%	48.7%	46.3%	39.7%	39.7%	45.0%	39.9%
Net cash	1,698	2,283	2,433	1,186	278	-382	1,350	-236
Debt Equity Ratio	0.6	0.5	0.4	0.5	0.8	0.8	0.6	0.8
Net cash provided by operating activities	1,825	1,436	889	1,086	1,416	3,077	2,850	1,764
Net cash used in (provided by) investing activities	-610	-618	62	-1,018	-1,813	-2,537	-1,903	-2,374
Net cash provided by (used in) financing activities	-69	-250	-693	-515	1,730	-546	141	934
ROE	29.2%	40.0%	38.6%	16.3%	18.4%	28.0%	10.1%	2.1%
Dividend Payout Ratio	32.3%	20.9%	18.0%	38.6%	31.0%	18.2%	57.5%	264.5%



## 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.

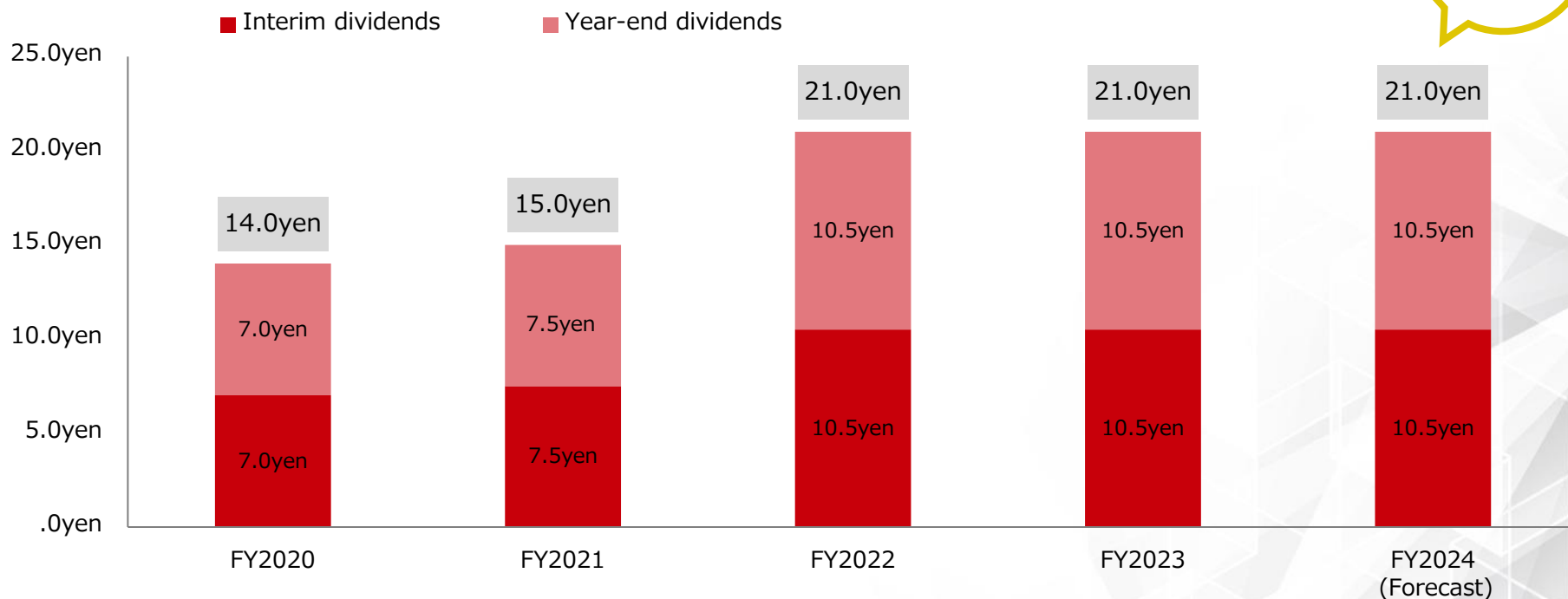
## ROIC and ROE



## 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 and AI Utilization
- Developing new services to improve added value

### 3. Reduction of productive population in Japan

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

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

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



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

### Human resource

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

- Internal support system for obtaining software test certification of "ISTQB".
- Provide world-class test engineer training program in "AGEST Academy" for employees.



### Human resource

#### Workplace for diverse human resources

- Provide workplaces for diverse people such as students, part-timers, young actors and musicians, and people with disabilities at test centers with over 3,000 people every day.
- Employ foreign nationalities of more than 40 countries/areas, such as Asia, Europe and the U.S., who engage in translation/linguistic debugging service, etc.



### Technology

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

- Established "AGEST Testing Lab." to promote research on new software testing methods to support the evolving software society through industry-academic collaboration.
- Develop original unique tools and business solutions by utilizing AI.



### 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.



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.

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