

Presentation Material

for the Three Months Ended June 30, 2024

August 8, 2024

Tokyo Stock Exchange Prime Market: Code 3676

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

Executive Summary

【Notice regarding earnings by segment】

- Segment classification was changed from Q1 FY2024.
For this reason, the figures for FY2023 by segment are reclassified to reflect the change in segment and comparisons are made.

Started independent management structure for each of DH and AGEST Group prior to future Spin-Off Listing.

DH Group achieved growth in both sales and profit, with significant growth of the global businesses as one of the growth drivers.

AGEST Group is expected to recover from Q2, despite a temporary loss due to some factors including a reschedule of a particular project.

Consolidated net sales

¥**9,835** mn (YoY 105.8%)

Consolidated operating income

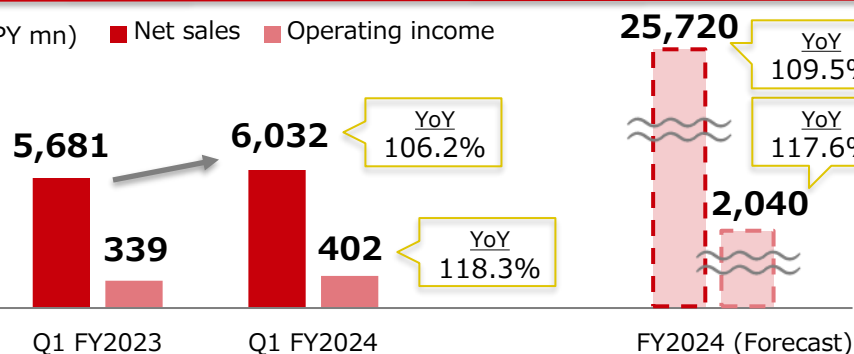
¥**295** mn (YoY 73.2%)

Profit attributable to owners of parent

¥**211** mn (YoY 62.6%)

DH Group Business

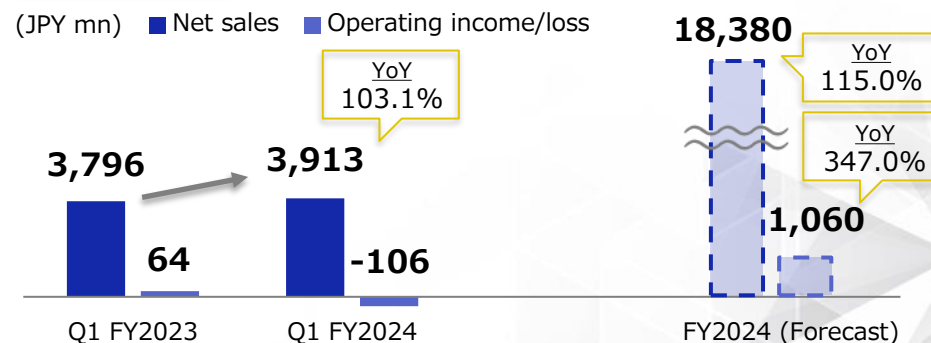
(JPY mn) ■ Net sales ■ Operating income



- **Global and others achieved double-digit sales growth**, with sales growth of translation/ LQA for Europe and the U.S. and marketing support for e-commerce.
- The Domestic debugging **continues to grow steadily** through measures to strengthen its quality-related capabilities, including human resources, offices, and other infrastructure.
- **Segment income recorded strong growth YoY 118%**, aiming to achieve the full year targets.

AGEST Group Business

(JPY mn) ■ Net sales ■ Operating income/loss



- **Continues strong sales growth of YoY over 110% in domestic QA solutions** amid weak foreign businesses.
- **SG&A as Q1 increased** due to Spin-Off Listing preparation costs incurred from Q2 FY2023.
- Despite a temporary loss due to weak sales and gross margin due to some factors including reschedule of a particular project, **expecting to recover from Q2 and achieve the full year targets.**

Summary of Financial Results by Segment

(JPY mn)	Q1 FY2023	Q1 FY2024	YoY Change
Net sales	9,296	9,835	105.8%
DH Group	5,681	6,032	106.2%
AGEST Group	3,796	3,913	103.1%
Adjustments	-181	-111	—
Operating income	404	295	73.2%
DH Group	339	402	118.3%
AGEST Group	64	-106	—
EBITDA	684	542	79.2%
DH Group	472	551	116.7%
AGEST Group	212	-8	—

Focusing on the Spin-Off Listing, promoting initiatives specializing in the respective expertise and growth strategies of both businesses.

DH Group Business

AGEST Group Business

To be the Global Quality Partner in the entertainment industry

To be the Leading QA Solution Provider in the global market with the leading-edge quality technology

Human Capital

Development of leaders, teams and staff members to realize [QCD optimization]

- Remuneration hike
- Develop diverse career paths, including [DH Executive Fellow System]
- Improve the working environment by relocating Lab., etc.

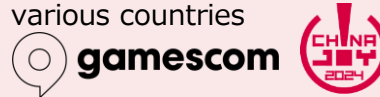
Increase the number of high-skill engineers

- Remuneration hike
- Reinforcement of referral recruitment
- Expansion of AGEST Academy curriculum

Solution

Strengthen the structure to provide one-stop global solutions and branding

- Strengthen collaboration with alliance partners
- Aggressive participation in trade shows of game industry in various countries



Expand solutions and businesses unique to a testing specialized company

- Invest in funds for security companies by security companies
- Developing a series of unique test automation tools



AI

Realize [Value added] and [Improve productivity] with new ideas

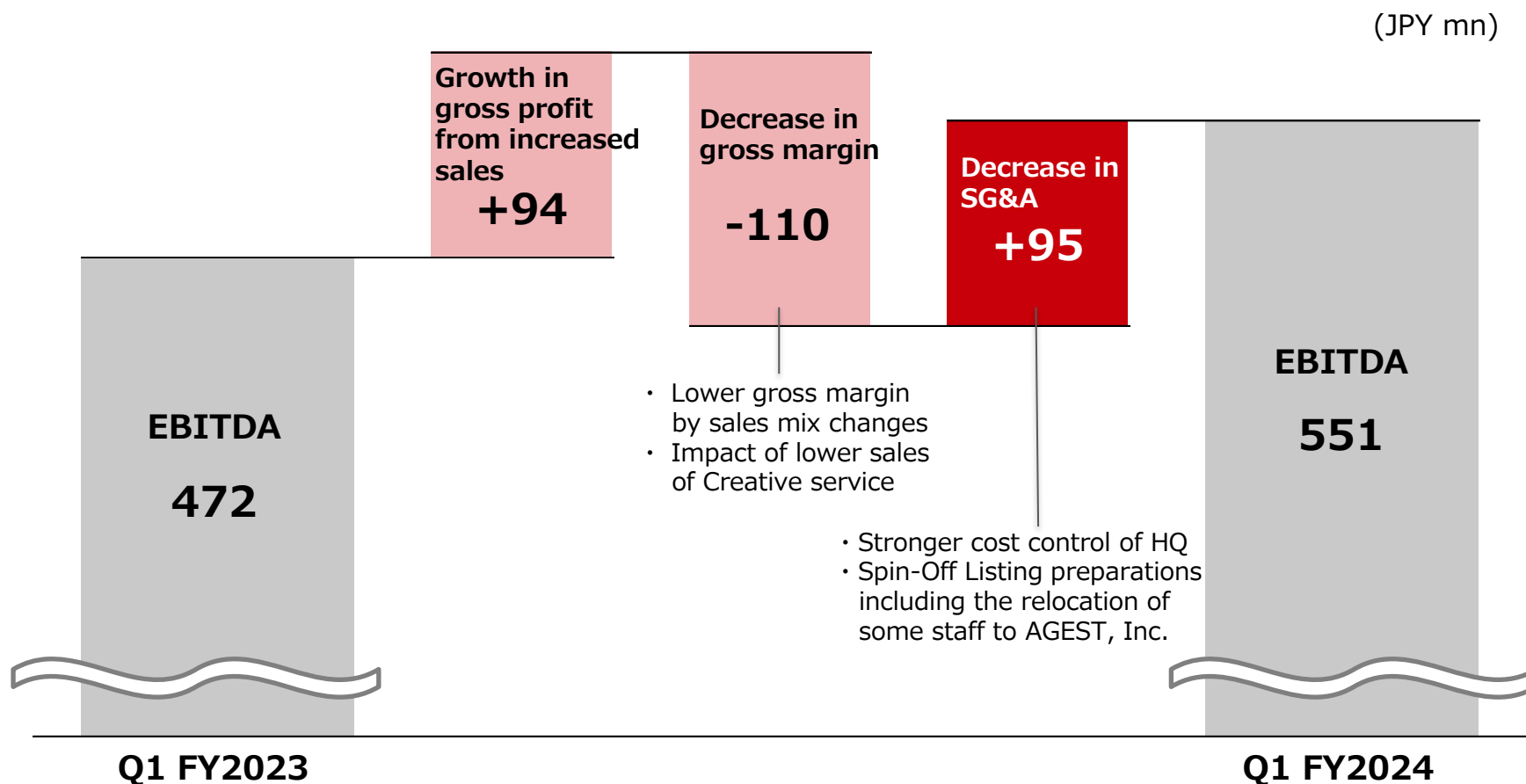
- Started working on a unique AI translation engine specializing in game titles
- Capital participation in an AI-related company for expansion of annotation and quality control businesses



Accelerating to utilize AI for QA solutions

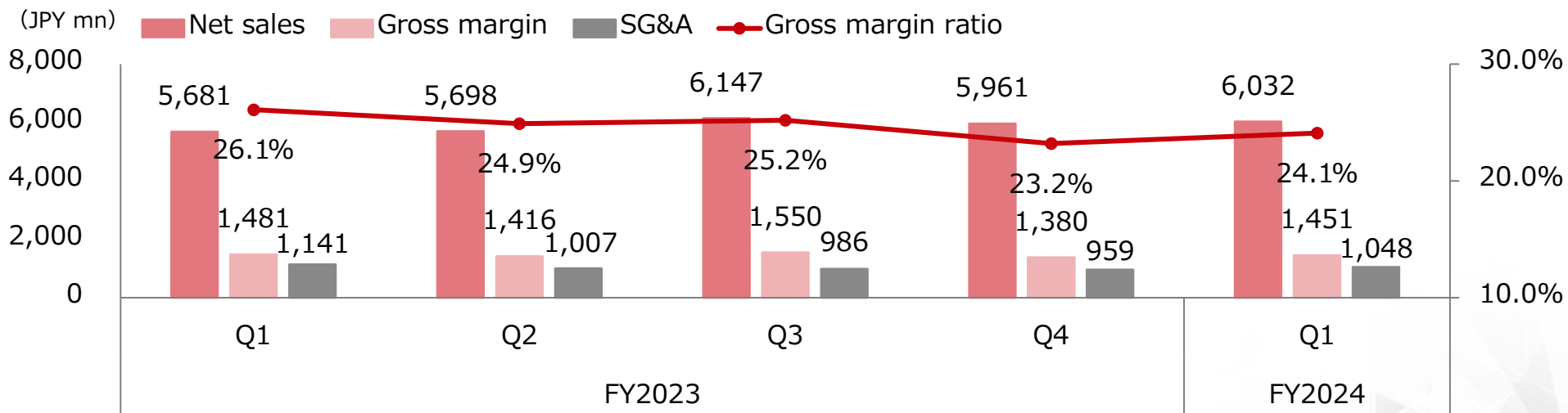
- Launching "AI Debugging for Enterprise" for reproduction testing and identification of defect points by AI
- Started development of AI tools that can be used in the manual testing domain

Significant YoY growth of 116.7% in EBITDA by controlling SG&A, despite the negative impact of the sales-mix change to gross margin.

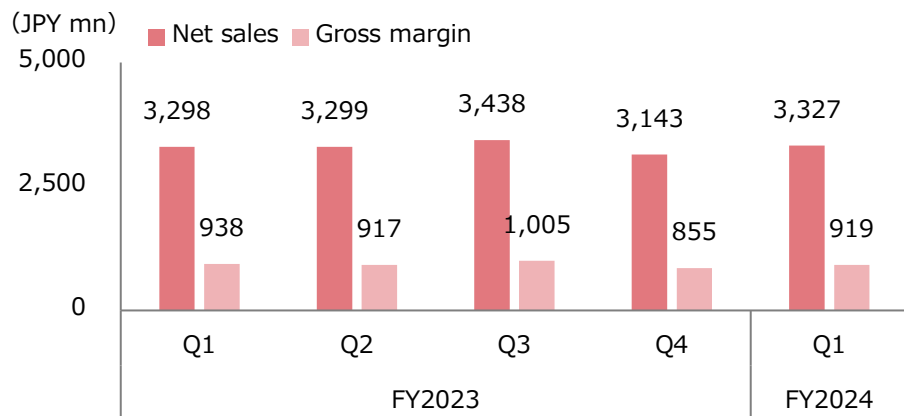


Performance Trends

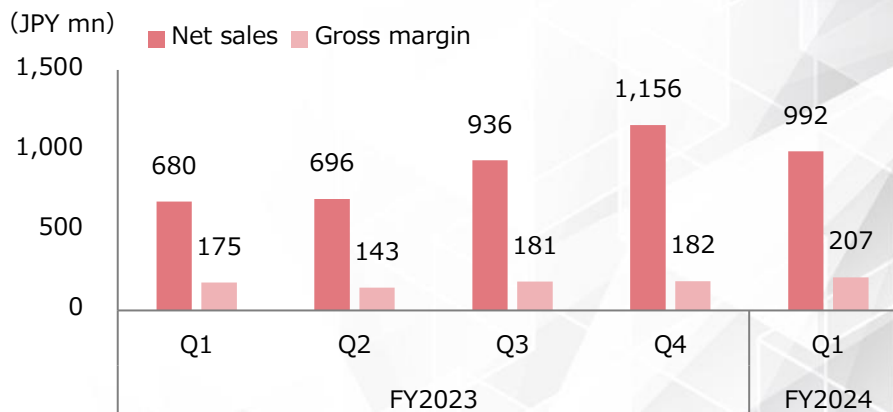
DH Group Business



Domestic debugging



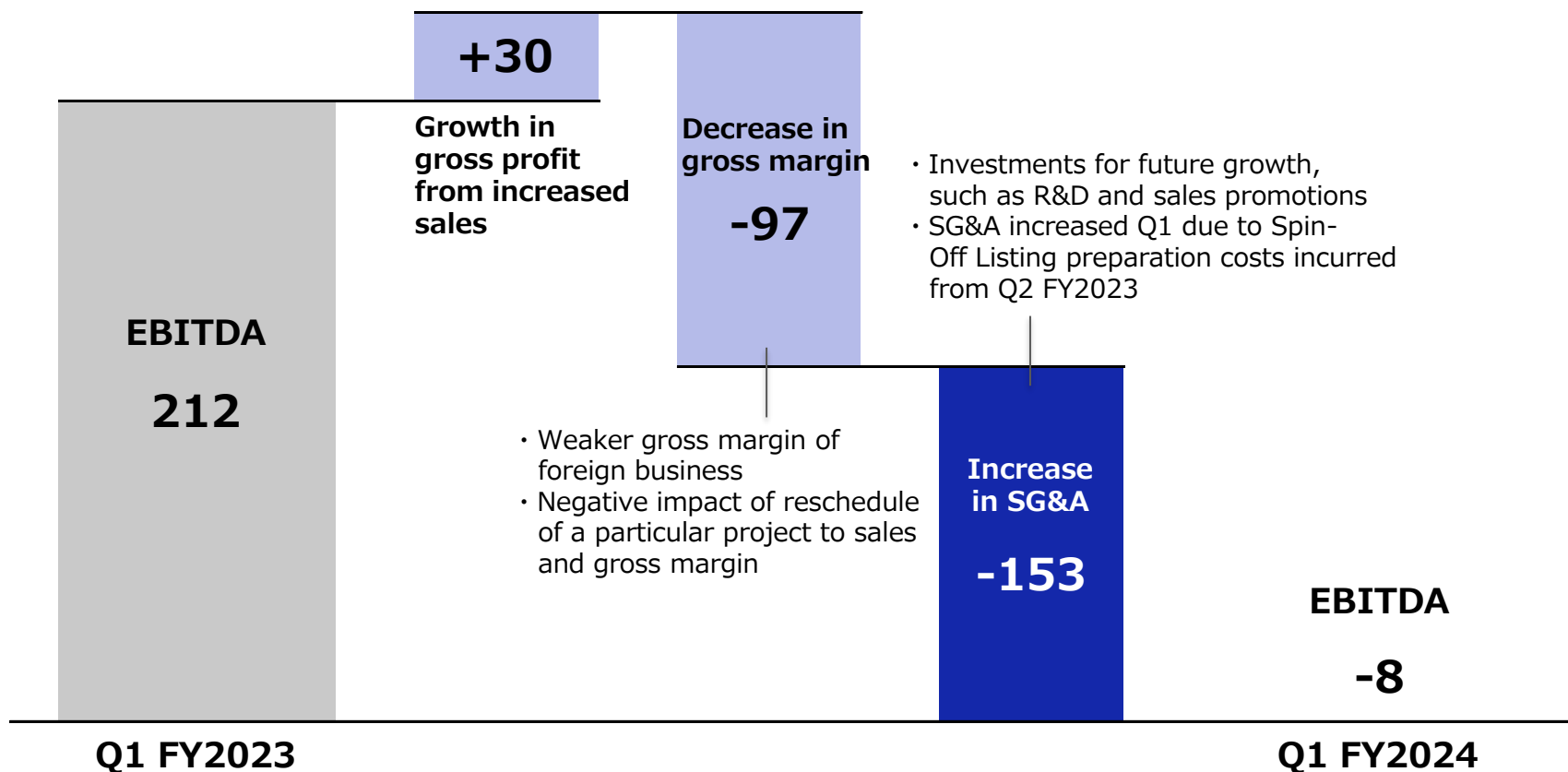
Global (*) service



Temporarily negative EBITDA in Q1 due to reschedule of a particular project and an increase in SG&A.

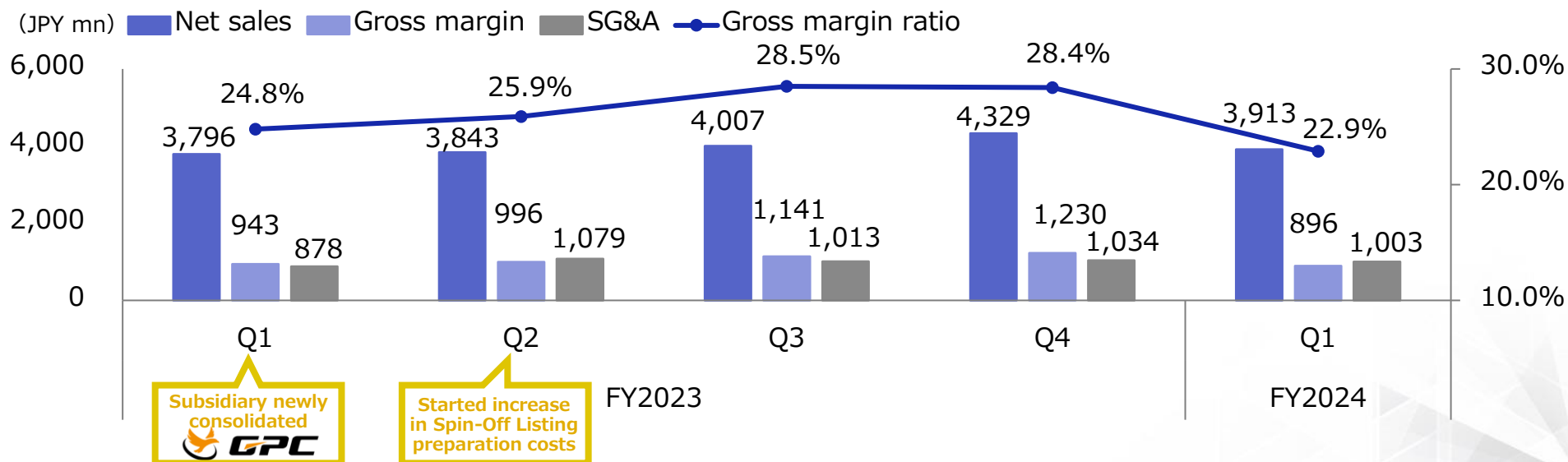
Expecting to recover the profitability from Q2 onward by further sales growth.

(JPY mn)



AGEST Group Business

Performance Trends



QA solution division KPI

Number of clients with orders(*)

Q1 FY2023

824 companies

Q1 FY2024

841 companies

Breakdown of YoY changes
in number of clients with orders

Domestic +33 companies
Overseas -16 companies

Annual sales per client(*)

Q1 FY2023

¥**13** mn

Q1 FY2024

¥**15** mn

Number of engineers

Q1 FY2023

1,047 people

Q1 FY2024

1,069 people

Breakdown of YoY changes
in number of engineers

Domestic +63 people
Overseas -41 people

Segment disclosures in "DH Group" and "AGEST Group" since FY2024 with an eye to Spin-Off Listing.

■ Before FY2023

■ After FY2024

* The changes are **Underlined**

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

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

Consolidated Financial Results for Q1 FY2024

【Notice regarding Earnings by Segment】

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

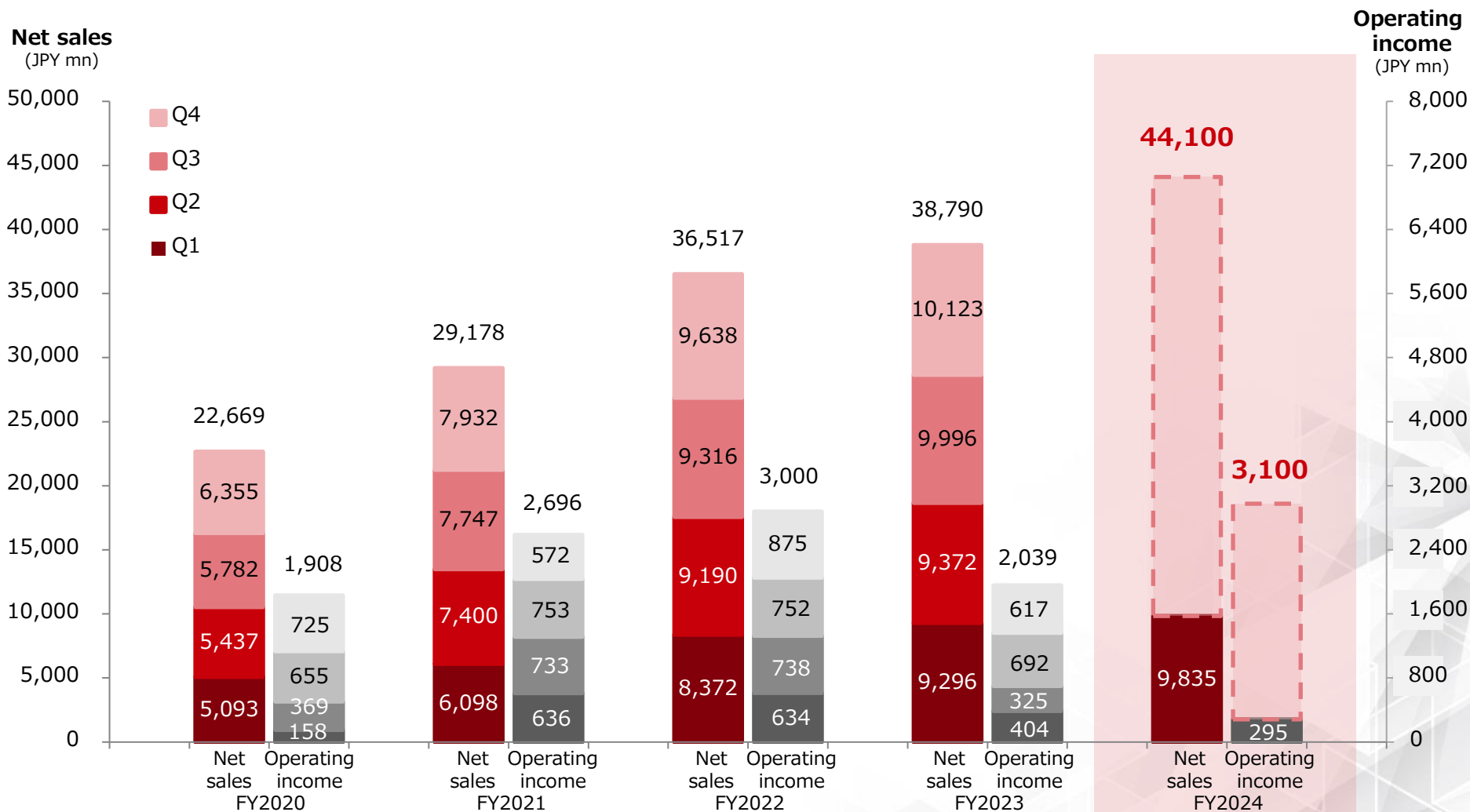
Summary of Financial Results for Q1 FY2024

- Both DH Group and AGEST Group achieved sales growth.
- Temporarily decline in Operating income due to the reschedule of a particular project and the impact of Spin-Off Listing preparation costs increasing from FY2023 Q2. Expecting to turn to the profit growth trend from FY2024 Q2 onward.

(JPY mn)	Q1 FY2023	Q1 FY2024	YoY Change	
Net sales	9,296	9,835	538	105.8%
Cost of sales	6,890	7,488	598	108.7%
Cost of sales (%)	74.1%	76.1%		+ 2.0points
Gross profit	2,406	2,346	-59	97.5%
SG&A	2,001	2,050	48	102.4%
Operating income	404	295	-108	73.2%
Operating income margin	4.3%	3.0%		-1.3points
Ordinary income	415	315	-99	75.9%
Profit attributable to owners of parent	338	211	-126	62.6%
EBITDA	684	542	-142	79.2%

Trend in Net Sales and Operating Income

Aiming to achieve record-high Net sales and Operating income, by accelerating the growth of both DH and AGESt Group with independent management structures specializing in each.



Consolidated Balance Sheets

(JPY mn)	Q4 FY2023 (As of March 31, 2024)	Q1 FY2024 (As of June 30, 2024)	Change from Q4 FY2023
Total assets	21,103	21,388	284
Current assets	13,526	13,527	1
Cash and deposits	6,858	6,988	129
Noncurrent assets	7,576	7,860	283
Property, plant and equipment	1,491	1,518	27
Intangible assets	2,908	2,934	26
Goodwill	2,313	2,270	-43
Investments and other assets	3,177	3,407	230
Total liabilities	12,250	12,415	164
Current liabilities	12,026	12,193	167
Short-term loans	7,095	7,050	-44
Noncurrent liabilities	224	222	-2
Total net assets	8,852	8,972	120
Shareholders' equity	7,685	7,663	-22
Accumulated other comprehensive income	729	866	136
Non-controlling interests	436	441	5
Total liabilities and net assets	21,103	21,388	284

Summary of Financial Results by Segment

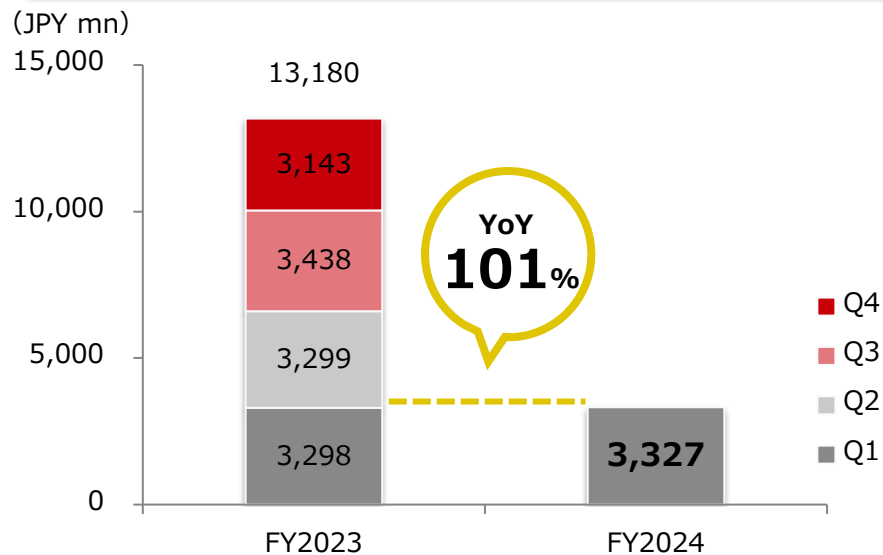
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Operating income	404	295	73.2%
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AGEST Group	64	-106	—
EBITDA	684	542	79.2%
DH Group	472	551	116.7%
AGEST Group	212	-8	—

- **Double-digit sales growth of the Global and others** with increases in the number of projects for translation/ LQA, audio/ voice recording, and marketing support thanks to the strengthening of global solutions since FY2023.
- **Stable growth of the Domestic debugging** mainly by improving its service quality through human resource development including training and new career design and remuneration hike, and investment in its infrastructure, despite the negative impact of the cancellation or postponement of title development in some domestic game clients.
- **Double-digit profit growth** due to the decline in SG&A by the relocation of staff since FY2023 Q2 as a part of Spin-Off Listing preparations, despite the weaker gross margin due to the hourly wage hike for testers and the impact of the sales-mix changes.

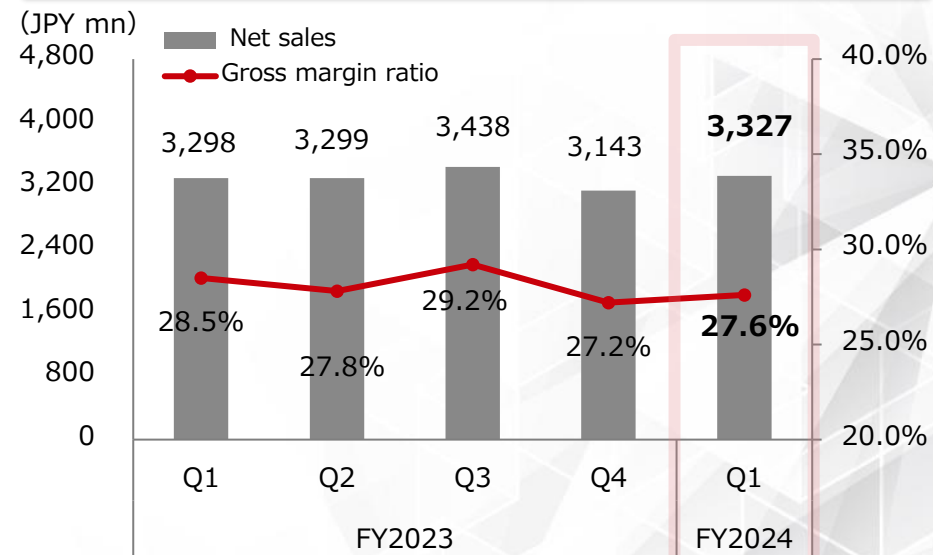
(JPY mn)	Q1 FY2023	Q1 FY2024	YoY Change
Net sales	5,681	6,032	106.2%
Domestic debugging	3,298	3,327	100.9%
Global and others	2,383	2,705	113.5%
Segment income	339	402	118.3%
EBITDA	472	551	116.7%

- **Strategic sales promotions** such as strengthening relations with key clients and focusing resources on some clients with actively developing new titles.
- **Gross margin of 27.6% in line with the initial forecast**, despite weaker than Q1 FY2023 due to some initiatives to improve the quality such as investment in human capital like training and remuneration hike, and in working environment.
- **Capital participation in April 2024 in Turing Inc.** which develops fully self-driving vehicle, to expand the businesses of annotations in AI development and quality management by utilizing the resources of testers.

Quarterly sales

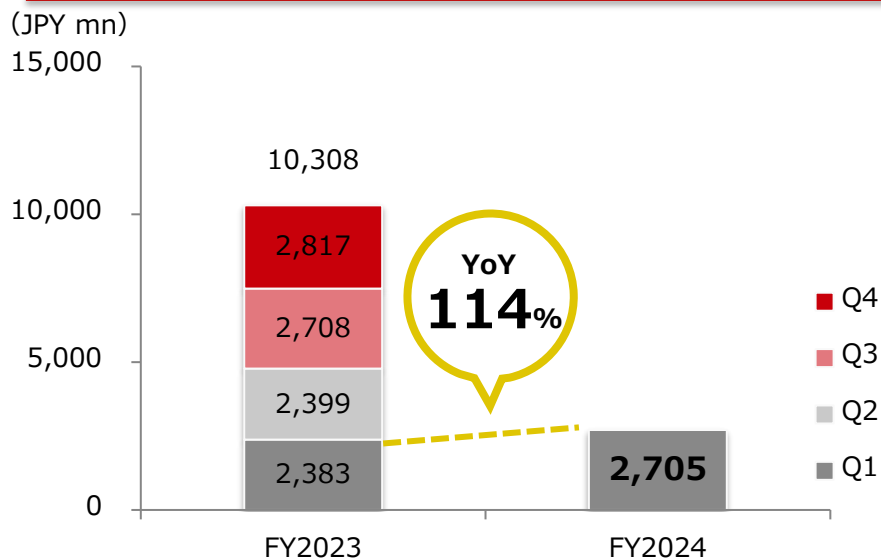


Net sales and Gross margin ratio

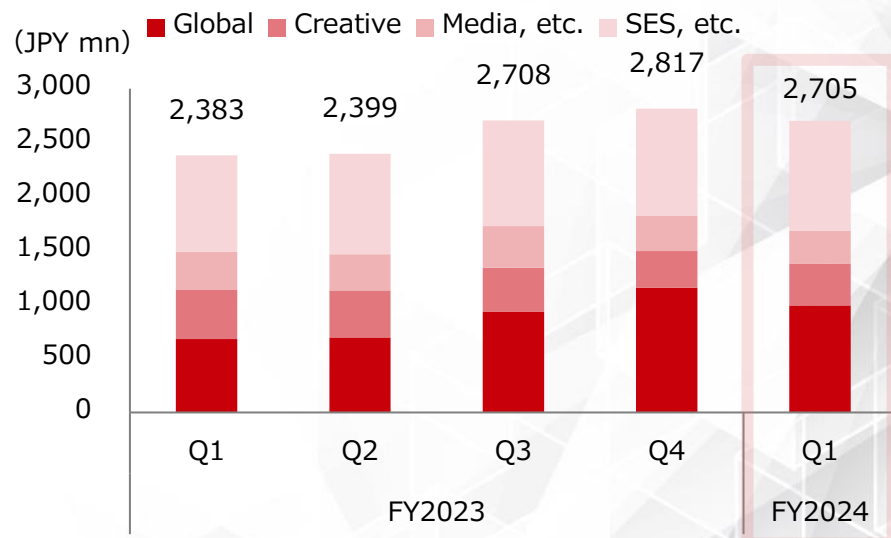


- **Sales of global services** (translation, LQA and marketing support) achieved high growth of **146% YoY**, with sales growth of translation & LQA for European languages and marketing support for e-commerce, which had been strengthened from the previous fiscal year.
- **Officially launched an AI-base game translation engine “ELLA”** developed in collaboration with Rozetta Corp. Planning to expand number of languages in the future.
- **Develop the brand awareness of “DIGITAL HEARTS”** and acquire new business opportunities by exhibiting at large-scale game industry trade shows in “ChinaJoy” and “gamescom.”

Quarterly sales



Quarterly sales by service

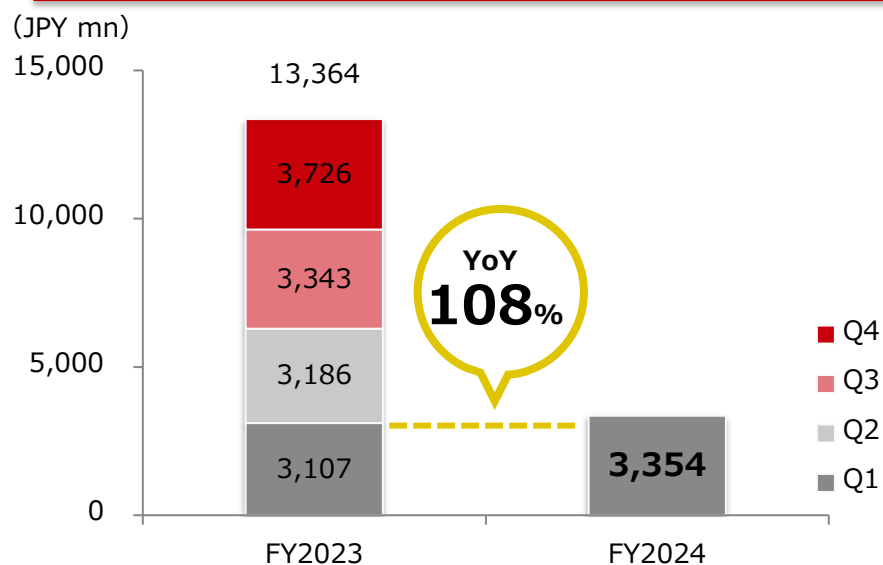


- **Sales growth in QA solution** by tailwinds of favorable market conditions, despite weak foreign businesses and irregular reschedule of a particular project.
- Decrease in IT service and others due to **strategic contraction** of unprofitable services.
- **Expecting to turn profitable trend from Q2 onward** with sales expansion and a lull in increase of SG&A, despite a loss in Q1 due to temporarily negative impact of reschedule of a particular project on sales and gross margin and the Spin-Off Listing preparation cost increasing since Q2 FY2023.

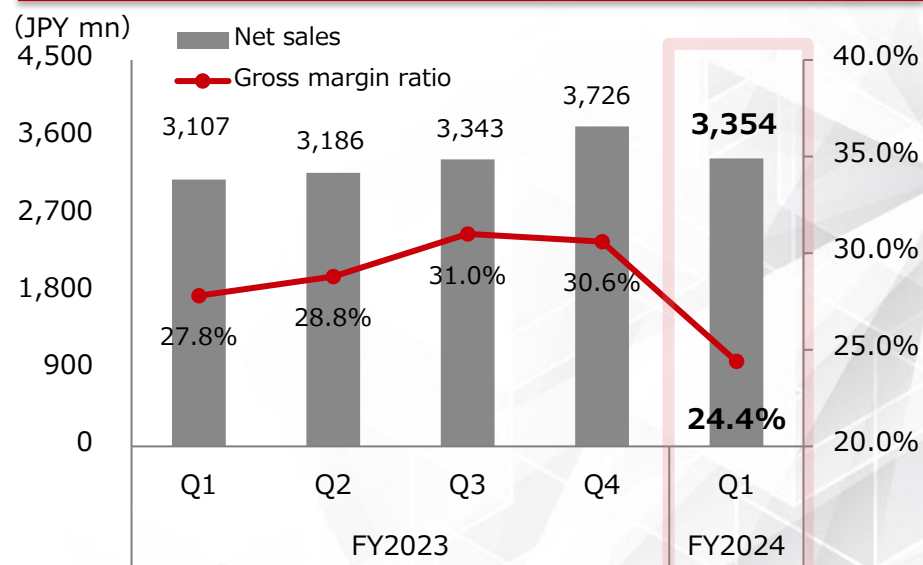
(JPY mn)	Q1 FY2023	Q1 FY2024	YoY Change
Net sales	3,796	3,913	103.1%
QA solution	3,107	3,354	107.9%
IT services and others	688	559	81.3%
Segment income	64	-106	—
EBITDA	212	-8	—

- Double-digit sales growth of **YoY 113%** in domestic QA solutions.
- **Aiming to recover to around 30% from Q2 onward, despite a temporary significant decline in gross margin in Q1** due to some factors including weaker sales and heavier outsourcing costs related to the reschedule of a particular project.
- **Focus on strengthening brand as a 'Tech' company and differentiating AGEST from competitors** by expanding high-value-added services such as AI utilization and "Shift-Left" QA.

Quarterly sales

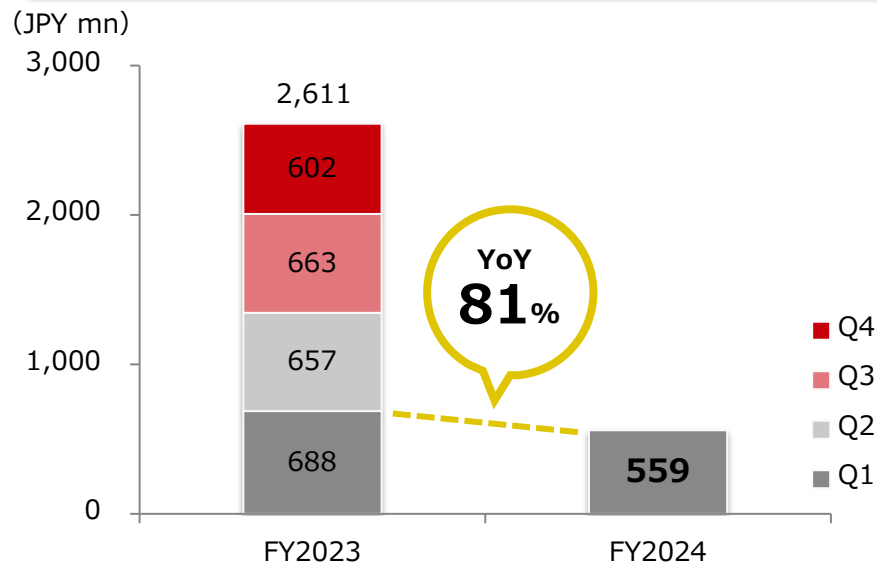


Net sales and Gross margin ratio

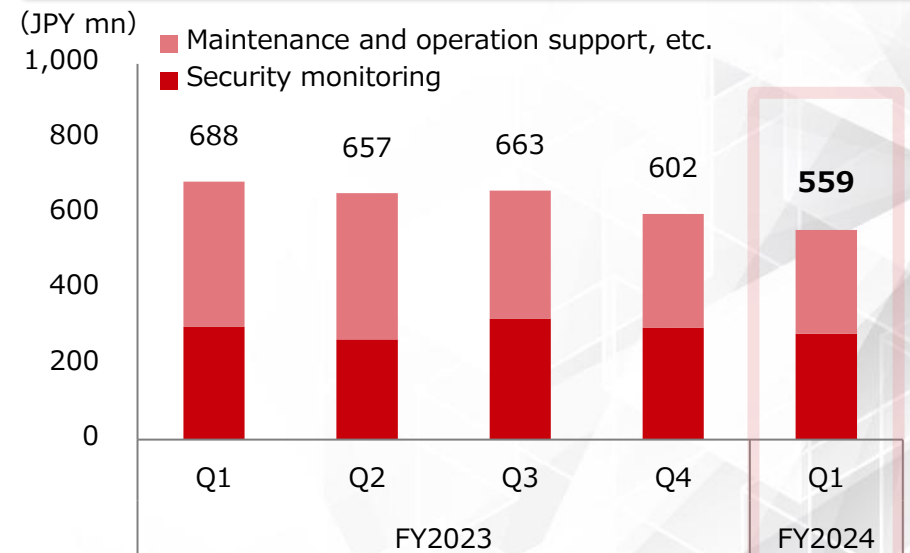


- **Strategic reduction of certain low-profit services**, such as maintenance and operation support.
- The number of **security monitoring 710 thousand units** as the top level in Japan.
- **Strengthen cybersecurity businesses** by some initiatives including investing in "Nippon Cyber Security Fund 1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

Quarterly sales



Quarterly sales by service



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
Net sales (*)	38,790	44,100	113.7%
DH Group	23,488	25,720	109.5%
AGEST Group	15,975	18,380	115.0%
Operating income (*)	2,039	3,100	152.0%
DH Group	1,734	2,040	117.6%
AGEST Group	305	1,060	347.0%
Operating income margin	5.3%	7.0%	+1.8points
Ordinary income	2,059	3,100	150.6%
Profit attributable to owners of parent	176	2,100	1,186.9%

DH Group

(Selected section of [Presentation Material for the Fiscal Year Ended March 31, 2024] dated May 9, 2024.)

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

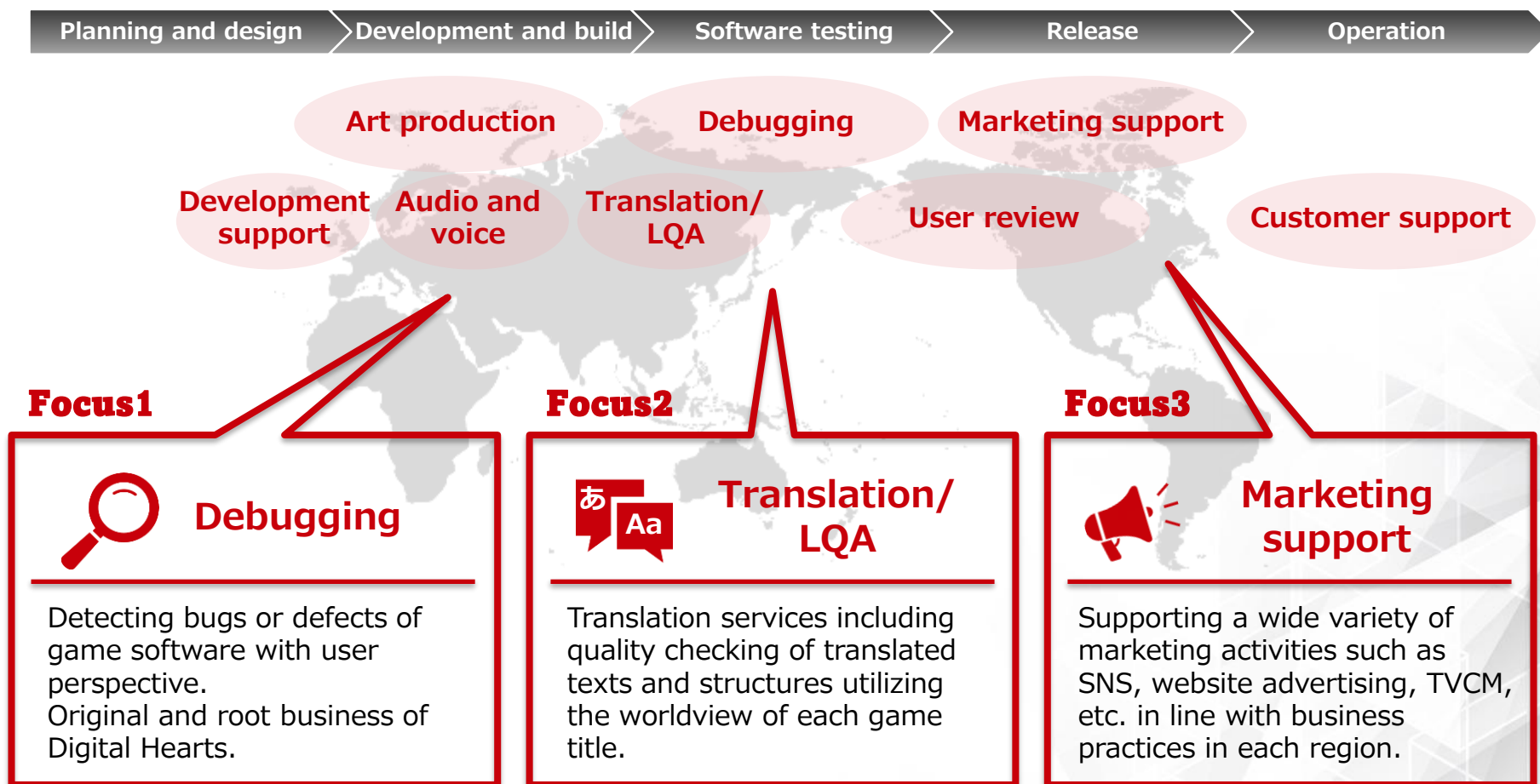
Providing Value



- 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

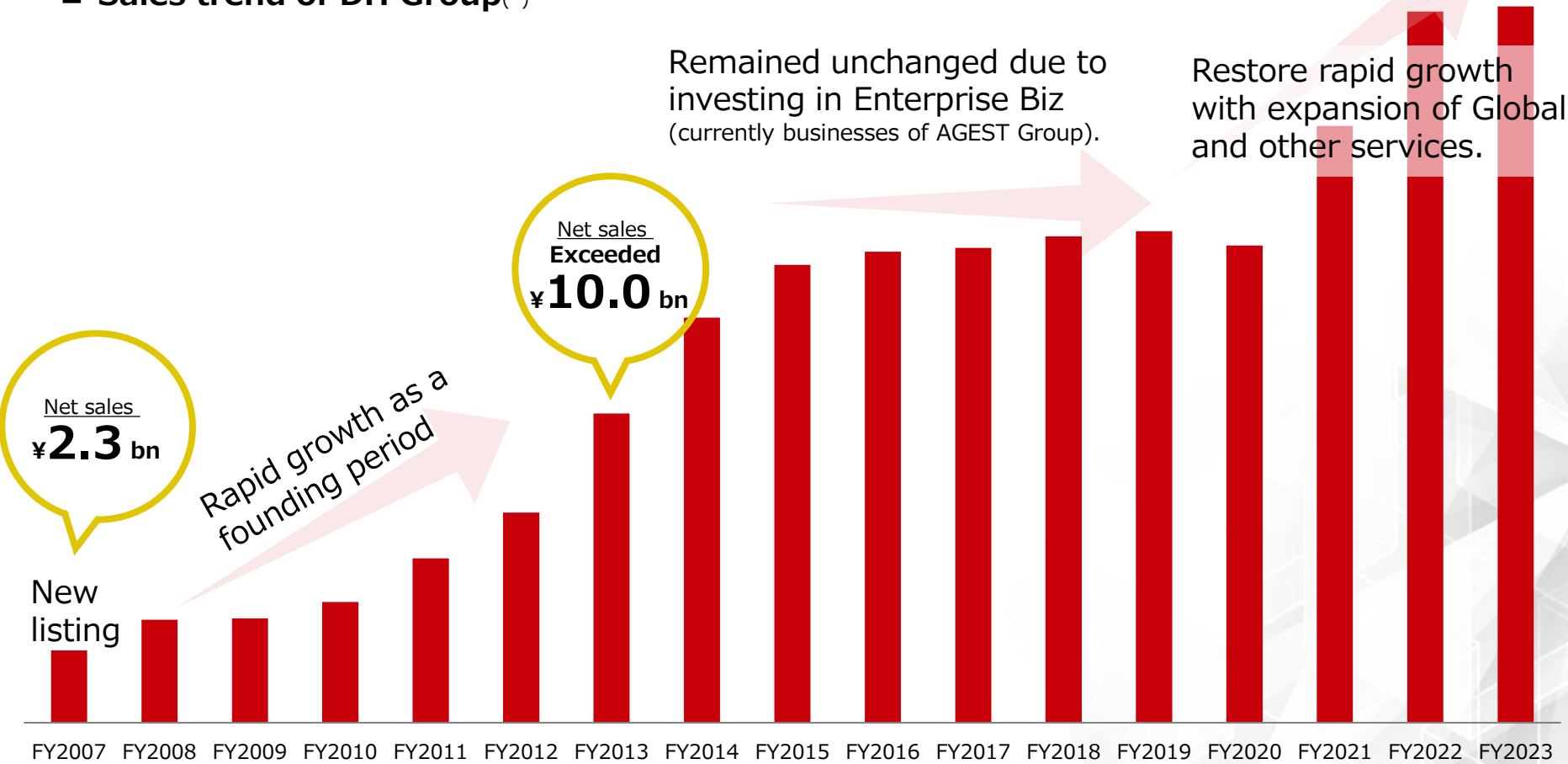
Comprehensive support for improving the quality of content by providing a wide range of solutions suited to the lifecycles of game software and entertainment content.

■ DH Group's major solutions



Rapid growing mainly in the Domestic Debugging since its establishment

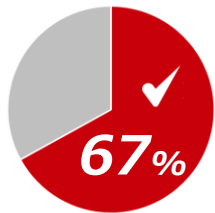
■ Sales trend of DH Group(*)



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

Soft Power

Market leader in domestic debugging service*



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

High quality service

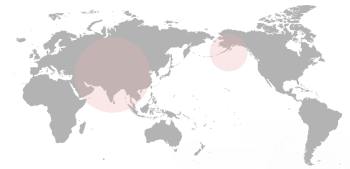


Hard Power

Abundant test terminals



Over 20 locations



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

*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

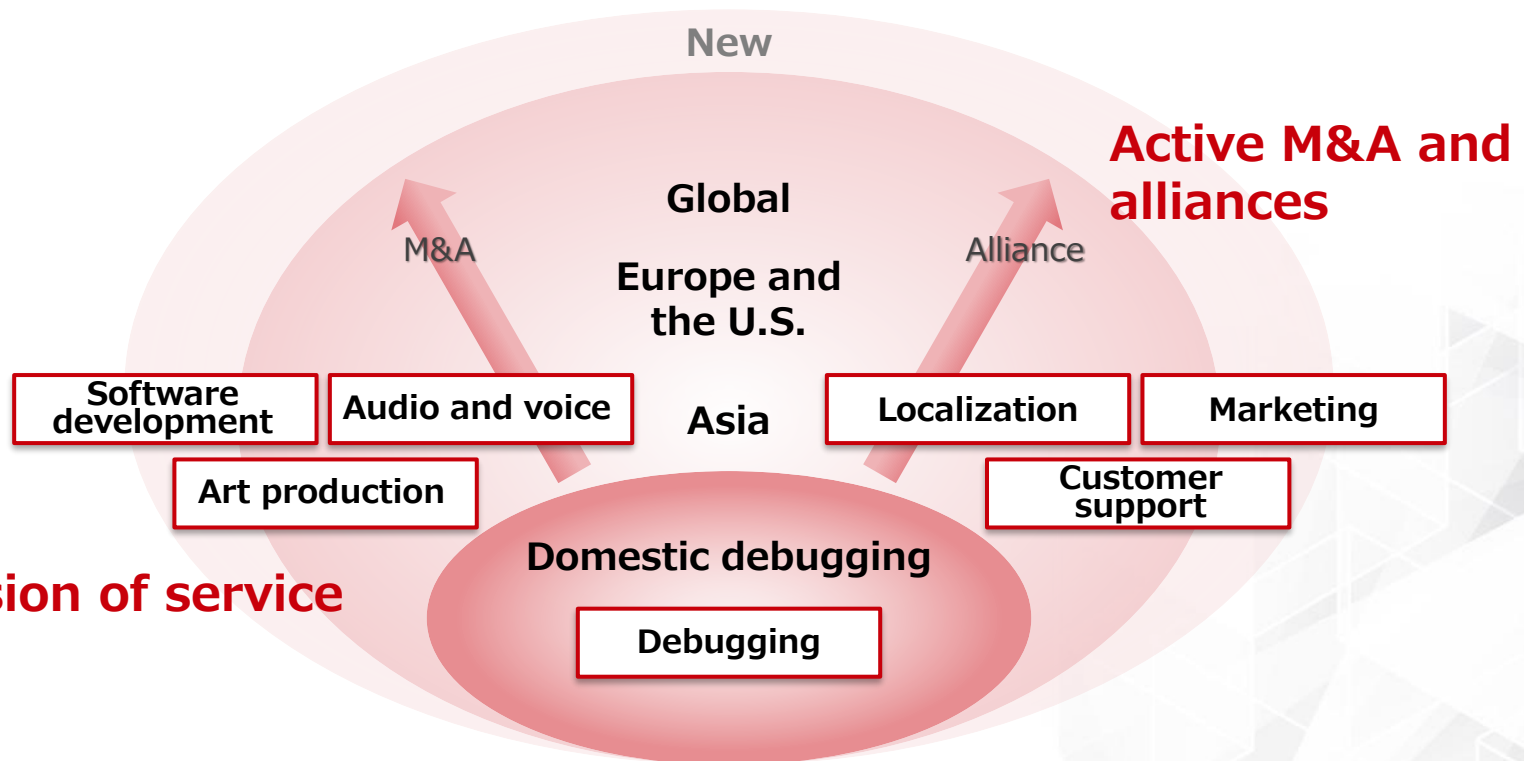
Nationality Over
40 countries

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.



Diverse members, demonstrating each individuality, having a sense of purpose, and working with enthusiasm.



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

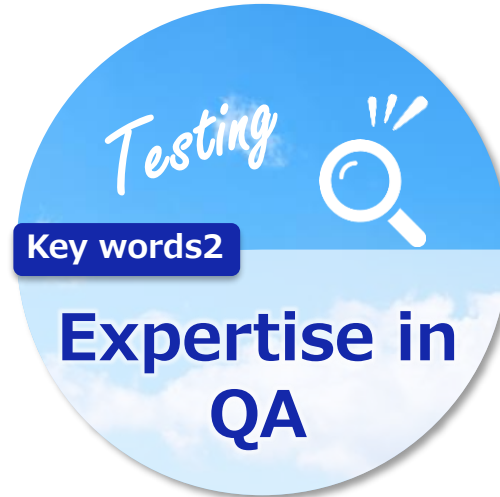
(Selected section of [Presentation Material for the Fiscal Year Ended March 31, 2024] dated May 9, 2024.)

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



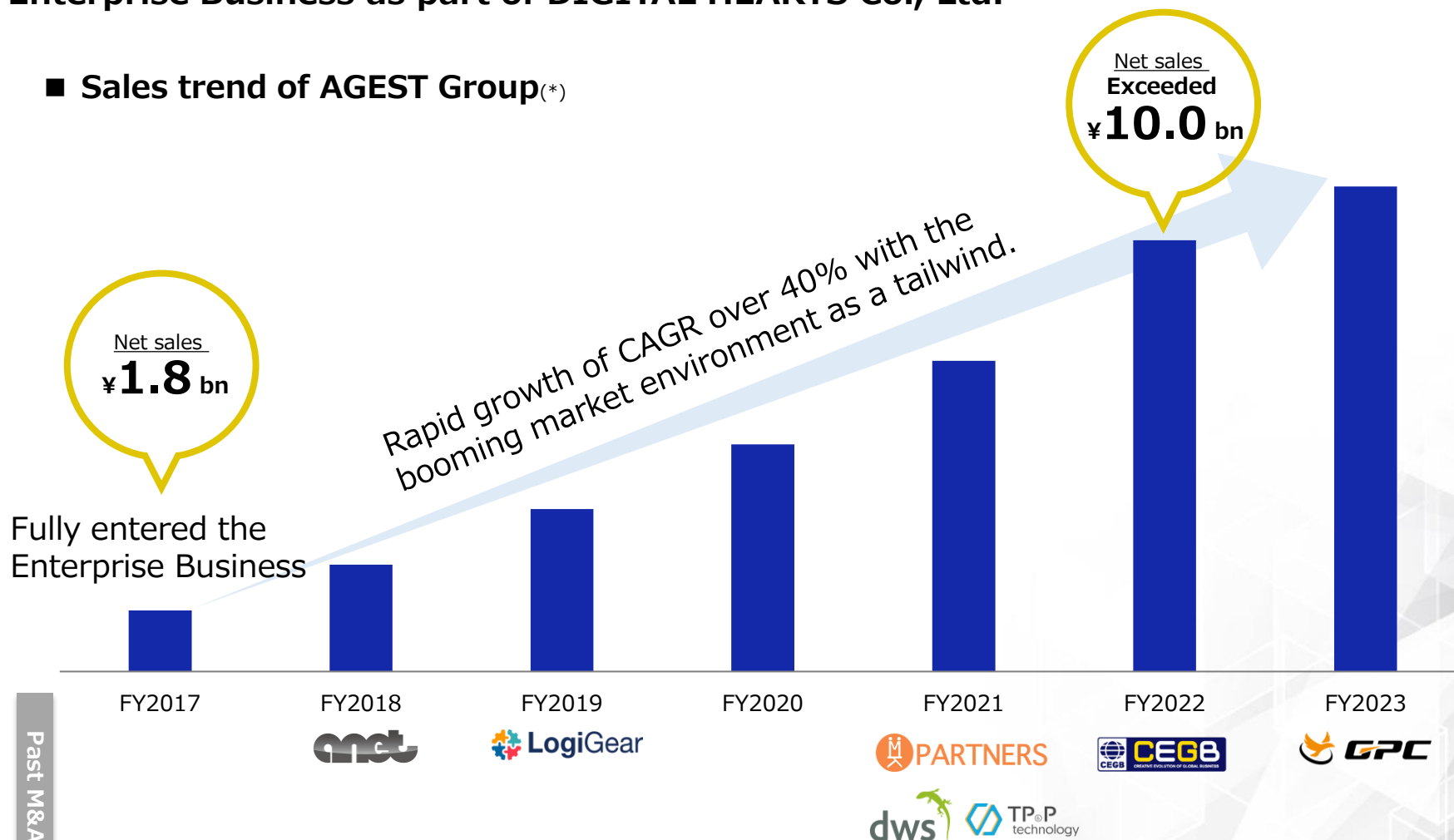
- Global experts in software testing industry
- QA in "Shift-Left" and "Shift-Right" areas, which are not supported by conventional third-party testing



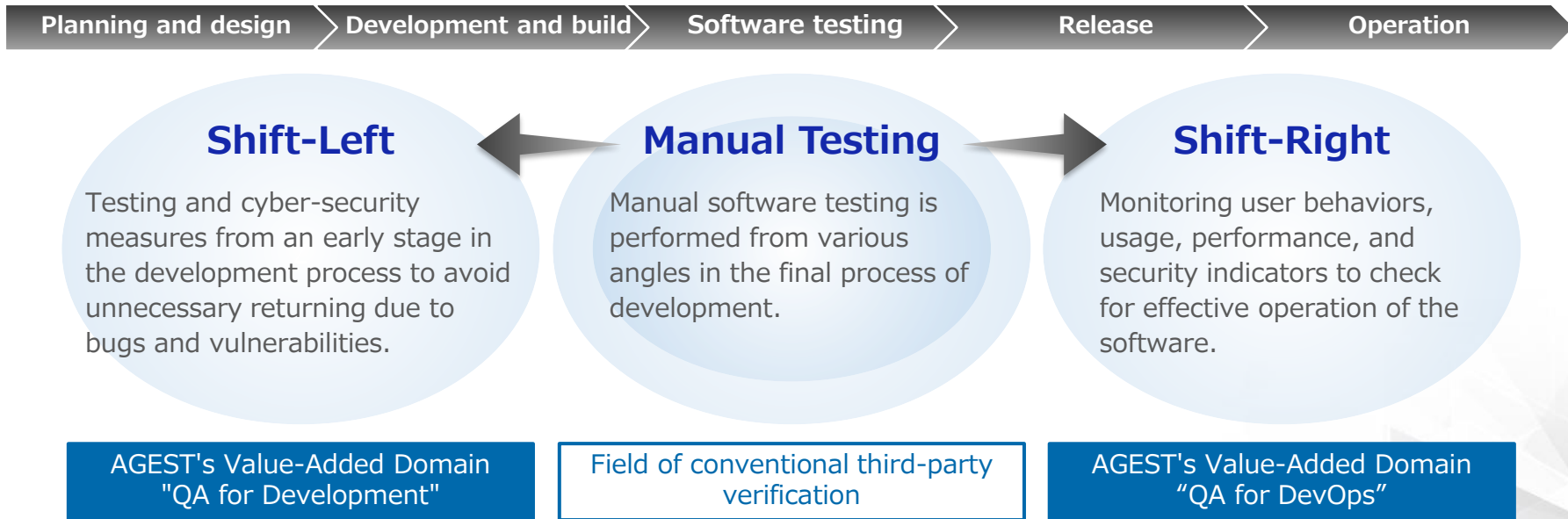
- Unique test automation tools using cutting-edge Silicon Valley technologies
- "Next-Generation QA engineers" utilize AI-technology in every process of testing-service to greatly reduce the burden on development engineers

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



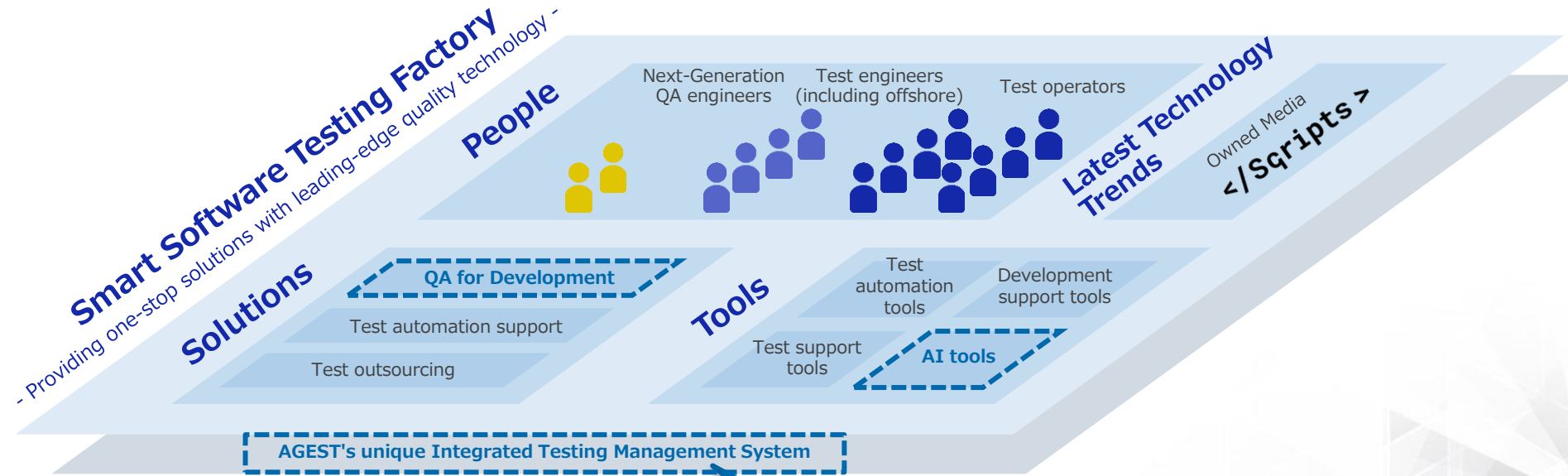
AI tools
Integrated testing management system

Test automation tools
Integrated testing management system

Monitoring tools
Integrated testing management system

1.

Started internal use of β 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



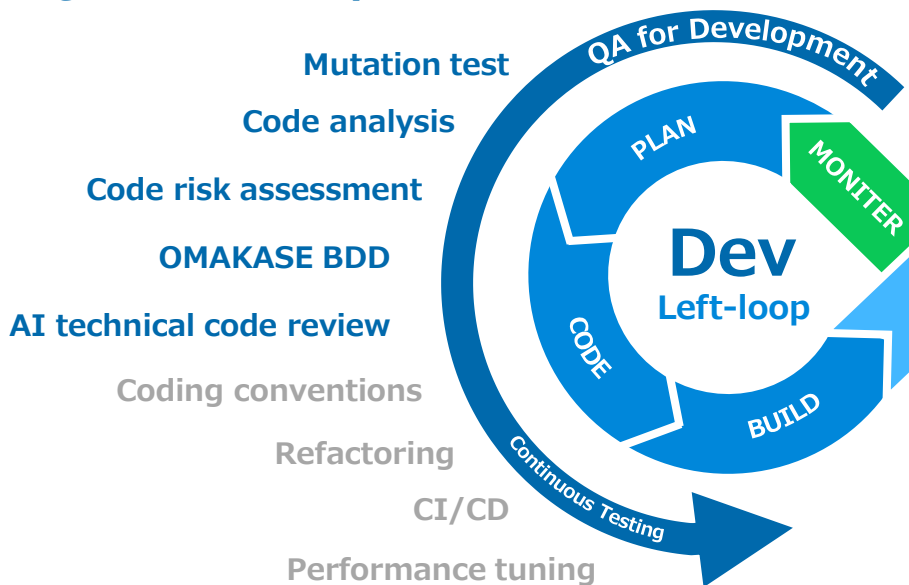
In accordance with international standard for software testing

ISO/IEC/IEEE 29119

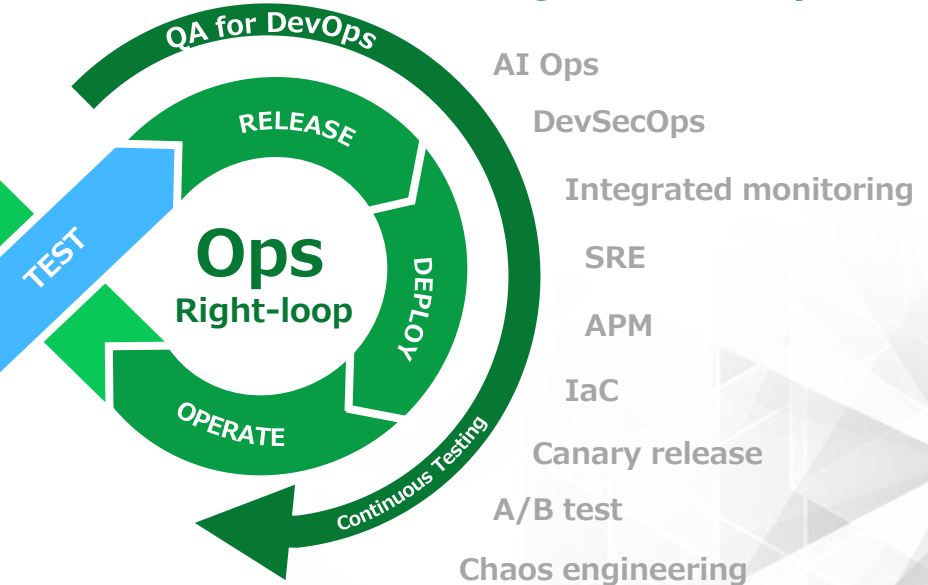


2. Releasing a series of "QA for Development" services.

QA for Development



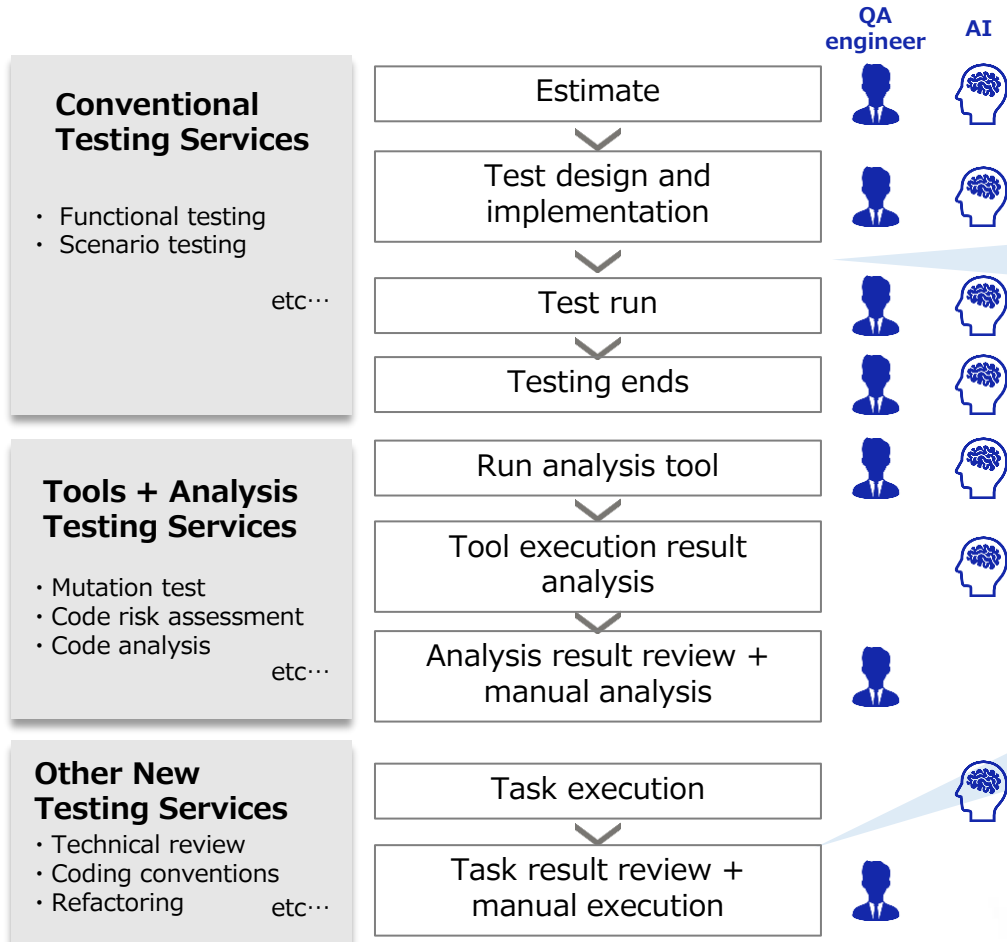
QA for DevOps



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

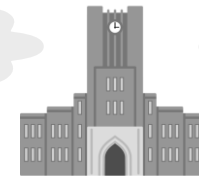
AGEST Academy

Comprehensive knowledge of QA experts

Curriculum in line with ISTQB syllabus

Skill-level programs

Compliance with international standards of testing



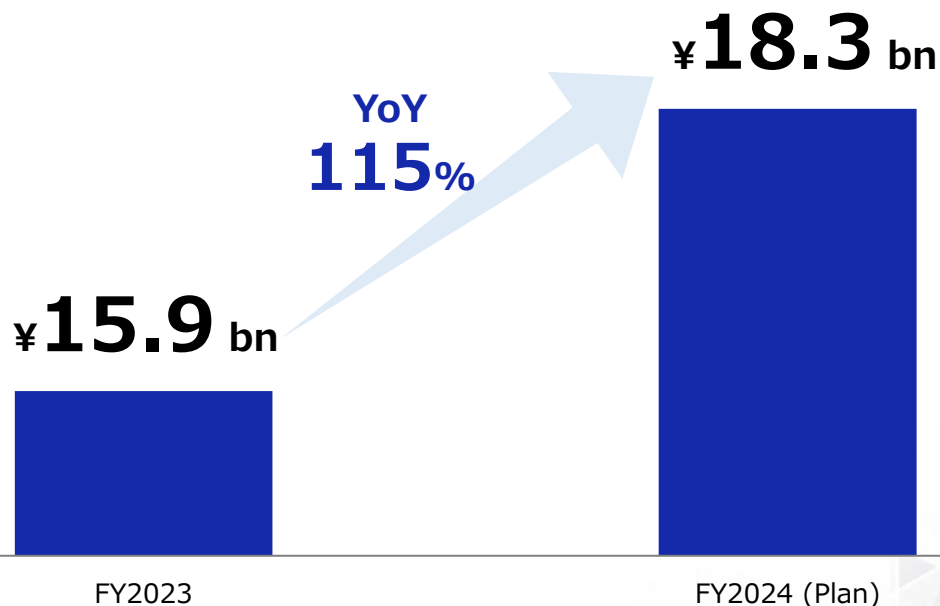
AGEST's unique R&D institute

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

Number of engineers



1,080 people



1,319 people

Number of clients with orders



872 companies



963 companies

Annual sales per client



¥**15** mn



¥**17** mn

Appendix

Our mission

SAVE the DIGITAL WORLD

Market environment

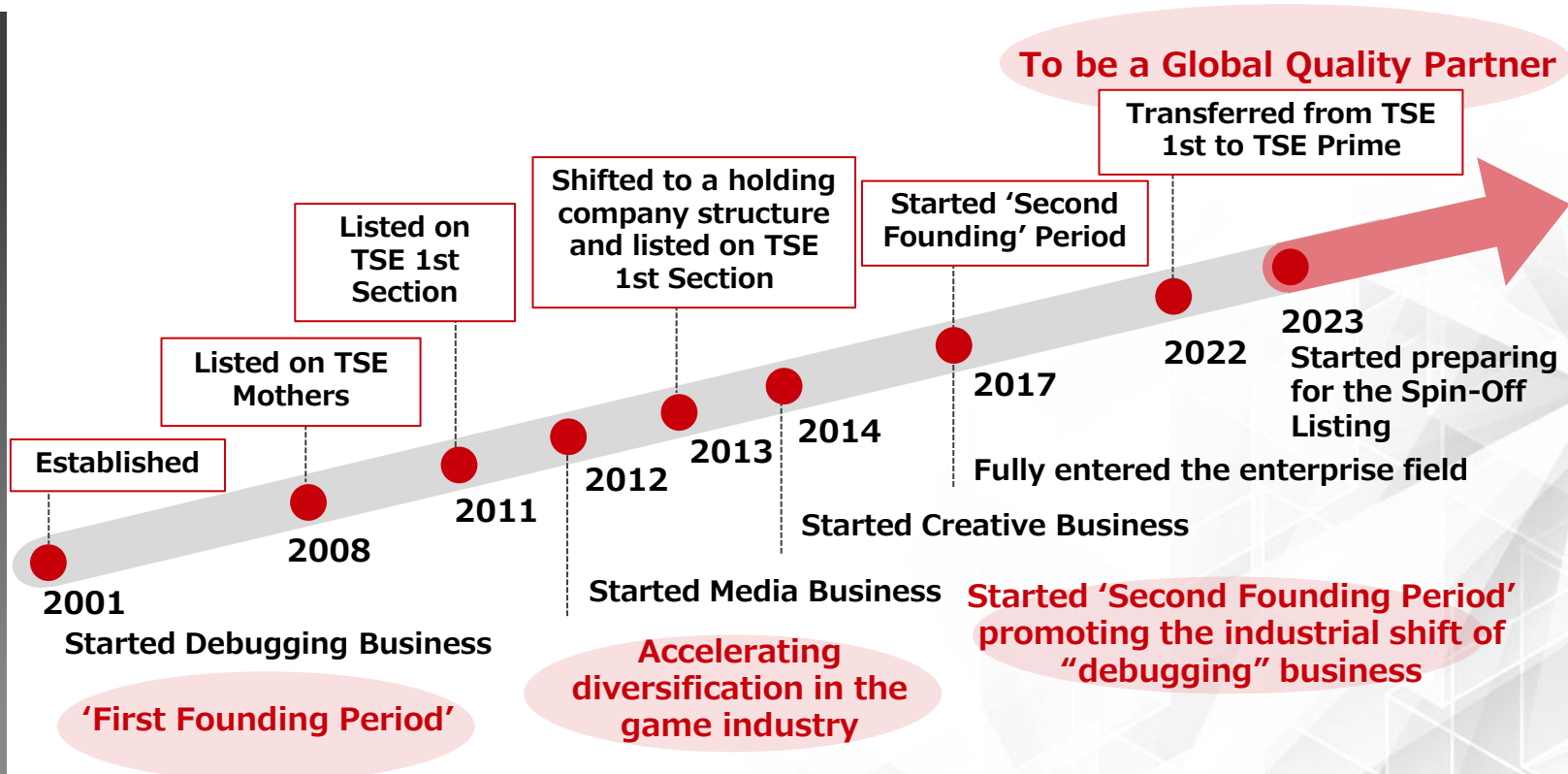
Growth of console game market

Growth of mobile game market

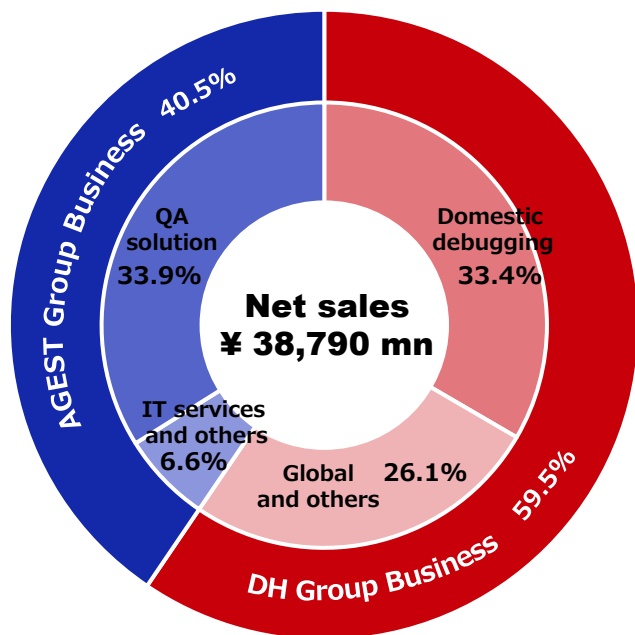
Expansion of IoT

Expansion of DX

History



Our core business: Debugging and QA(Quality Assurance)



Sales breakdown by segment (FY2023)

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

DH Group Business	Domestic debugging	33.4%	<ul style="list-style-type: none"> ➤ Debugging for console games, mobile games, etc.
	Global and others	26.1%	<ul style="list-style-type: none"> ➤ Translation, LQA*, and localization for game software ➤ Marketing support for game launching in overseas markets ➤ Game development and CG development ➤ Game information site "4Gamer.net" ➤ IT engineer platform service
AGEST Group Business	QA solution	33.9%	<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	6.6%	<ul style="list-style-type: none"> ➤ Security monitoring ➤ IT support



DIGITAL HEARTS HLDGS. (Holding Company)

(As of June 30, 2024)

DH Group Business

DIGITAL HEARTS Co., Ltd.

Game debugging for Japanese game makers,
Localization, etc.

DIGITAL HEARTS CROSS Group

Marketing support, etc.

DIGITAL HEARTS (Shanghai) Co., Ltd.

Game debugging, Localization, etc.

Digital Hearts Linguitronics Taiwan Co., Ltd.

Game translation

JetSynthesys Digital Services Private Limited

Game debugging for overseas game makers

FLAME Hearts Co., Ltd.

Game development and CG content development

Aetas, Inc.

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

identity Inc.

IT freelance engineer platform service

AGEST Group Business

AGEST, Inc.

System testing, Cyber-security, etc.

AGEST Vietnam Co., Ltd.

System testing, Test automation support

LOGIGEAR CORPORATION

System testing, Test automation support

MK Partners, Inc.

Salesforce consulting

DEVELOPING WORLD SYSTEMS LIMITED

Introduction and maintenance support for Oracle products

CEGB Co., Ltd.

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

GPC K.K

SAP/ERP implementation support, System development, etc.

Main Business Locations

(As of June 30, 2024)



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

DH Group



To be the Global Quality Partner in the entertainment industry

- Challenge for global markets and new domains

AGEST Group



To be the Leading QA Solution Provider in the global market with the leading-edge quality technology

- Accelerate to grow with centering AGEST, Inc.

Market environment

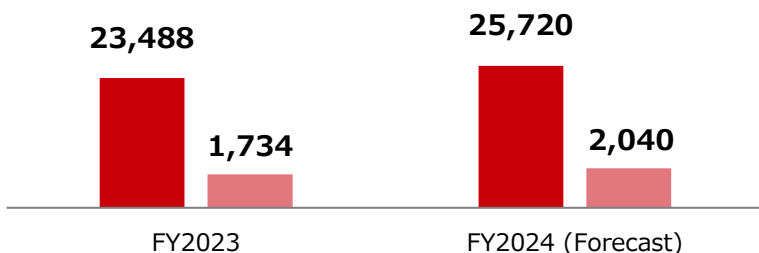
Global digital content market(*1)

Approx. ¥53 tn

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

Target

■ Net sales ■ Segment income (JPY mn)



*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

Market environment

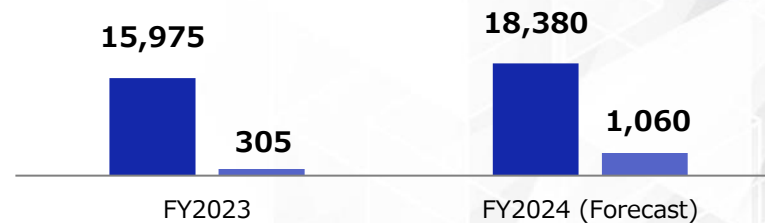
Domestic software testing market (*2)

Approx. ¥6 tn

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

Target

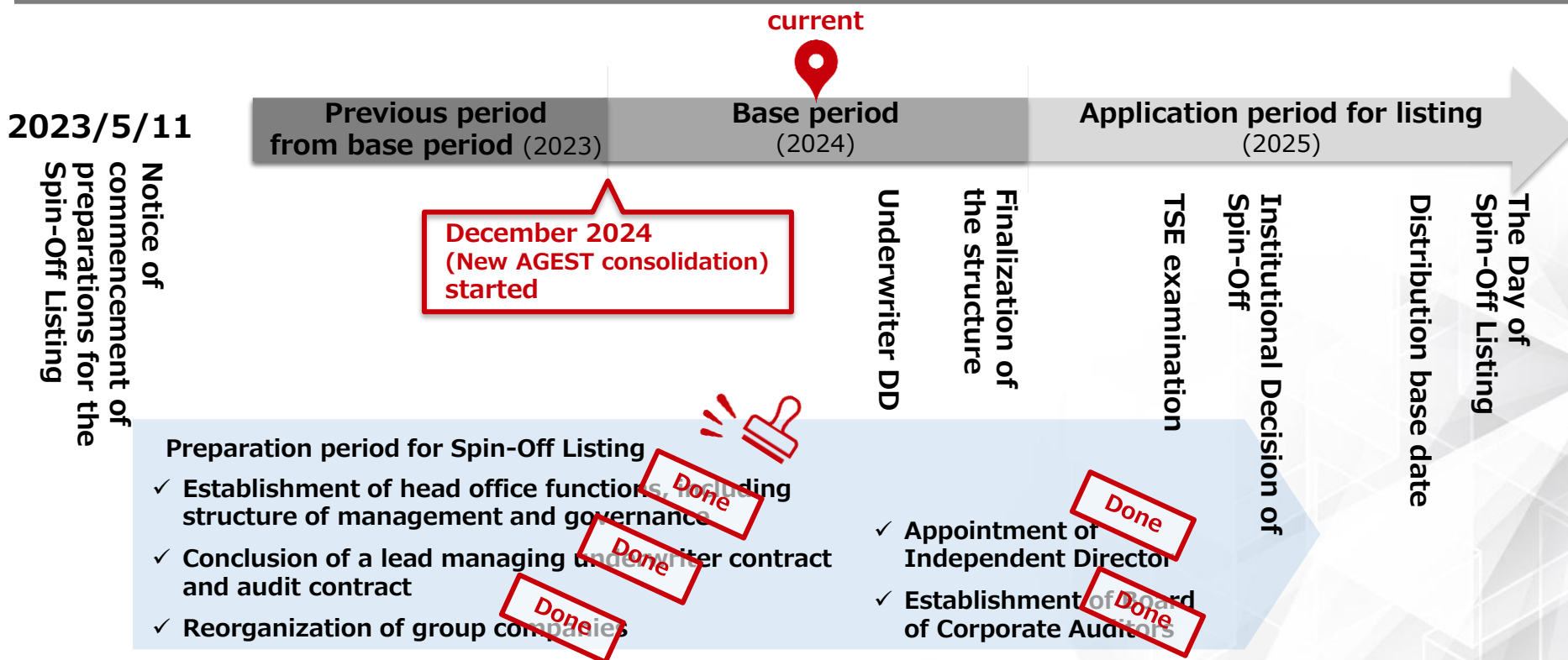
■ Net sales ■ Segment income (JPY mn)



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

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.

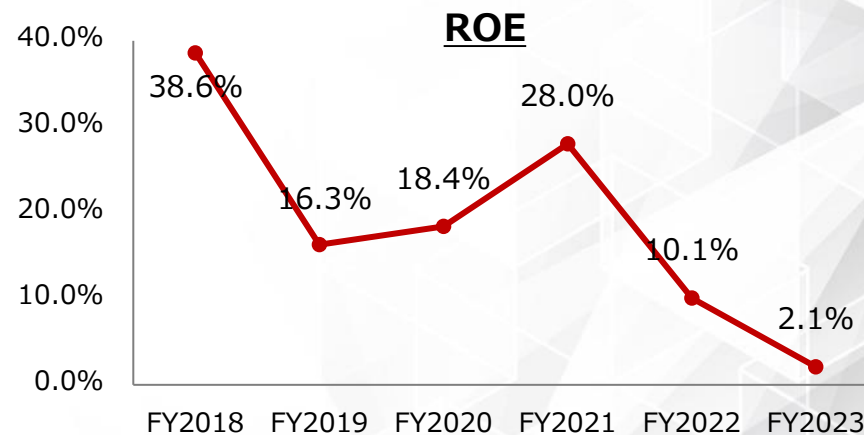
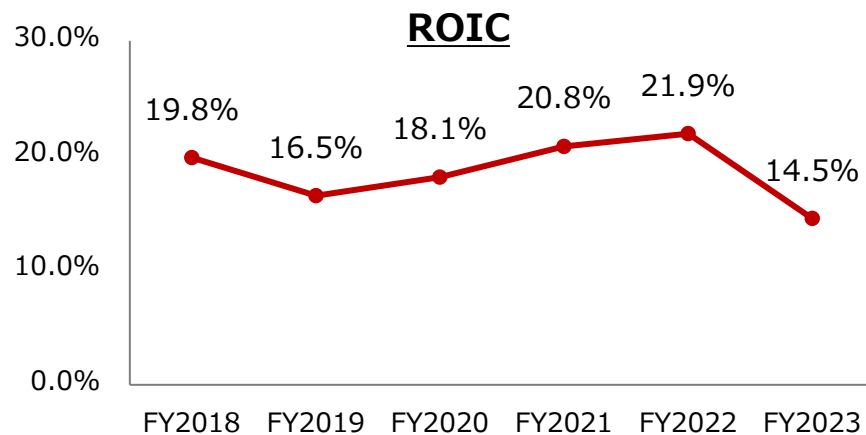
(JPY mn)	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Net sales	15,444	17,353	19,254	21,138	22,669	29,178	36,517	38,790
Enterprise Business	1,952	1,892	3,302	5,022	7,021	11,491	16,840	19,714
Entertainment Business	13,544	15,568	15,951	16,115	15,647	17,687	19,815	19,180
Adjustments	-52	-108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

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

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.

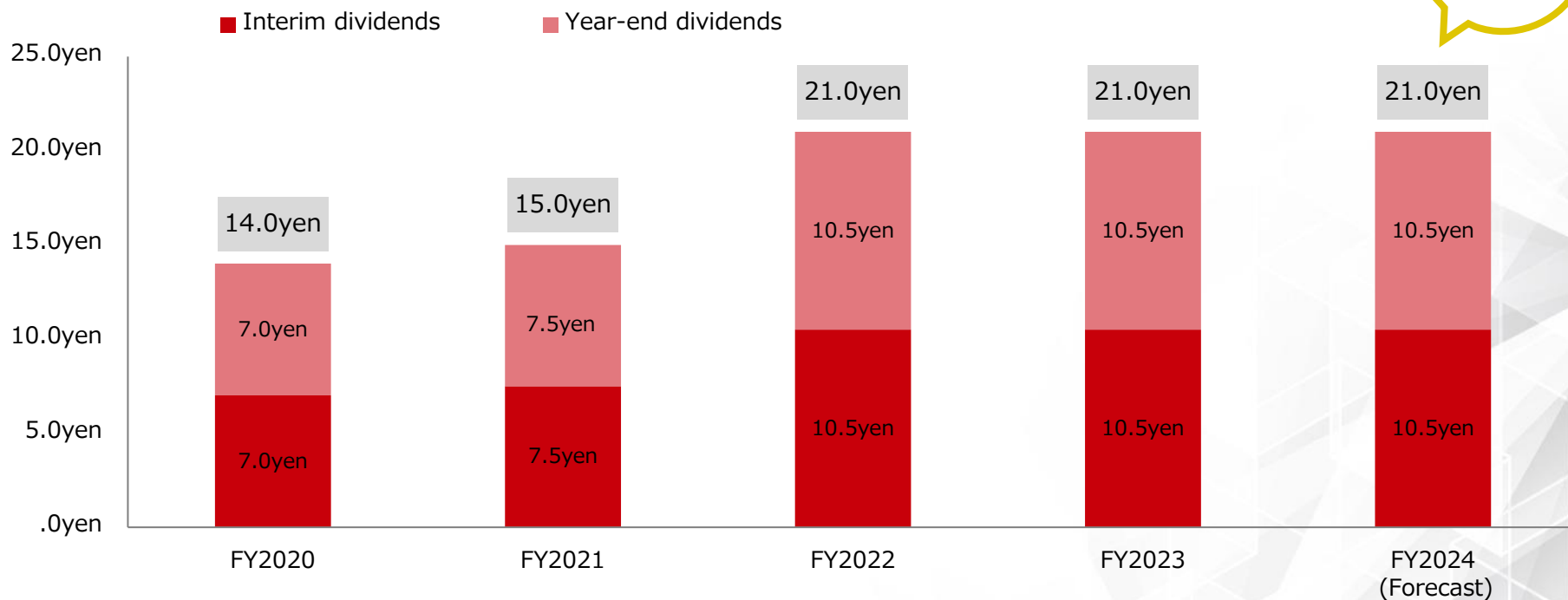
ROIC and ROE



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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