DIGITAL HEARTS HLDGS.

Presentation Material

for the Fiscal Year Ended March 31, 2021

May 11, 2021

Tokyo Stock Exchange First Section: Code 3676

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

Copyright© 2021 DIGITAL HEARTS HOLDINGS Co., Ltd. All Rights Reserved.

DIGITAL HEARTS HLDGS.

Summary of Business Results

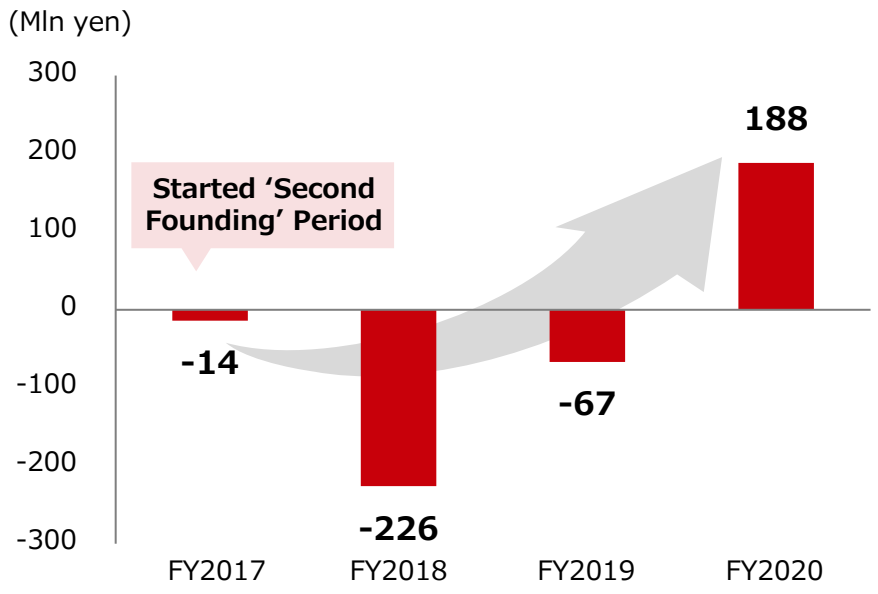
Copyright© 2021 DIGITAL HEARTS HOLDINGS Co., Ltd. All Rights Reserved.

Business Highlight for FY2020

DIGITAL HEARTS HLDGS.

1. Enterprise Business turned profitable as the first time in the 'Second Founding' period.

Enterprise Business Segment income



Enterprise Business started to contribute in profit annually

2. Accelerate M&A and alliances for further growth.

Entertainment Business

Metaps Entertainment Limited
Provide Chinese game companies with marketing service for entering to other markets like Japan.

Scheduled to start P/L consolidation from FY2021 Q2

Enterprise Business

MK Partners Inc.
Provides system consulting services centered on the introduction and other services for Salesforce system.

Scheduled to start P/L consolidation from FY2021 Q2

TPP SOFT, JSC
Provides system development services in Vietnam, centered on the website and mobile applications.

Scheduled to start P/L consolidation from FY2021 Q2

Copyright© 2021 DIGITAL HEARTS HOLDINGS Co., Ltd. All Rights Reserved.

Financial results of FY2020

DIGITAL HEARTS HLDGS.

Increased in net sales and operating income

Net Sales

22,669Mln yen
(YoY 107.2%)

Operating Income

1,908Mln yen
(YoY 136.9%)

- Developing Enterprise Business has achieved strong growth and contributed to the financial results.
- Achieved huge profit growth despite an impact of COVID-19 for some operations.

Achieved the initial target of operating income

Achievement rate against initial plan

Net Sales

98.2%

Operating Income

119.3%

- Operating income achieved the initial plan for both Entertainment and Enterprise Business with net sales almost as planned.
- Impairment losses on goodwill of the subsidiary in Korea, internal-use software and others were incurred.

Record-high profits for two quarters of Q3 and Q4

Quarterly result for FY2020 Q4

Net Sales

6,355Mln yen

Operating Income

725Mln yen

- Both net sales and operating income reached record highs for consecutive quarters of Q3 and Q4.
- Enterprise Business completed to develop its basement and turned profitable on a quarterly basis.

Copyright© 2021 DIGITAL HEARTS HOLDINGS Co., Ltd. All Rights Reserved.

Summary of Business Results for FY2020

DIGITAL HEARTS HLDGS.

Achieved higher growth of sales and profits as consolidated base by the large contribution of Enterprise Business.

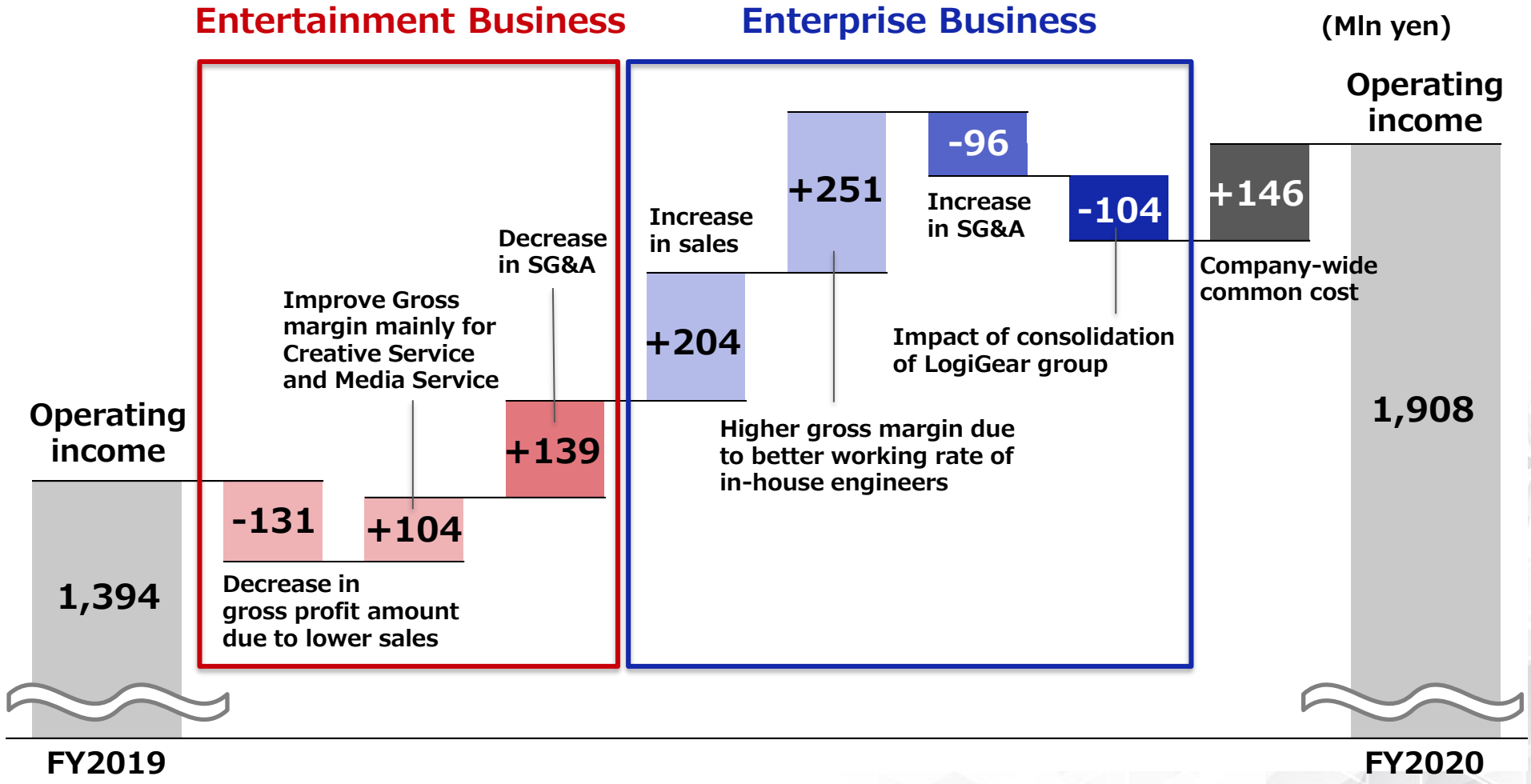
(Mln Yen)	FY2019	FY2020	YoY Change	
Net sales	21,138	22,669	1,531	107.2%
Cost of sales	15,566	16,235	669	104.3%
Cost of sales (%)	73.6%	71.6%		-2.0points
Gross profit	5,571	6,433	861	115.5%
SG&A	4,177	4,524	347	108.3%
Operating income	1,394	1,908	514	136.9%
Operating income margin	6.6%	8.4%		+1.8points
Ordinary income	1,372	1,975	603	143.9%
Profit attributable to owners of parent	792	974	182	123.0%
Net sales	1,732	2,322	590	134.1%

Copyright© 2021 DIGITAL HEARTS HOLDINGS Co., Ltd. All Rights Reserved.

Analysis of Changes in Operating Income

DIGITAL HEARTS HLDGS.

Both Entertainment and Enterprise Business achieved profit growth, despite the impact of COVID-19 for some operations.

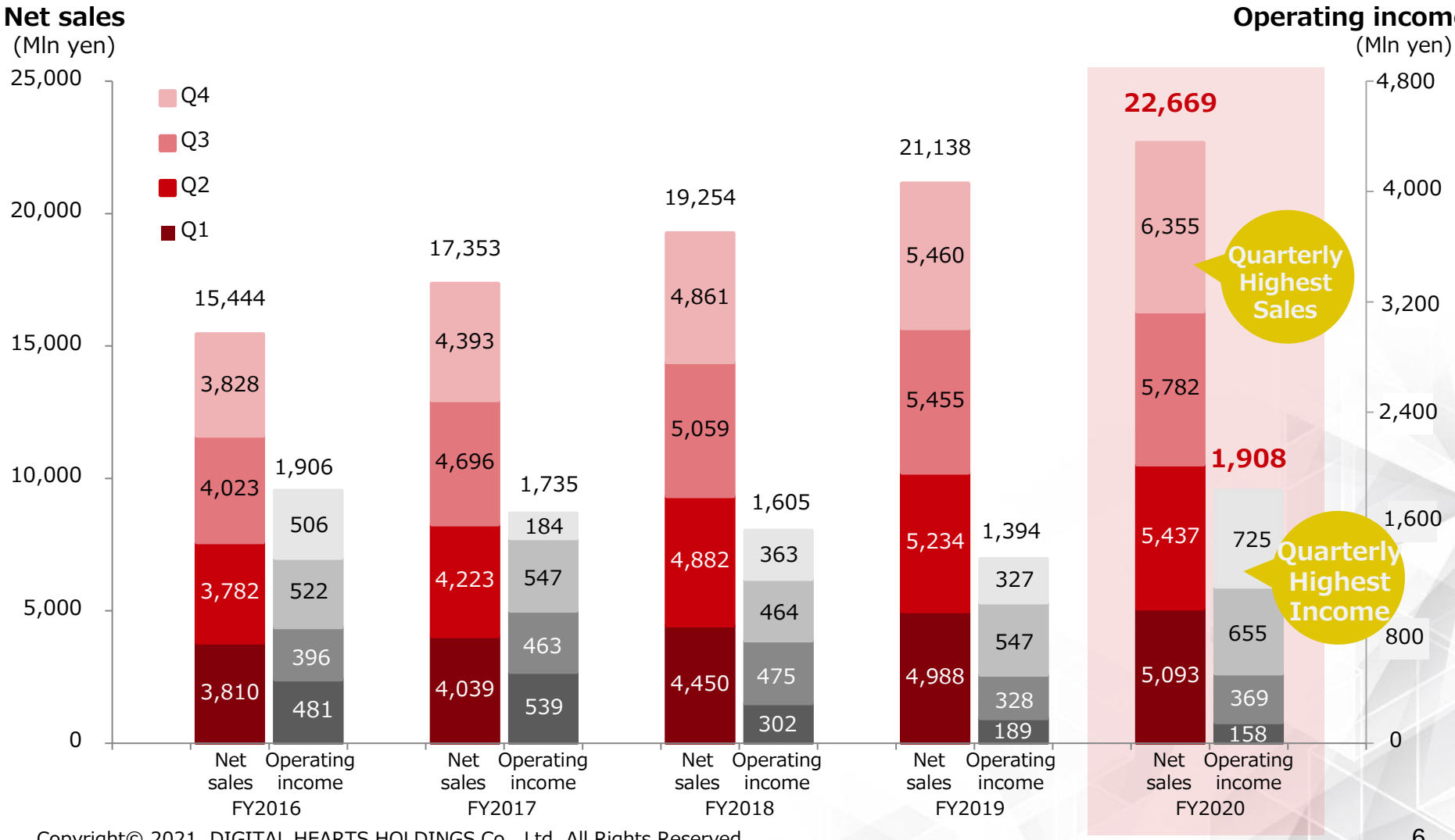


Copyright© 2021 DIGITAL HEARTS HOLDINGS Co., Ltd. All Rights Reserved.

Trend in Net Sales and Operating Income

DIGITAL HEARTS HLDGS.

Both net sales and operating income reached quarterly record highs for Q3 and Q4 as well. Turned to the trend of sales and profit growth.



Copyright© 2021 DIGITAL HEARTS HOLDINGS Co., Ltd. All Rights Reserved.

Consolidated Balance Sheets

DIGITAL HEARTS HLDGS.

(Mln Yen)	Q4 FY2019 (As of March 31, 2020)	Q4 FY2020 (As of March 31, 2021)	YoY Change
Total assets	**10,637**	**14,338**	**3,701**
Current assets	7,453	9,774	2,291
Cash and deposits	3,739	5,076	1,337
Notes and accounts receivable-trade	2,985	4,097	1,112
Noncurrent assets	3,183	4,593	1,410
Property, plant and equipment	579	598	19
Intangible assets	1,379	2,670	1,291
Investments and other assets	1,225	1,324	99
Total liabilities	**5,198**	**8,024**	**2,825**
Current liabilities	5,134	7,904	2,769
Short-term loans	2,546	4,728	2,182
Noncurrent liabilities	63	119	55
Total net assets	**5,438**	**6,314**	**876**
Shareholders' equity	4,898	5,642	744
Accumulated other comprehensive income	24	48	24
Subscription rights to shares	13	13	—
Non-controlling interests	502	610	107
Total liabilities and net assets	**10,637**	**14,338**	**3,701**

Copyright© 2021 DIGITAL HEARTS HOLDINGS Co., Ltd. All Rights Reserved.

Consolidated Statements of Cash Flows

DIGITAL HEARTS HLDGS.

(Mln Yen)	FY2019	FY2020	YoY Change
Net cash provided by operating activities	**1,086**	**1,416**	**330**
(*Cash flows before income taxes paid)	1,711	1,869	158
Net cash used in investing activities	**-1,018**	**-1,813**	**-795**
Net cash provided by (used in) financing activities	**-515**	**1,730**	**2,246**
Effect of exchange rate change on cash and cash equivalents	-11	7	18
Net increase in cash and cash equivalents	-458	1,341	1,799
Cash and cash equivalents at the beginning of period	4,162	3,704	-458
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	—	-3	-3
Cash and cash equivalents at the end of period	3,704	5,041	1,337

Copyright© 2021 DIGITAL HEARTS HOLDINGS Co., Ltd. All Rights Reserved.

FY2020 Financial Results by Segment and Forecast of FY2021

【Notice regarding Earnings by Segment】
・Net sales by segment include inter-segment sales or transfers. Segment income is based on operating income.

Copyright© 2021 DIGITAL HEARTS HOLDINGS Co., Ltd. All Rights Reserved.

Summary of Financial Results by Segment

DIGITAL HEARTS HLDGS.

(Mln Yen)	FY2019	FY2020	YoY Change
Net sales	**21,138**	**22,669**	**107.2%**
Entertainment	16,115	15,647	97.1%
Enterprise	5,022	7,021	139.8%
Adjustments	—	—	—
Operating income	**1,394**	**1,908**	**136.9%**
Entertainment	2,964	3,077	103.8%
Enterprise	-67	188	—
Adjustments	-1,503	-1,356	—
EBITDA	**1,732**	**2,322**	**134.1%**
Entertainment	3,151	3,225	102.3%
Enterprise	42	425	992.9%

Copyright© 2021 DIGITAL HEARTS HOLDINGS Co., Ltd. All Rights Reserved.

Financial Results of Entertainment Business

DIGITAL HEARTS HLDGS.

- Debugging's sales and profits declined, due to COVID-19 infections and the weaker market trends of pachinko and slot.
- Creative and Media made good business results and contributed to the growth of segment income for Entertainment Business.

(Mln Yen)	FY2019	FY2020	YoY Change
Net sales	16,115	15,647	97.1%
Debugging	13,823	13,058	94.5%
Game Console (GC)	4,709	4,830	102.6%
Mobile Solutions (MS)	8,173	7,653	93.6%
Amusement (AM)	939	573	61.1%
Creative	1,226	1,449	118.2%
Media and others	1,066	1,139	106.9%
Segment income	2,964	3,077	103.8%
EBITDA	3,151	3,225	102.3%

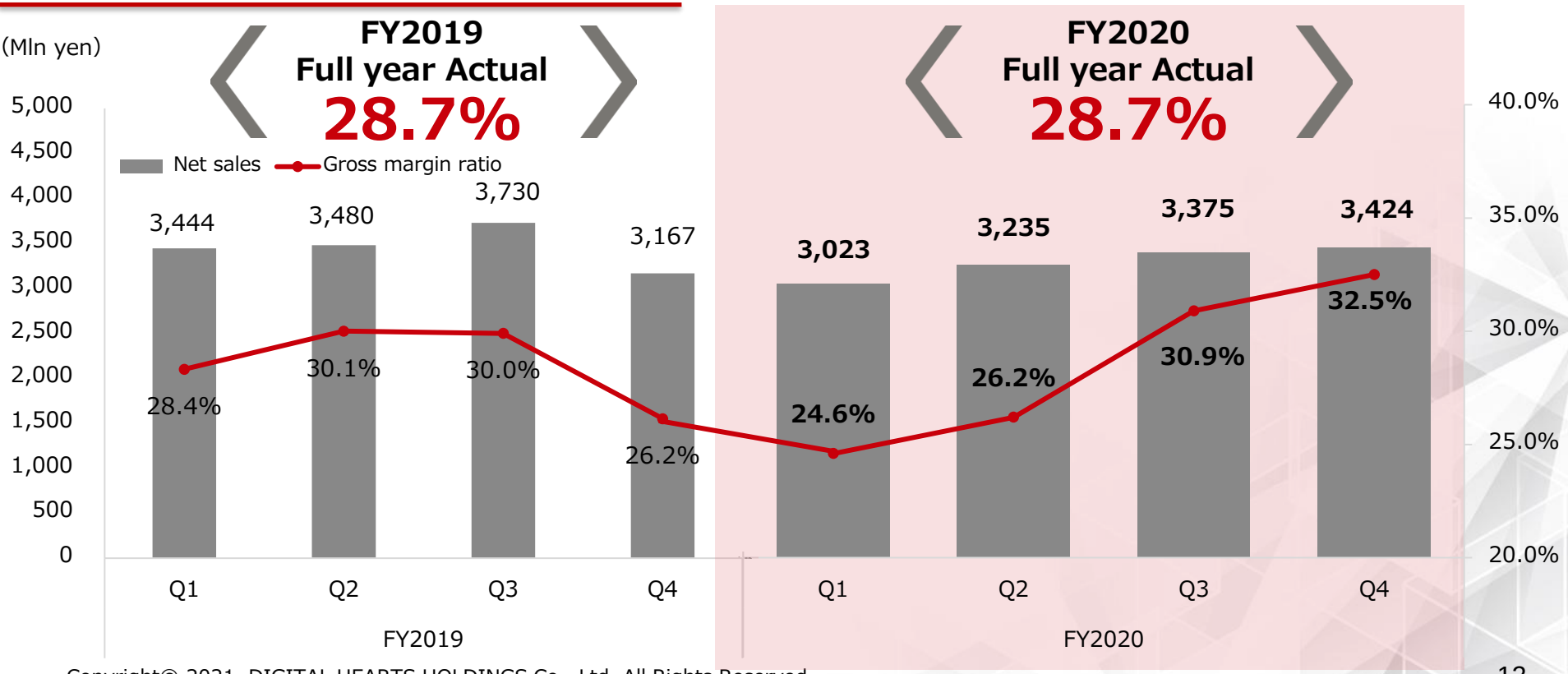
Copyright© 2021 DIGITAL HEARTS HOLDINGS Co., Ltd. All Rights Reserved.

Entertainment Business – Debugging div.

DIGITAL HEARTS HLDGS.

- Maintained full year Gross margin ratio same level as the previous fiscal year.
- 1H : Lower gross margin ratio with weaker operating rate of Lab. mainly due to the impact of COVID-19.
- 2H : Improved gross margin ratio with higher sales and cost reduction including consolidation of Lab. (test centers).

Quarterly results of Debugging div.



Copyright© 2021 DIGITAL HEARTS HOLDINGS Co., Ltd. All Rights Reserved.

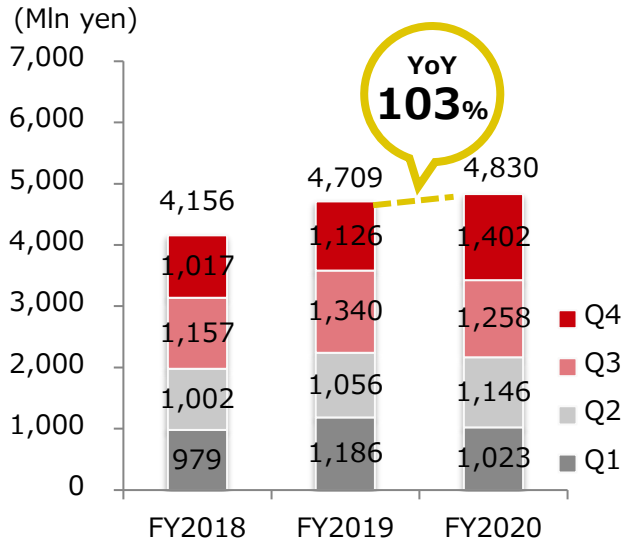
Entertainment Business – Debugging div.

DIGITAL HEARTS HLDGS.

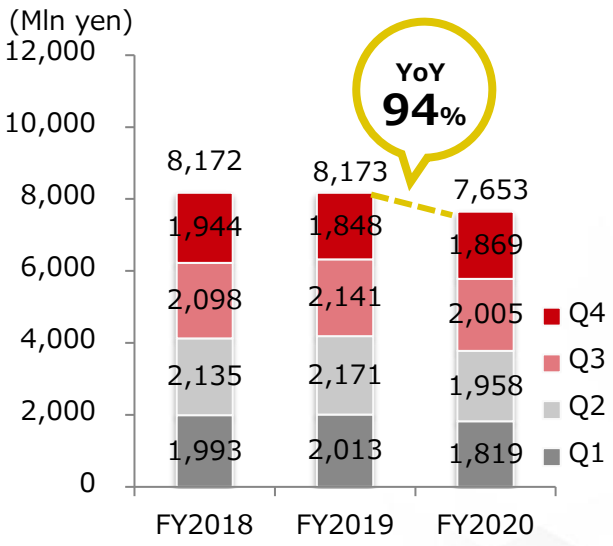
- **Game Console dept.(GC)**
  - Achieved the record-high sales due to some large-scale title projects with better trend of the market demand.
- **Mobile Solutions dept. (MS)**
  - Debugging demand shrank mainly due to the impact of COVID-19.
- **Amusement dept. ((AM)**
  - Significant decrease in sales due to continued harsh market conditions.

Quarterly sales

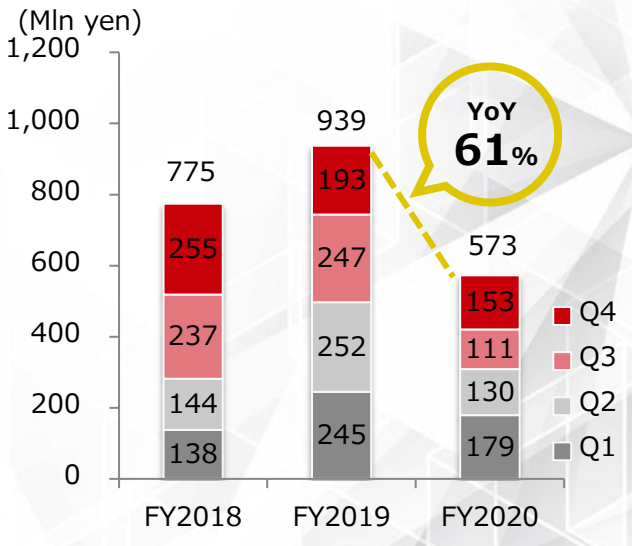
Game Console dept. (GC)



Mobile Solutions dept. (MS)



Amusement dept. (AM)



Copyright© 2021 DIGITAL HEARTS HOLDINGS Co., Ltd. All Rights Reserved.

Entertainment Business - Creative div. Media and others div. -

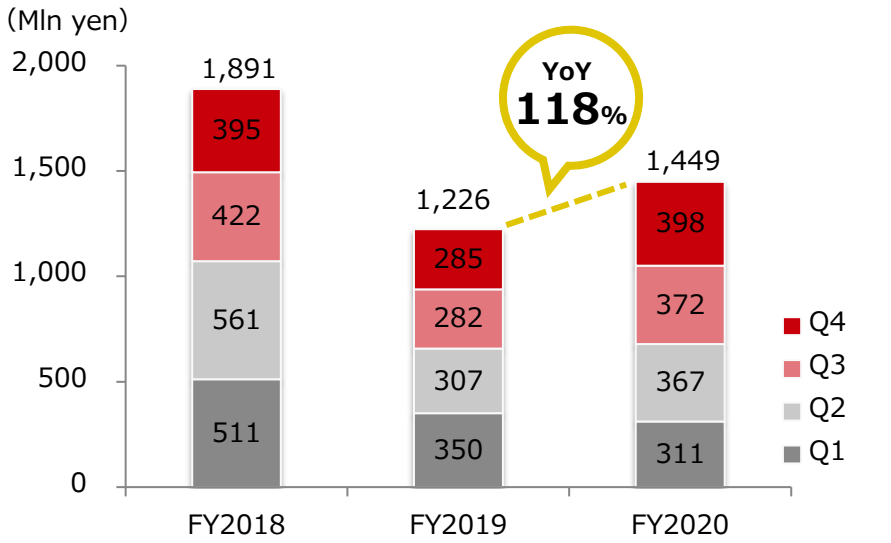
DIGITAL HEARTS HLDGS.

■ **Creative**
- Achieved higher sales and profits than previous year by acquiring new projects for game development and strengthening cost control.

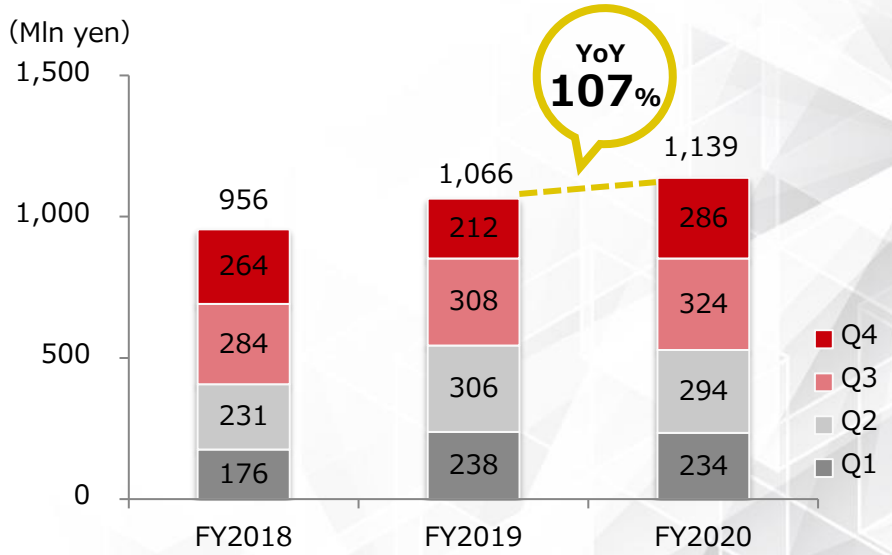
■ **Media and others**
- Although advertising on 4Gamer.net declined in 1H due to the impact of COVID-19, it recovered in 2H. Customer support services acquired projects steadily.

Quarterly sales

Creative



Media and others



Copyright© 2021 DIGITAL HEARTS HOLDINGS Co., Ltd. All Rights Reserved.

Financial Result of Enterprise Business

DIGITAL HEARTS HLDGS.

- Maintained a higher growth rate with the CAGR of 154.8% for the three years since the start of the second founding period, and sales size of 10 billion yen have come into view.
- Turned full-year profitable, as a result of the completion of upfront investment and expansion to a business scale that can cover fixed costs.
- EBITDA has expanded to 425 million yen (YoY approx. 10 times).

(Mln Yen)	FY2019	FY2020	YoY Change
Net sales	5,022	7,021	139.8%
System Testing	2,414	3,581	148.4%
IT service / Security	2,608	3,439	131.9%
Segment income	-67	188	—
EBITDA	42	425	992.9%

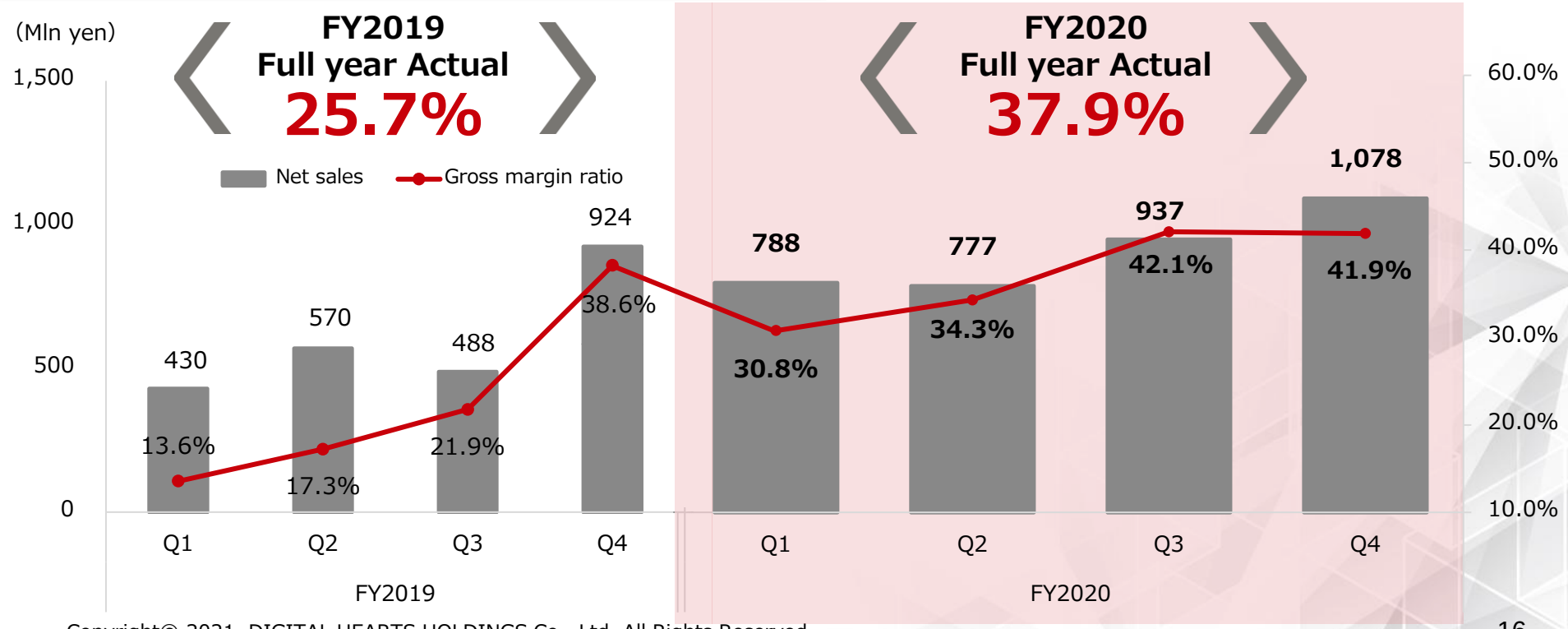
Copyright© 2021 DIGITAL HEARTS HOLDINGS Co., Ltd. All Rights Reserved.

Enterprise Business – System Testing div.

DIGITAL HEARTS HLDGS.

- Net sales and gross margin improved significantly YoY due to contributions from LogiGear group, which began to be consolidated from FY2019 Q4, and the sales growth of existing testing businesses.
- Achieved a quarterly record-high sales in Q4, due to seasonal peak of demand as the end of the fiscal year for most of clients. In Q3 and Q4, achieved gross margin ratio of over 40% with larger sales.

Quarterly results of System Testing div.



Copyright© 2021 DIGITAL HEARTS HOLDINGS Co., Ltd. All Rights Reserved.

Enterprise Business

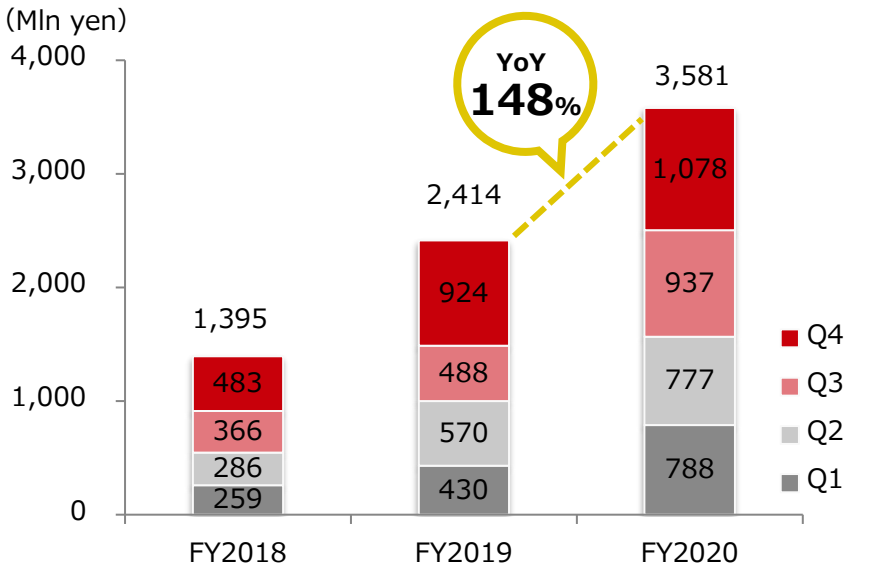
DIGITAL HEARTS HLDGS.

■ **System Testing div.**
- Achieved a significant increase in sales due to progress in acquiring large-scale projects, realizing the benefits of investment in the 'Second Founding' period.

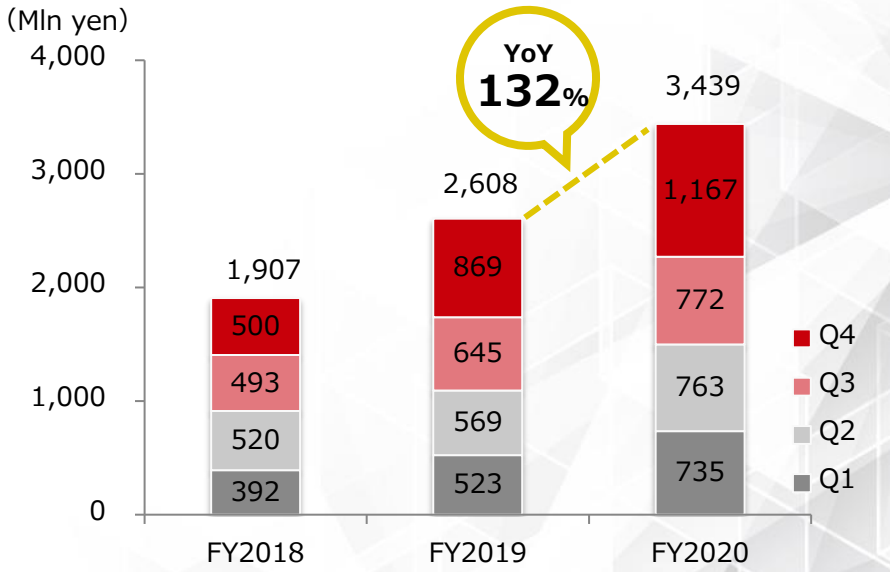
■ **IT service / Security div.**
- Achieved higher sales in all categories such as system development, maintenance and operation, and cyber security services.

Quarterly sales

System Testing



IT service / Security



Copyright© 2021 DIGITAL HEARTS HOLDINGS Co., Ltd. All Rights Reserved.

FY2021 Consolidated Financial Forecast

DIGITAL HEARTS HLDGS.

To aim for double-digit sales growth in both Enterprise and Entertainment Business and record-high profits by large contribution of Enterprise Business.

(Mln Yen)	Full year FY2020 (Actual)	Full year FY2021 (Forecast)	YoY Change
Net sales	**22,669**	**28,420**	**125.4%**
Entertainment	15,647	17,420	111.3%
Enterprise	7,021	11,000	156.7%
Operating income	**1,908**	**2,100**	**110.0%**
Operating income margin	8.4%	7.4%	-1.0points
Ordinary income	**1,975**	**2,100**	**106.3%**
Profit attributable to owners of parent	**974**	**1,400**	**143.7%**
EBITDA	**2,322**	**2,800**	**120.5%**

Copyright© 2021 DIGITAL HEARTS HOLDINGS Co., Ltd. All Rights Reserved.

Major initiatives for FY2021

DIGITAL HEARTS HLDGS.

Entertainment Business

Target: Improve profitability and develop new pillars of growth

1. Expand the scale of transactions by enhancing added value and sales capabilities.
2. Improve the profitability by strengthening the operation system and introducing original tools for efficiency.
3. Aim for early launch of “Comprehensive Localization Services" by synergies with newly acquired Metaps Entertainment.

Enterprise Business

Target: Keep higher pace of sales growth

1. Expand investment in advanced IT engineers and other human resources.
2. Cultivate new clients and improve the annual sales per client through cross-selling of various services among system testing, cyber security and others.
3. Utilize offshore bases with engineers in Vietnam.

Copyright© 2021 DIGITAL HEARTS HOLDINGS Co., Ltd. All Rights Reserved.

Dividends Forecast of FY2021

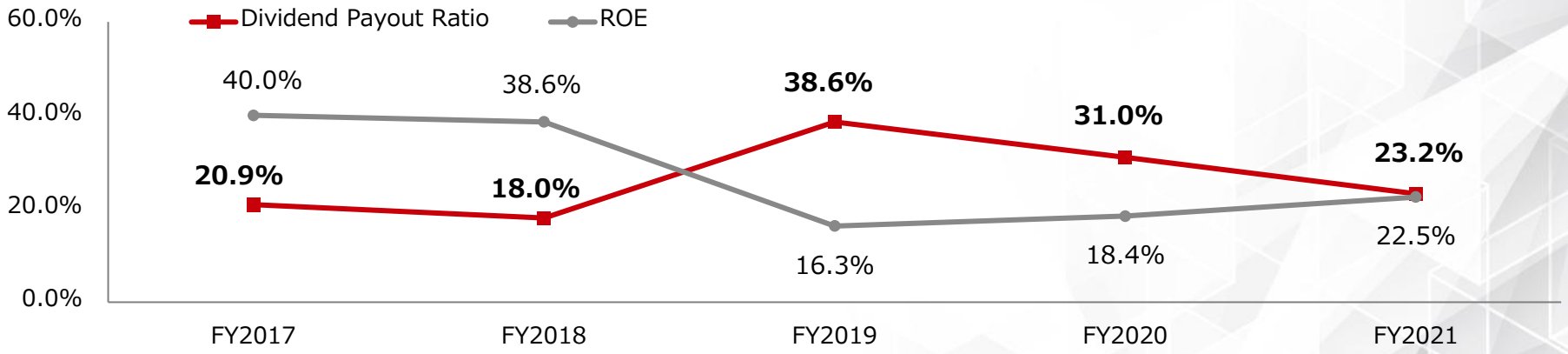
DIGITAL HEARTS HLDGS.

Annual dividend per share is planned to be ¥15.0, an increase of ¥1.0 from the previous fiscal year.

Basic Policy to Return Profits to Shareholder

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

(yen)	FY2017	FY2018	FY2019	FY2020	FY2021 (Forecast)
Annual dividends	11.5	13.0	14.0	14.0	15.0
(Interim dividends)	5.5	6.5	7.0	7.0	7.5
(Year-end dividends)	6.0	6.5	7.0	7.0	7.5



Copyright© 2021 DIGITAL HEARTS HOLDINGS Co., Ltd. All Rights Reserved.

Medium-Term Management Vision

Copyright© 2021 DIGITAL HEARTS HOLDINGS Co., Ltd. All Rights Reserved.

Review of the 'Second Founding' Period

DIGITAL HEARTS HLDGS.

Completed the establishment on the Enterprise Business foundation, the most focused initiative of the 'Second Founding' Period

Sales in the Enterprise Business

FY2017 (Beginning of the period) **1.8 Bln yen** → FY2020 **7.0 Bln yen** → FY2021 (Plan) **11.0 Bln yen**

Human Resource / Technology	Services	Clients
Number of engineers(*1) approx. Eight times increased As of March 2018: **108 people** » As of March 2021: **821 people**	**Rising the test engineer price per person per month** As of March 2018: **610 K yen** » As of March 2021: **690 K yen**	**Increased in the number of clients in Japan** As of March 2018: **176 companies** » As of March 2021: **466 companies**
Acquired companies with specialized knowledge LogiGear, anet, PARTNERS, TP&P technology	**Sales in Cyber Security business** **10 times or more** ※Comparison of FY2017 and FY2021	**Ratio of clients with sales of over 10 mln yen/year increased** As of March 2018: **13.6%** » As of March 2021: **23.8%**
Increase in the number of people with qualifications of software testing(*2) As of March 2018: **25 people** » As of March 2021: **368 people**	**Expansion of services with advanced technologies** Autify: Test Automation Synack: Penetration Test vmware: Security Monitoring Panaya: ERP	**Ratio of clients offering multiple different services increased** As of March 2018: **8.4%** » As of March 2021: **24.0%**

*1 Total number of engineers at domestic and overseas bases (Excluding ordinary debugger/tester personnel)
*2 Total number of engineers with ISTQB /JSTQB qualifications at domestic and overseas bases

Copyright© 2021 DIGITAL HEARTS HOLDINGS Co., Ltd. All Rights Reserved.

Towards Next Stage of Growth

DIGITAL HEARTS HLDGS.

Aim for high growth centered on the Enterprise Business on the established business foundation

2001-2017 'First Founding' Period	2018-2020 'Second Founding' Period	2021- Growth Period
Vision	**Vision**	**Vision**
To be the Japanese No.1 Game Debugging Provider	**To be the Asia's No.1 Comprehensive Testing Solution Provider**	**To be the DX Human Resource Platformer**
Major Initiatives	**Major Initiatives**	**Major Initiatives**
Building a foundation of the Debugging Business	**Building a foundation of the Enterprise Business**	**Growth strategies centered on the Enterprise Business**
➢ Expansion of the talent pool of debuggers/testers ➢ Establishment of human resource allocation flow in line with the flexible development schedule ➢ Strengthen relationships with game manufacturers ➢ Expansion of related businesses, such as game development support and promotional support	➢ Expansion of the talent pool of engineers ➢ Establishment of educational flow to train testers to become engineers ➢ Development of new services, such as cyber security services ➢ Expansion of the client base ➢ Use of cutting-edge technologies such as test automation	➢ Expansion of various talent pool such as testers, internal engineers, freelance engineers, and cyber security experts ➢ Establishment of a model for DX promoting services ➢ Expansion of overseas business ➢ Solving social issues such as a shortage of IT personnel in Japan ➢ With a new management leadership style

Copyright© 2021 DIGITAL HEARTS HOLDINGS Co., Ltd. All Rights Reserved.

DIGITAL HEARTS HLDGS.

Company Philosophy

SAVE the DIGITAL WORLD

With the well-established skills and abilities of our employees, we uphold the quality standards of IT innovation and help bring comfort and security to a highly digitized society to support progress and development.

Value of Our Group

×

×

Company growth with People's growth	Corporate innovation with Technological innovation	Enhance our corporate value by Improving our client value

Copyright© 2021 DIGITAL HEARTS HOLDINGS Co., Ltd. All Rights Reserved.

DIGITAL HEARTS HLDGS.

Basic Policies

1. Realize our corporate philosophy of "SAVE the DIGITAL WORLD“ by developing various type of "IT Human Resources“ and “Qualitist”(*1)

2. Develop and provide services that serve as a safety net for digital society by utilizing cutting-edge technologies and creating diverse business models in response to changes in society

3. Promote disciplined investments including M&As by utilizing ROIC(*2) to realize both sales and profit growth and to enhance our corporate value

4. Pursue both the business reforming of our existing Game Debugging Service’s profitability and the rapid expansion with profitability of our developing Enterprise Business and Entertainment Global Business

5. Further Strengthening Corporate Governance as the Foundation for Realizing Sustainable Enhancement of Corporate Value

*1 Qualitist…Our original term for specialist contributing to the quality incl. engineers(
*2 ROIC = EBITDA × (1 - effective tax rate) ÷ (interest-bearing debt＋shareholders' equity)

Copyright© 2021 DIGITAL HEARTS HOLDINGS Co., Ltd. All Rights Reserved.

Medium-Term Management Vision (FY2021-FY2023)

DIGITAL HEARTS HLDGS.

Key Strategies

1. Expand the talent pool of IT human resources

- Accelerate investment in human resources to increase the number of in-house engineers
- Expand the talent pool of freelance engineers by leveraging newly acquiring identity Inc.
- Utilize offshore bases in Vietnam

2. Develop Working Environments for diversifying people

- Develop employment contracts and benefits suited to diversifying work styles, including in-house engineers, testers, and freelances
- Expand employment of women, foreigners, and people with disabilities

3. Strengthen marketing and promotion

- Reinforce sales personnel capable for comprehensive localization services of the Entertainment Business
- Strengthen marketing of Enterprise Business by revamping websites and by strengthening solution sales capabilities with client databases

4. Strengthen technological capability

- Internal knowledge sharing on agile QA(quality assurance) through CTO and technical advisors
- Increase the number of automation tool engineers for such as “Autify” and “mabl”

5. Accelerate growth through M&A with diciplined investments

- Accelerate expansion of DX promotion services and global expansion of the Entertainment Business through M&A
- Maintain proper investment return with strict control of ROIC standards

6. Reinforcement of business infrastructure

- Renovate the internal mission-critical systems in line with diversified business portfolio
- Create an organization in which each manager can promote business with his/her ownership

Copyright© 2021 DIGITAL HEARTS HOLDINGS Co., Ltd. All Rights Reserved.

Corporate Governance System

DIGITAL HEARTS HLDGS.

Board of Directors	➢ Members with diverse backgrounds, such as corporate management experience in different industries and lawyers can make discussions from a diverse perspective. Ratio of Independent Outside Directors (*) **40.0%**
Nomination and Remuneration Committee	➢ Ensuring fairness and objectivity in decision-making regarding nomination and executive compensation. ➢ Major personnel of group companies are also resolved/reported to the Board of Directors after consulting with this committee. Ratio of Independent Outside Directors **66.7%**
Investment Committee	➢ Implement appropriate investment with a certain discipline by deliberating in advance for large scale investments including M&As.
Compliance Committee	➢ Responding to group-wide compliance risks in advance.
Risk Management Committee	➢ Identify risks and formulate countermeasures on a group-wide basis.
Sustainability Committee	Newly established in March 2021 ➢ Promoting initiatives to contribute to a sustainable society through business operations.

Copyright© 2021 DIGITAL HEARTS HOLDINGS Co., Ltd. All Rights Reserved.

*Calculated from the number of directors (planned) after the general meeting of shareholders on June 24, 2021.

New Top Management Structure

DIGITAL HEARTS HLDGS.

Shifting to a “Followership-type" organization in which each manager promote business with his/her ownership, since our business portfolio has been diversified through the ‘Second Founding’ period.

■New Structure

Director (Currently)

Yasumasa NINOMIYA
(President and CEO)

Established the Enterprise Business from scratch as the head of the business division.
Served as a director of USEN-NEXT HOLDINGS Co., Ltd. and an executive of its group company before joining us.

Director CFO (Currently)

Toshiya TSUKUSHI
(Executive Vice President and CFO)

Joined us as CFO and managed the Administration Division. And further promoted many M&A and alliances. Experienced a consulting firm and a financial institution and led the formulation of growth strategies as a director and CFO of Nissen Holdings Co., Ltd. before joining us.

■Management area

New President, NINOMIYA

- Group Management decisions
- Entertainment Business (Debugging Service)
- Enterprise Business

New Executive Vice President, TSUKUSHI

- Entertainment Business (Global Service)
- M&A and alliances
- Finance

Common

- Promote DX Human Resources Platform
- Develop new business
- Introducing and utilizing cutting-edge technologies

Copyright© 2021 DIGITAL HEARTS HOLDINGS Co., Ltd. All Rights Reserved.

Medium-Term Targets
(FY2021-FY2023)

DIGITAL HEARTS HLDGS.

FY2023 Target

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

*1 ROIC=EBITDA×(1-effective tax rate)÷(interest-bearing debt+shareholders' equity)
*2 Qualitist…Our original term for specialist contributing to the quality incl. engineers
*3 calculated from the data of our group companies in Japan

Copyright© 2021 DIGITAL HEARTS HOLDINGS Co., Ltd. All Rights Reserved.

Medium-Term Action Plan

Copyright© 2021 DIGITAL HEARTS HOLDINGS Co., Ltd. All Rights Reserved.

Action Plan – Enterprise Business –

DIGITAL HEARTS HLDGS.

Differentiate from competitors through technological innovation of solutions led by 'Tech Lead' team of the company

Our 'Tech Lead' team

CTO(*) JOKURA	A former CTO in DMM.com LLC. Worked on expanding and training the company's engineers for 7 years.
CTSO(*) TAKAHASHI	A former Distinguished Engineer in Sony Corporation. Hold a Ph.D. in software testing and many authored works.
Technical adviser FUJIWARA	Leading the launch of the Agile QA team in Mercari, Inc. Advising as an agile coach and test automation consultant.

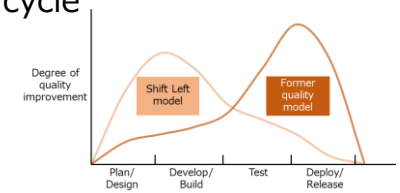
TAKAHASHI, FUJIWARA, and JOKURA

* CTO = Chief Technology Officer
CTSO = Chief Testing Solution Officer

Major Initiatives

Support agile quality

Supporting the quality of agile development that delivers software continuously and sustainably over a short cycle



Original products/solution

Providing in-house developed tools optimized the quality of agile

Test automation tools

Promoting efficiency and high precision through competitive low-code automation tools

Autify　mabl　TestArchitect　Panaya　WORKSOFT

Copyright© 2021 DIGITAL HEARTS HOLDINGS Co., Ltd. All Rights Reserved.

Action Plan – Enterprise Business –

DIGITAL HEARTS HLDGS.

Reform the marketing and promotion structure to increase the number of clients and improve the average sales per client

- Reforming the marketing structure and business flow and establishing a new 'Customer Success' team
- Renew and strengthen the branding and promotion initiatives

Personnel and organization	Standardization to improve efficiency	Strengthen the branding initiatives	Renewal of marketing and promotion
Increase sales staff (increase +20 by FY2023)	Reform client database (Standardization)	Renewal of website and launch blogs for tech issues	Web marketing methods (improve lead acquisition)
Improve Pre-sales (sales + engineers)	Visualize sales activities (Numerical management)	CTO and CTSO seminars (brand awareness)	Enhance CRM tools (improve retention rate)

Our Group Strong Points

Direct business with end clients
Clients base in the entertainment industry

■Target of System Test in Japan

Number of clients

FY2020
254 companies

UP ↑

FY2023 target
1,000 companies

×

Annual sales per client

FY2020
8 Mln yen

UP ↑

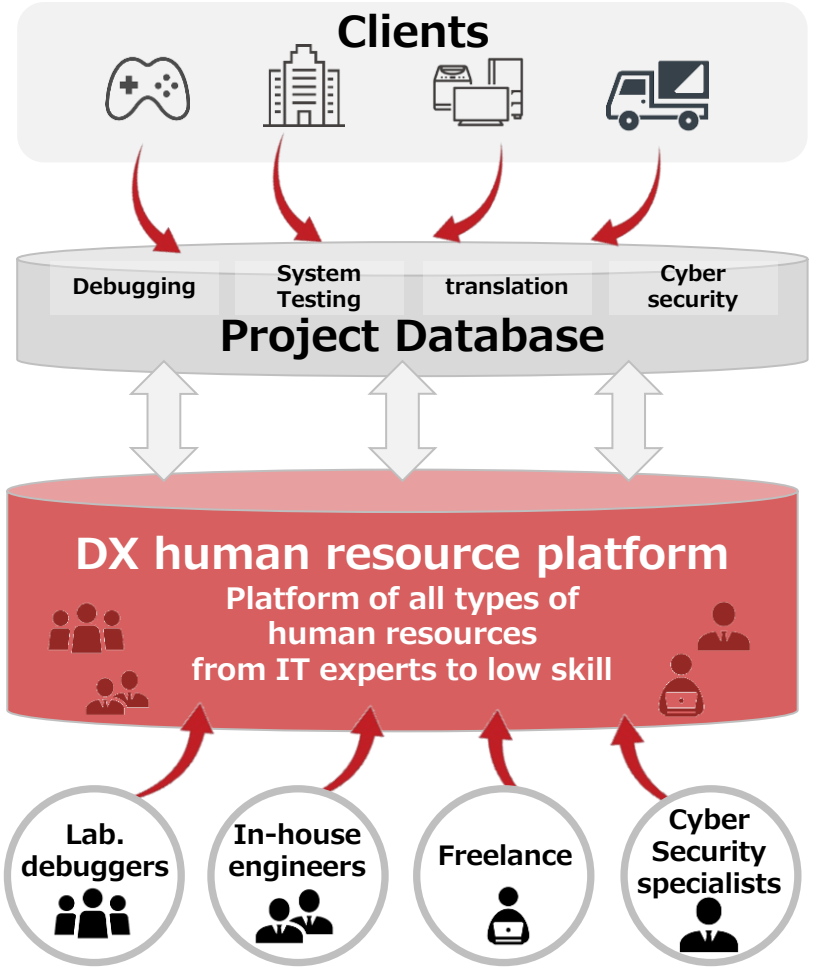
FY2023 target
10 Mln yen

Copyright© 2021 DIGITAL HEARTS HOLDINGS Co., Ltd. All Rights Reserved.

Develop DX human resource platform

DIGITAL HEARTS HLDGS.

Establish a wide variety of human resource platforms and visualize skills to meet clients' needs



As a 'People First' company

- **Better welfare programs**

  Enhance working environment and benefit programs to satisfy IT engineers

- **Improve the personnel system**

  Develop and improve the new system of treatment according to skills

- **Develop better training programs**

  Build training systems and enhance the system for obtaining outside qualifications

- **Diversify working styles**

  Develop new systems for various working styles such as freelance, WFH, and short working hours

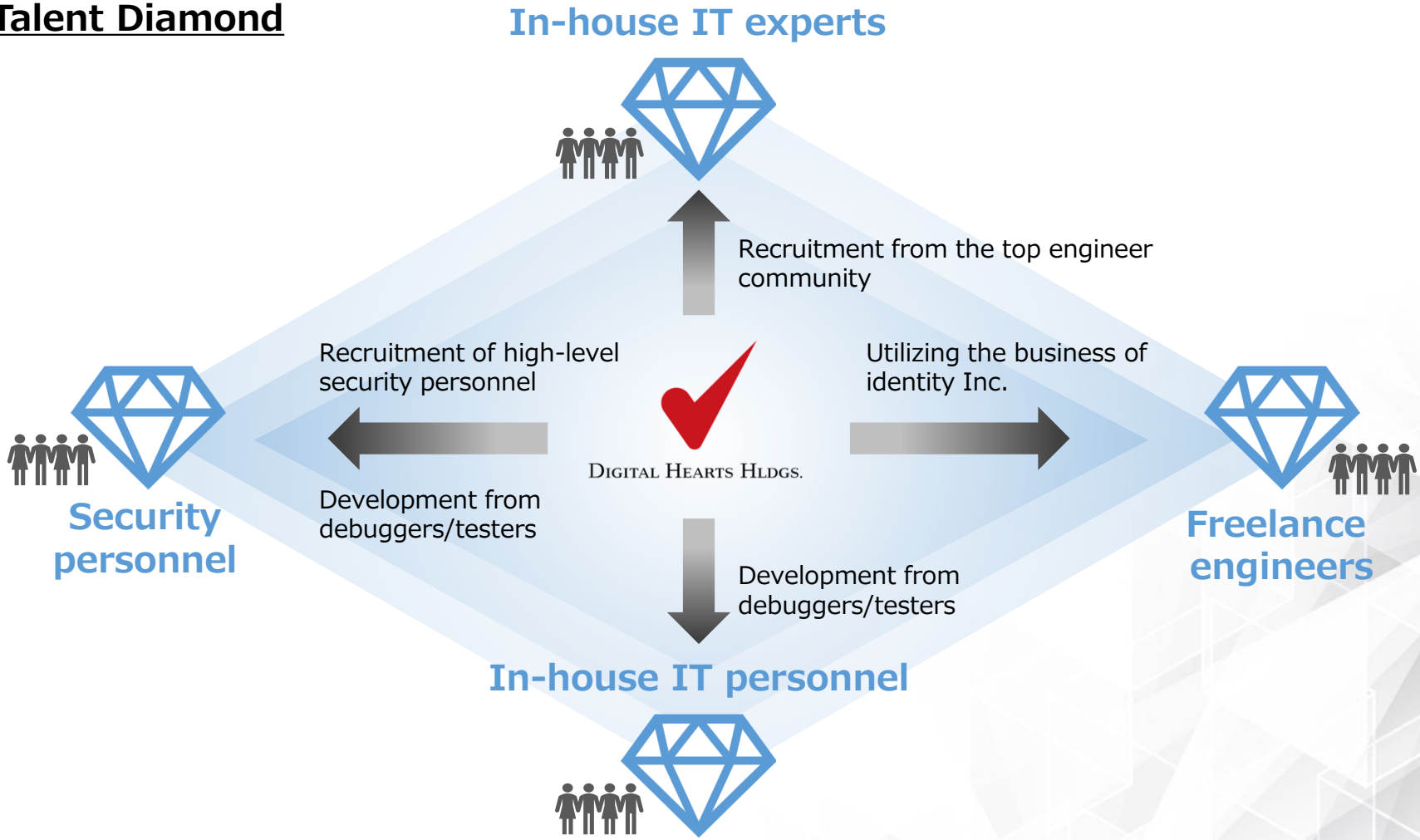
Copyright© 2021 DIGITAL HEARTS HOLDINGS Co., Ltd. All Rights Reserved.

Develop DX human resource platform

DIGITAL HEARTS HLDGS.

Expand diversified talent pool of our human resources

■ **Talent Diamond**



Copyright© 2021 DIGITAL HEARTS HOLDINGS Co., Ltd. All Rights Reserved.

DIGITAL HEARTS HLDGS.

Acquiring identity Inc., which has an abundant pool of advanced IT engineers, to rapidly expand DX promotion services

About identity Inc.

Business Activities

1. IT Resource Support Business

Provides recruitment agency, temporary staffing services, and freelance resource matching service to client companies, focusing on well experienced IT specialists including freelance engineers.

2. IT Freelance Consortium

A support service for fringe benefits, such as insurance and financial services, for IT freelance

identity Inc. Financial Results
(FY Jul.2021 Forecast *)

Sales	Approx. 1.8 Bln yen
Operating Income	Approx. 0.1 Bln yen

* Forecasts for the part of businesses we will acquire.

Strengths

Pool of approx. 11,000 engineers

Talent pool of IT experts, including freelance engineers, with high skills and high unit prices

Direct business with large enterprises

Mostly with end users directly, of which about 70% are with large enterprises

Strong to acquire engineers

Its own 'tech career' brand acquiring a wealth of engineers, highly recognized as a job information website

Unique welfare system for freelance engineers

Fringe benefits including insurance for employees in the event they become unable to work due to illness

Copyright© 2021 DIGITAL HEARTS HOLDINGS Co., Ltd. All Rights Reserved.

identity Inc. - Future Development -

DIGITAL HEARTS HLDGS.

By combining IT experts of identity Inc. with the diverse human resources of DIGITAL HEARTS group, to provide a wider range of services to clients suffering from a shortage of IT personnel

Target Clients

End user companies (Entertainment Business)

End user companies (Enterprise Business)

System Integrator, Network Integrator

System development companies

Respond to various demand for IT human resources, including consulting, development, testing, and security

- Consultant
- Project Manager
- Cloud engineer
- QA engineer
- System Development Engineer (Advanced)
- Agile development engineer
- Security engineer

IT experts incl. freelance engineers
11,000～ people

Business partners
200～ companies

Our Lab.
8,000～ people

In-house engineers in Japan
300～ people

Security engineers
100～ people

Offshore in Vietnam
400～ people

identity

DIGITAL HEARTS HLDGS.

Copyright© 2021 DIGITAL HEARTS HOLDINGS Co., Ltd. All Rights Reserved.

DIGITAL HEARTS HLDGS.

Strengthening services for clients in the game industry with strong business performance and maintain the position as the market leader

Maintain and expand the business with our core game clients

- Improve sales and promotion by reforming the sales organization and rebuilding sales tactics
- Strengthen peripheral services such as customer support, content reviews, and other operational supports

Strengthen initiatives for cross-selling

- Providing human resources and services for further upstream like planning and development of game titles
- Providing DX support services, developed as Enterprise business, to existing game maker clients

Improve productivity and profitability

- Improve both service quality and profitability by developing human resources and strengthening the system
- Leverage technology to improve efficiency

Copyright© 2021 DIGITAL HEARTS HOLDINGS Co., Ltd. All Rights Reserved.

DIGITAL HEARTS HLDGS.

Aiming to be the Comprehensive Localization Service provider

Stronger support with deeper local knowledge

- Accumulate experience and further investigate each market for deep understanding of local needs.
- Contribute to clients' business in target markets with multiple service and rich experience for each.

Further M&A

- Acquire new functions and services in Asia and cover wider digital entertainment areas.
- Expand the business and increase market share.

Expansion to U.S. and Europe

- Establish business in rapid growing Asian market.
- Develop new businesses foundation and enter to the U.S. and European markets.

Copyright© 2021 DIGITAL HEARTS HOLDINGS Co., Ltd. All Rights Reserved.

Metaps Entertainment

DIGITAL HEARTS HLDGS.

Made Metaps Entertainment Limited and its subsidiaries (a total of eight companies) into subsidiaries to strengthen global services such as translation and localization

About Metaps Entertainment

Business Activities

1. Marketing support services

Provide Chinese game companies with supporting service entering to markets like Japan, Taiwan, Korea, Southeast Asia, etc.

2. IP Contents businesses

Business matching related to IP (digital copyrights of games or characters) between Japanese licensors and overseas licensees.

Metaps Entertainment Group Financial Results
(FY2020 Results)

Sales	Approx. 2.0 Bln yen
Operating Income	Approx. 0.2 Bln yen

Strengths

Strong network with Chinese companies

Rich experience of TVCM and promotion for various well-known game titles.

Powerful media resources

Supports a wide range of online and offline media such as SNS, TV, billboards.

Cross-border team with rich experience in Asia

Cross-border team familiar with the cultures and business practices in China and other Asian markets.

Covers a wide area of Asia

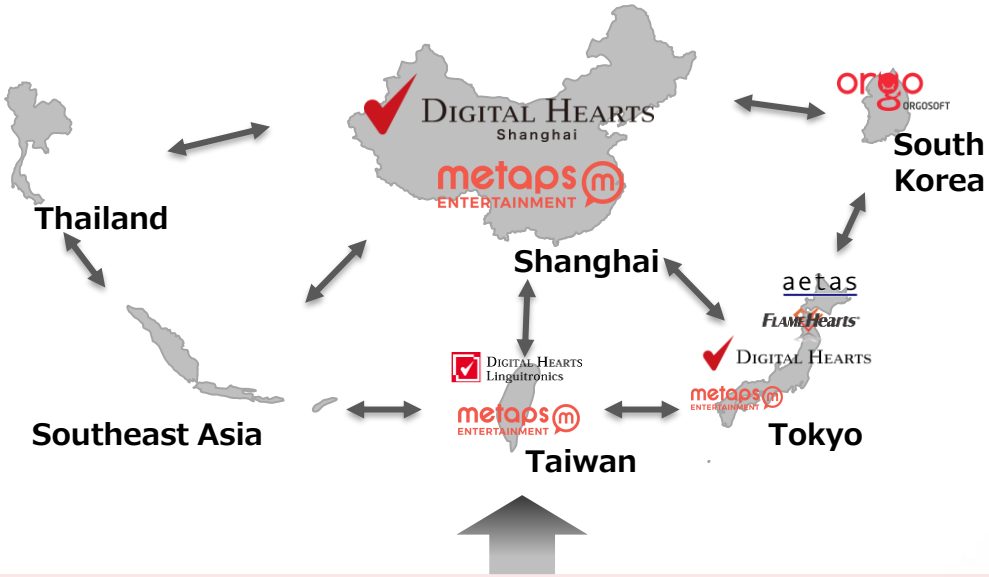
Flexibly to a wide range of requirements with offices in Tokyo, Shanghai, Taiwan, Hong Kong, and Singapore.

Copyright© 2021 DIGITAL HEARTS HOLDINGS Co., Ltd. All Rights Reserved.

Metaps Entertainment - Future Development -

DIGITAL HEARTS HLDGS.

Aiming to be the Comprehensive Localization Service provider by leveraging strengths of both DIGITAL HEARTS and Metaps Entertainment



DIGITAL HEARTS HLDGS. & metaps ENTERTAINMENT

Comprehensive localization services

1. Translation / LQA(*)
2. 2D/3D graphic development
3. Audio recording
4. Video material creation
5. Marketing strategy support
6. Advertising / sales promotion
7. Online game operation
8. Customer support
9. IP licensing

*LQA = Linguistic Quality Assurance

Copyright© 2021 DIGITAL HEARTS HOLDINGS Co., Ltd. All Rights Reserved.

(Ref.) Change in Sub-segments

DIGITAL HEARTS HLDGS.

Global services in the Entertainment Business to be a new growth driver and sub-segments are scheduled to be changed from FY2021.

FY2020

Segment	FY2020 Sales Results (Mln yen)
Entertainment Business	**15,647**
Debugging	13,058
Game Console (GC)	4,830
Mobile Solutions (MS)	7,653
Amusement (AM)	573
Creative	1,449
Media and others	1,139
Enterprise Business	**7,021**
System Testing	3,581
IT service / Security	3,439

FY2021 and later

Segment	FY2020 Sales Results (Mln yen)
Entertainment Business	**15,647**
Domestic Debugging	11,536
Global and others	4,112
Enterprise Business	**7,021**
System Testing	3,581
IT service / Security	3,439

Key Points

- Change the global services including translation and localization from Debugging to the new sub-segment of Global and others.
- Creative and Media and others will be included into Global and others as a part of growing "Comprehensive Localization Service".

Copyright© 2021 DIGITAL HEARTS HOLDINGS Co., Ltd. All Rights Reserved.

Appendix

Copyright© 2021 DIGITAL HEARTS HOLDINGS Co., Ltd. All Rights Reserved.

Why Invest in DIGITAL HEARTS

DIGITAL HEARTS HLDGS.

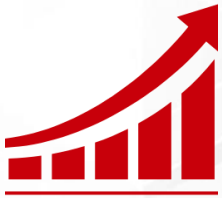
Employment creation for more than **8,000** testers

Ratio of independent outside directors **40.0%**

One of the few testing focusing companies **in Japan**

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

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



Business that supports **Digital security**

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

Copyright© 2021 DIGITAL HEARTS HOLDINGS Co., Ltd. All Rights Reserved.

Corporate Profile

DIGITAL HEARTS HLDGS.

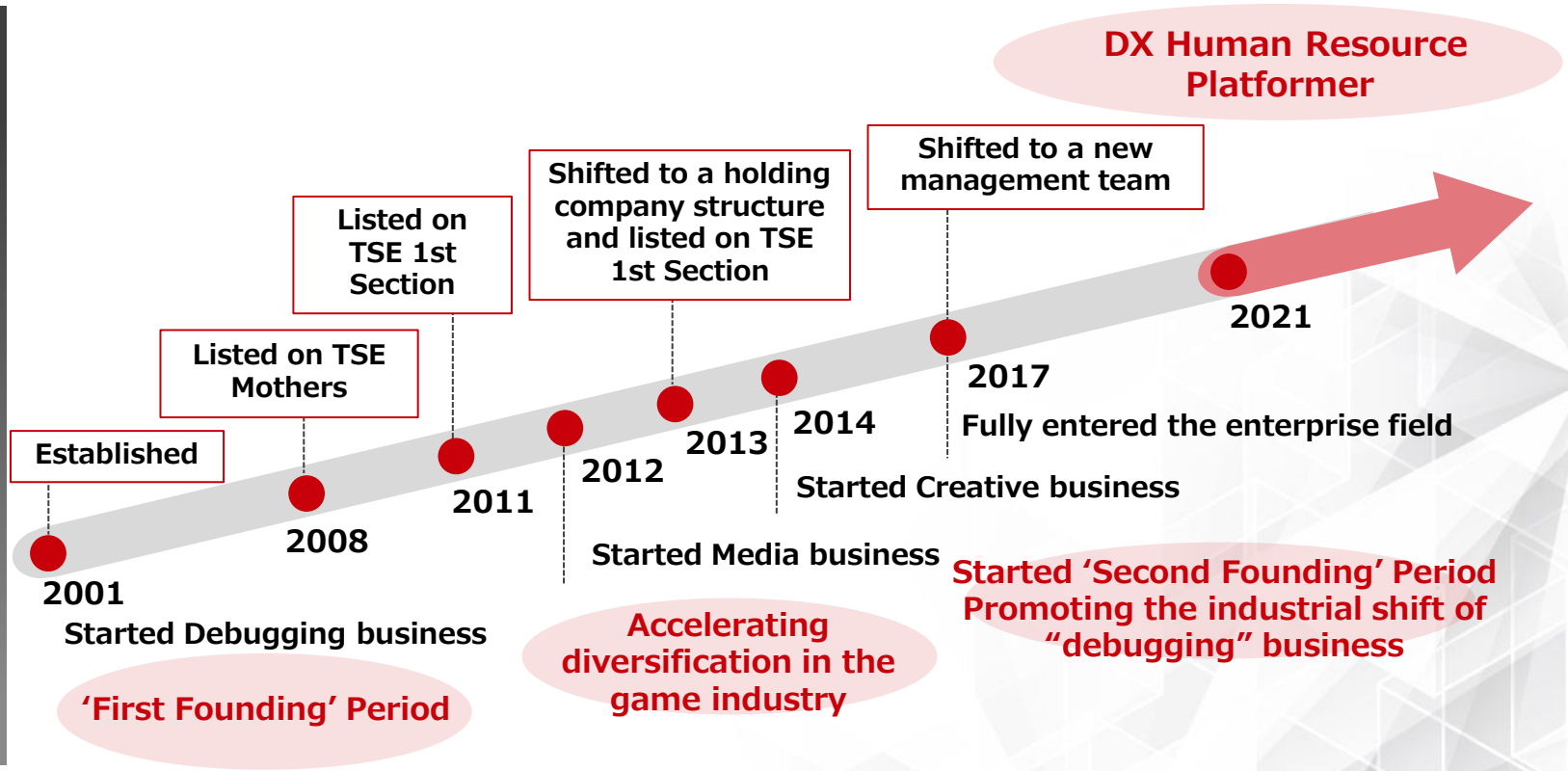
Our Mission

SAVE the DIGITAL WORLD

Market environment

Growth of game console market → Growth of mobile game market → Expansion of IoT → Expansion of DX

History

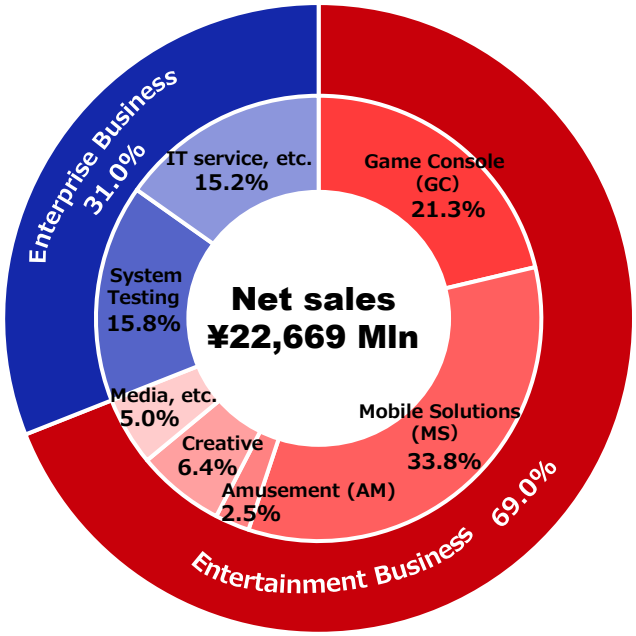


Copyright© 2021 DIGITAL HEARTS HOLDINGS Co., Ltd. All Rights Reserved.

Business Segment

DIGITAL HEARTS HLDGS.

Debugging and System Testing are our core business



Sales breakdown by segment (FY2020)

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

Entertainment Business	Debugging 57.6%	21.3%	**Game Console (GC)** Debugging for console games, online games, and arcade games
		33.8%	**Mobile Solutions (MS)** Debugging for mobile games
		2.5%	**Amusement (AM)** Debugging for pachinko/slot machines
	Creative	6.4%	Game development and CG content development
	Media and others	5.0%	Managing one of Japan's largest game information site "4Gamer.net", customer support, etc.
Enterprise Business	System Testing	15.8%	Testing for enterprise system and Automobile driving test
	IT service / Security	15.2%	System development, IT support, Customer support , Security, etc.

Copyright© 2021 DIGITAL HEARTS HOLDINGS Co., Ltd. All Rights Reserved.

Outline of Debugging and System Testing

DIGITAL HEARTS HLDGS.

Our Services

Develop	Test	Maintain after a product release
Test Design ➢ Test consulting ➢ Planning for test and schedule ➢ Supporting for test automation	Running various tests ➢ Functional test ➢ Performance test ➢ Stress test ➢ Acceptance test ➢ Usability Test, etc.	Continuation test ➢ Operations management ➢ Evaluation and improvement ➢ Update

Outline of Services

Service	Description	Main client	Barriers to entry	Outsourced Projects Ratio
Debugging	Detection of bugs in games from a player's perspective.	– Game makers	High ↑A license for purchasing dedicated equipment for debugging is required. ↑Knowledge and expertise on human resource management to accommodate changeable development schedules are required.	High
System Testing	Detection of bugs in enterprise systems from a test-engineers' knowledge.	– SIers – Development vendors – Core system enterprises	Middle ↑Human resource shortage in IT Industry	Low

Copyright© 2021 DIGITAL HEARTS HOLDINGS Co., Ltd. All Rights Reserved.

DIGITAL HEARTS HLDGS.

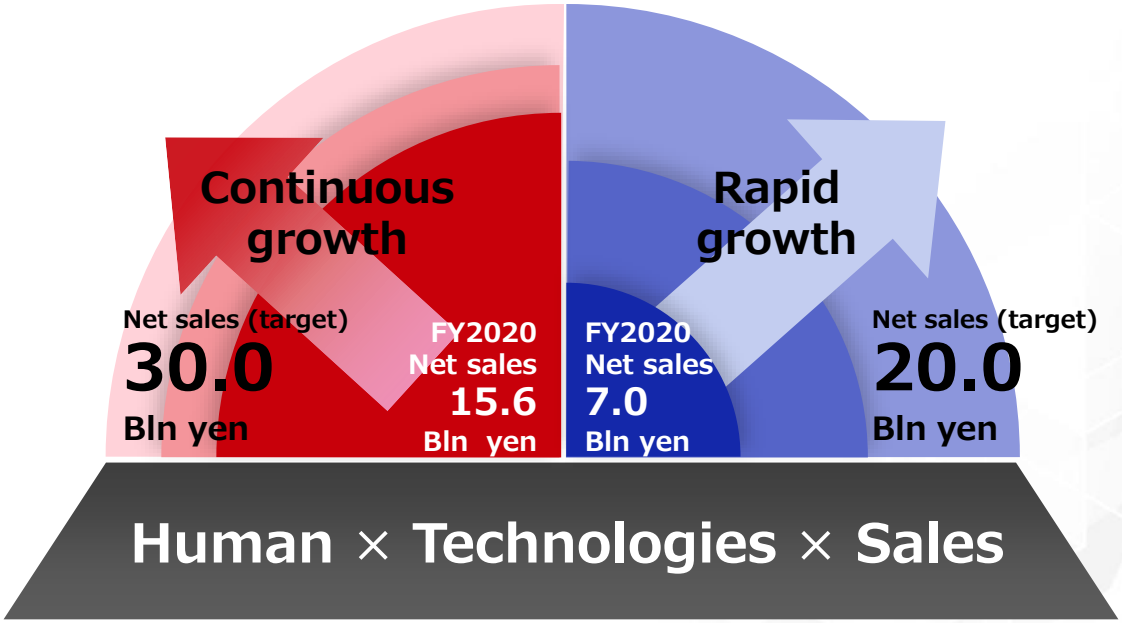
Keep higher growth centered on the Enterprise Business

Entertainment Business

- The domestic game market remained stable
- Focus on expanding business through "comprehensive localization" such as translation and promotional support necessary for overseas expansion of games
- Aiming for net sales of 30.0 billion yen as a core business

Enterprise Business

- The outsourcing of test processes is accelerated, due in part to the serious human resources shortage in the IT industry
- Accelerate investment in human capital and technologies for business expansion
- Position this field as the growth driver and aim for net sales of 20.0 billion yen



Copyright© 2021 DIGITAL HEARTS HOLDINGS Co., Ltd. All Rights Reserved.

Summary of Earnings by Segment

DIGITAL HEARTS HLDGS.

(Mln yen)		FY2016	FY2017	FY2018	FY2019	FY2020
Entertainment Business	**Net sales**	**13,544**	**15,568**	**15,951**	**16,115**	**15,647**
	Segment income	**2,453**	**2,966**	**3,086**	**2,964**	**3,077**
Debugging	Net sales	11,524	13,186	13,103	13,823	13,058
Game Console (GC)	Net sales	3,483	4,174	4,156	4,709	4,830
Mobile Solutions (MS)	Net sales	6,262	7,399	8,172	8,173	7,653
Amusement (AM)	Net sales	1,778	1,612	775	939	573
Creative	Net sales	1,465	1,743	1,891	1,226	1,449
Media and others	Net sales	554	638	956	1,066	1,139
Enterprise Business	**Net sales**	**1,952**	**1,892**	**3,302**	**5,022**	**7,021**
	Segment income	**203**	**-14**	**-226**	**-67**	**188**
System Testing	Net sales	758	1,084	1,395	2,414	3,581
IT service / Security	Net sales	1,193	808	1,907	2,608	3,439
Inter-segments adjustments	Net sales	-52	-108	-0	—	—
	Segment income	-750	-1,215	-1,254	-1,503	-1,356
Consolidated total	Net sales	15,444	17,353	19,254	21,138	22,669
	Operating income	1,906	1,735	1,605	1,394	1,908

Copyright© 2021 DIGITAL HEARTS HOLDINGS Co., Ltd. All Rights Reserved.

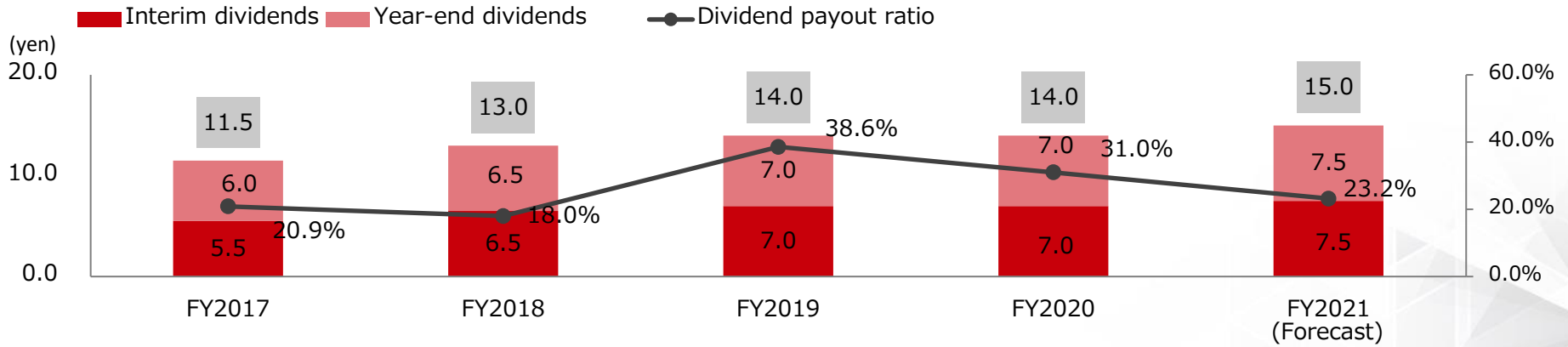
Shareholder Returns

DIGITAL HEARTS HLDGS.

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



Recent treasury stock acquisition

We acquire treasury shares flexibly by considering the necessity in light of our capital policy, the impact on our financial strength, and other factors, after securing funds for investment in growth.

Acquisition period	Acquired shares	Total Purchase Amount
November 12, 2019 - February 6, 2020	474,700 shares	499 Mln yen
February 20, 2017 – April 28, 2017	664,500 shares	999 Mln yen

Copyright© 2021 DIGITAL HEARTS HOLDINGS Co., Ltd. All Rights Reserved.

Business Risks

DIGITAL HEARTS HLDGS.

Major risks	Countermeasures
1. Leakage of confidential information	- Prohibiting staff members from bringing personal items into the test room - Physical security measures including access control with fingerprint authentication and the installation of security cameras - Introduction of a personal reference system that applies to all registered testers
2. Obsolescence of existing services by technological innovation	- Focusing on the application of the latest technologies, including a test automation project - Focusing on the development of new services to improve added value
3. Reduction of productive population in Japan	- Developing internal training programs that will enable the active participation of members with diverse generational, racial, and other backgrounds - Securing human resources strategically by using overseas offices as well
4. Expansion of corporate acquisition and new businesses	- In-depth market research and due diligence - Reducing risks by building a system for appropriate business management after acquisition

Copyright© 2021 DIGITAL HEARTS HOLDINGS Co., Ltd. All Rights Reserved.

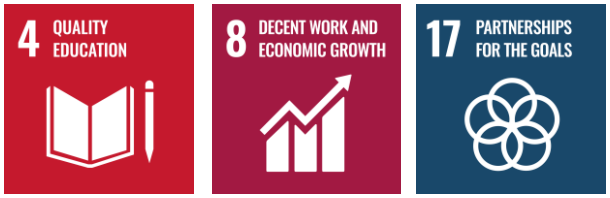
(Ref.) Our Aims for Sustainable Value Creation

DIGITAL HEARTS HLDGS.

Our Major Initiatives and Sustainable Development Goals (SDGs)

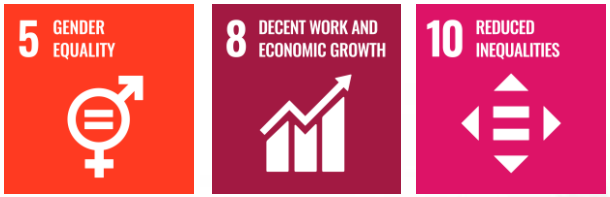
Human resource — **To resolve the shortage of IT human resource**

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



Human resource — **Workplace for diverse human resources**

- Provide workplaces for diverse people such as students, part-timers, young actors and musicians, and people with disabilities at test centers with over 3,000 people every day.
- Employ foreign nationalities of more than 20 countries/areas, such as Asia, Europe and the U.S., who engage in translation/linguistic debugging service, etc.



Technology — **To realize a secure and safe digital society**

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

Communities — **To revitalize local community and resolve IT disparities**

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

Copyright© 2021 DIGITAL HEARTS HOLDINGS Co., Ltd. All Rights Reserved.

Group Companies

DIGITAL HEARTS HLDGS.

(As of March 31, 2021)

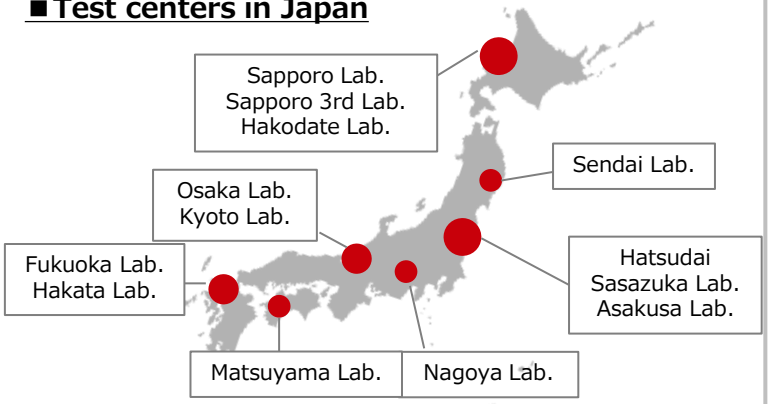
DIGITAL HEARTS Co., Ltd.

Entertainment Business | Enterprise Business

Business Activities : Game debugging, Localization, System testing, System development, Security, etc.

[Strengths]
- **Over 8,000** registered testers
- **13** test centers (Lab.)
- **Over 300** engineers
- Use a variety of **automation tools**

■**Test centers in Japan**



DIGITAL HEARTS (Shanghai) Co., Ltd.

Entertainment Business

Business Activities : Game debugging, Localization, etc.

Orgosoft Co., Ltd.

Entertainment Business

Business Activities : Game debugging, Localization, etc.

Metaps Entertainment Group

Entertainment Business

Business Activities : Marketing support, etc.

LogiGear Group

Enterprise Business

Business Activities : System Testing, Test Automation Support

ANET Corporation

Enterprise Business

Business Activities : System testing, System development, etc.

Red Team Technologies Co., Ltd.

Enterprise Business

Business Activities : White hacker service and technical support

Aetas, Inc.

Entertainment Business

Business Activities : Operation of a game information site, "4Gamer.net", etc.

FLAME Hearts Co., Ltd.

Entertainment Business

Business Activities : Game development and CG content development

ZEG Inc. (Affiliated company)

Enterprise Business

Business Activities : Driving test and data collection for the automotive industry

Copyright© 2021 DIGITAL HEARTS HOLDINGS Co., Ltd. All Rights Reserved.

DIGITAL HEARTS HLDGS.

<Contact>
Investor and Public Relations Division
Phone : +81-3-3373-0081
Email : ir_info@digitalhearts.com
HP : https://www.digitalhearts-hd.com

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

Copyright© 2021 DIGITAL HEARTS HOLDINGS Co., Ltd. All Rights Reserved.