

Presentation Material

for the First Half of the Fiscal Year Ending March 31, 2025

November 7, 2024

Tokyo Stock Exchange Prime Market: Code 3676
<https://www.digitalhearts-hd.com/>

Executive Summary

【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.

Net sales

¥**19,906** mn
(YoY 106.6%)

Operating income

¥**825** mn
(YoY 113.1%)

Profit attributable to owners of parent

¥**455** mn
(YoY —)

Point 1 Increased in both sales and profit in 1H FY2024

- DH Group Business achieved significant sales growth in global services and foreign subsidiaries.
- AGEST Group Business turned profitable in Q2(Jul-Sep) from a loss in Q1 and achieved sales and profit growth in 1H total.
- 1H net income turned profitable from the previous year 1H with impairment losses in foreign testing subsidiaries.

Point 2 Revised its full year consolidated financial forecast after considering the 1H result. (*) Revised forecast : Net sales ¥42,020 mn(YoY 108.3%)、 Operating income ¥2,540 mn(YoY124.5%)

- Remains DH Group Business financial forecasts unchanged from the initial ones.
- Revised AGEST Group Business financial forecasts after considering 1H results.
⇒ Compared to the AGEST Group Business initial forecasts : Net sales ¥1.8 billion down, a segment income ¥0.5 billion down
Elimination of particular factors in 2H such as reschedule of a particular project in Q1, and to recover to the initial forecast profit levels.

Point 3 Smooth progress of Spin-Off Listing preparation, aiming for listing within 2025

- Appointed outside directors and established an internal control system as a part of preparation. Aiming for listing within 2025 after the review by the lead underwriter, review by the Tokyo Stock Exchange, and other necessary steps.

Point 4 Accelerate unique initiatives as each independent business group

- DH Group Business: Launch of "ELLA," unique AI translation engine for game. Developed with cutting-edge AI-technologies and unique expertise.
- AGEST Group Business: Developing "TFACT," an AI-testing tool that leverages our technological capabilities and expertise as a testing specialist.

"Global Quality Partner" in the game/entertainment industry

We provide our high-quality outsourcing services to support our clients to develop game and entertainment contents with well enough quality in order to contribute various users and players to enjoy such contents in Japan and any other countries.

Market Issues

"Quality" of contents, "Speed and cost" of development, and "Globalization"

The game industry is facing to complex and intense competition with technological evolution and the globalization. The challenge is how to develop attractive contents quickly with reasonable cost.

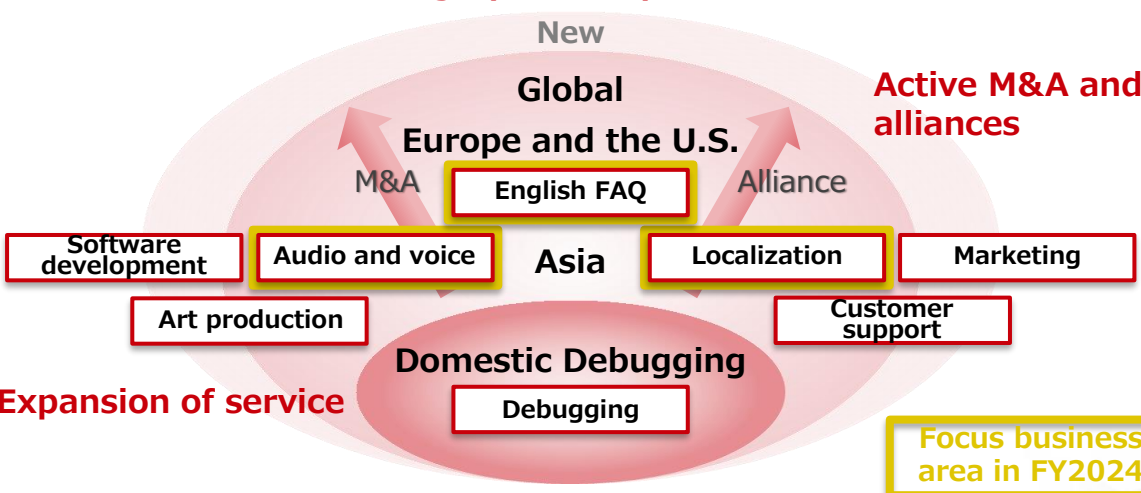


Growth Strategy

Three key words of "Quality," "Global," and "One-stop."

Provide **one-stop solution to support clients' global expansion** by developing our businesses domain widely on both of the service- and regional-axes, based on the experiences, client basement, and human resources accumulated in our over 20 years of debugging service in Japan.

Geographical expansion



1H FY2024

- **Double-digit sales growth** of Global and others by rapid global expansion.
- Developing **"ELLA," an AI translation engine** specializing in game titles and increasing the capacity of audio/voice recording studios.
- **Global branding** by exhibiting at game industry trade shows in various countries

AI-Strategy of the DH Group Business

- “ELLA,” innovative AI translation engine for game



DIGITAL HEARTS HLDGS.

Developing “ELLA,” game-specialized AI translation engine, rarely unique new engine, in collaboration with Rozetta Corp. Make innovative change to support clients’ global expansion of contents by providing high quality of translation with overwhelming speed.

The simultaneous worldwide release of game titles is essential for globalization of game contents.

1. Significant time required for translation makes the simultaneous worldwide release hard to execute.
2. Parallel development of multiple languages for simultaneous launch increases the risk of delayed release due to increased returning.
3. General machine translation does not reflect the worldview of the game or the individuality of the characters, resulting in titles of insufficient quality.



“ELLA” significantly reduces the translation time without compromising on entertainment quality and realize simultaneous worldwide releases with all contents as attractive as expected.

AI Translation Engine “ELLA”

AI automated translation reflecting the characters and the worldview of the game realized by the character generator AI



Professional

Check without compromising on “Entertainment Quality” by our native staff familiar with games



Voice of a game production experiencing “ELLA”

“I felt that while ELLA sometimes mistakes small nuances of meanings, it sometimes translate the small details so accurately that it’s surprising. I have no choice but to think of it as an impressive technology compared to a long time ago, although there are still some areas where it falls short of human translation,”

NIHON FALCOM CORPORATION Representative Director, President Toshihiro Kondo

Source: 4Gamer.net [Interview] [インタビュー] 日本ファルコンの近藤社長が、AI翻訳エンジン「ELLA」を使って訳した「界の軌跡」のセリフをチェック。TGS来場者の回答との答え合わせも【PR】

AI testing company supporting “Quality” of enterprise system with leading-edge technologies

To meet diversifying QA demands, we continue to implement leading-edge quality-related technologies and expand the testing service areas. Aiming to develop innovative, **fully autonomous AI-testing solutions** by leveraging expertise as a QA solution provider and leading-edge AI-technology.

Market Issues

Requiring higher sophisticated and complex software + Industry-wide shortage of engineers

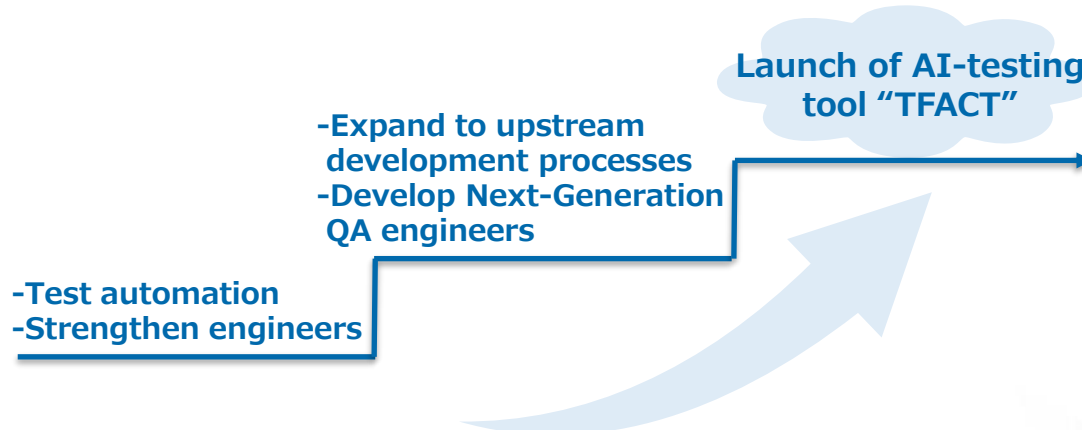
- ① Sophisticated knowledge required for testing due to the increasing complexity of software.
- ② The frequency of testing is increasing due to the penetration of Agile development, and the development-period is shorter.
- ③ Lack of engineers prevents quality from being secured by company resources alone.



Growth Strategy

Improve “QA quality”, “Speed” and “Productivity” by utilizing QA leading-edge technologies.

- ① Strengthen **Next-Generation QA engineers** capable of responding to leading-edge QA technologies
- ② Expand into new fields such as “QA services utilizing AI” and “**Shift-Left**” services.
- ③ Aiming for significant productivity improvement through unique development of fully autonomous AI and **full-scale launch of AI testing service.**



1H FY2024

- Launched “**AI Debugging for Enterprise**” to identify defect areas by AI support
- **Large size and long term projects** such as QA consulting and support for building QA systems for large enterprises
- Developing “**TFACT**” to launch in January 2025

AI-Strategy of the AGEST Group Business

- AI-testing tool "TFACT"

In January 2025, planning to introduce "TFACT" a unique test management tool with AI assisting functions.

TFACT
Testing Factory
AGEST AI Assist

Each process done by AI on behalf of engineers, such as advance preparation, results verification, and analysis.
Not just executing test automation.
Improve speed, execute advanced QA, and resolve shortages of engineers by utilizing "TFACT" with Next-Generation QA engineers.



AGEST's unique AI-testing tool
"TFACT"



Next-Generation QA engineers,
supporting the AGEST's advanced QA

Steps to a fully
autonomous AI

Step0

**Interactive
AI**



Step1
2025~

**"TFACT" with AI function
as standard**

- AI carries out from scenario-building, execution, verification, debugging to report creation, and strongly supports the Next-Generation QA engineers.
- Efficient collaboration with test automation tools.
- **Reduce testing number of man-hours by 30%** through the introduction of "TFACT".



Step2
2026~

**Evolution to self-
sustaining AI**



Final Step
202X~

**Fully
autonomous AI**

Business Results for the 1H FY2024

Started **fully independent management structure** for each of **DH and AGEST Group** since the beginning of this FY2024, as a part of preparation for Spin-Off Listing.

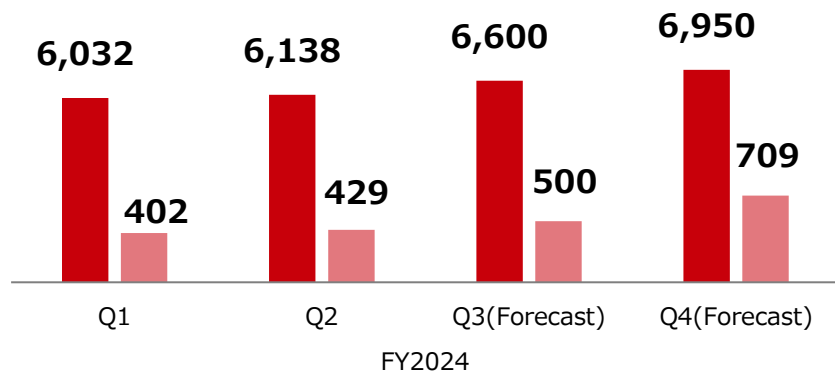
DH Group

AGEST Group

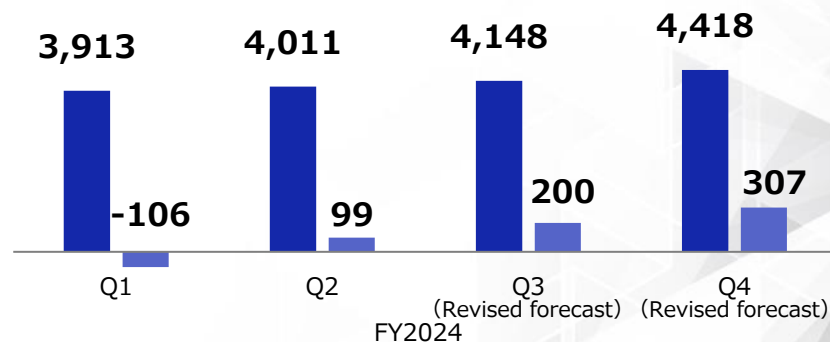
	1H FY2024	FY2024 full year Forecast
Net sales	¥12,170 mn (YoY 107.0%)	¥25,720 mn (YoY 109.5%)
Segment income	¥832 mn (YoY 111.2%)	¥2,040 mn (YoY 117.6%)

	1H FY2024	FY2024 full year Forecast (Revised)
Net sales	¥7,925 mn (YoY 103.7%)	¥16,490 mn (YoY 103.2%)
Segment income/loss	¥-6 mn (YoY —)	¥500 mn (YoY 163.7%)

(JPY mn) ■ Net sales ■ Segment income



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



- Sales growth centered on global services.
- 1H progressed steadily in line with the initial plan.
- Initiatives for future growth, such as the launch of "ELLA," AI translation engine for game and the full-scale launch of audio/voice recording services.

- Turned profitable in Q2 from the impact of client-side reschedule of a particular project in Q1. Expecting steady profit in 2H due to the elimination of those factors in Q1.
- Acquisition of large-scale and continuous projects such as QA consulting for a major automobile manufacturer and support for building QA systems for a major distribution company.

To make two businesses listed individually with clearly different businesses value creation strategies separately. To maximize the potential of each business through management focus and optimal capital policy.

DH Group Business

- Well established and differentiated business model
- Clear value proposition
- Horizontal and vertical expansion of core businesses (global expansion)

AGEST Group Business

- Changing and innovative business model
- Businesses value created by innovation
- Expand added value of technologies and specialists



Investing in new locations and achieving stable growth

Investing in technology and growing with innovation

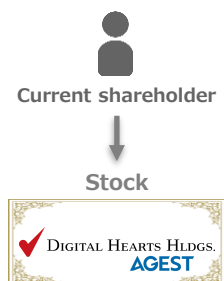
- ✓ Expect to improve medium-term profitability with more focused management and optimal capitalization policies to attract new shareholder.
- ✓ By evaluating an inherent value of an individual business in the market, a stock price converges to its intrinsic value.
- ✓ By eliminating conglomerate discounts, it develops simple and easy-to-understand stock prices.

Spin-Off Listing scheme

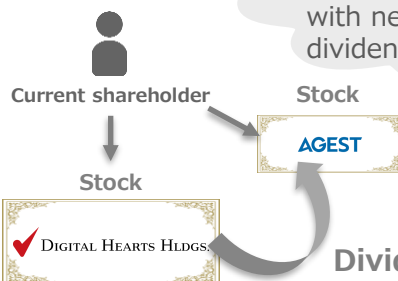
On Spin-Off

After Spin-Off

Holding our stock



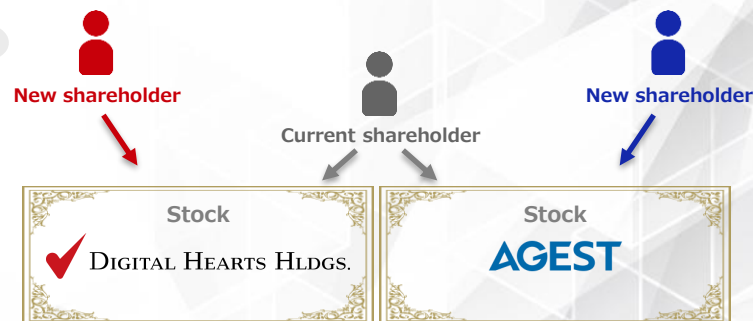
Dividends in kind all of our AGEST shares



Largest-class shareholder return with newly listed shares as dividend in kind

Dividends in kind

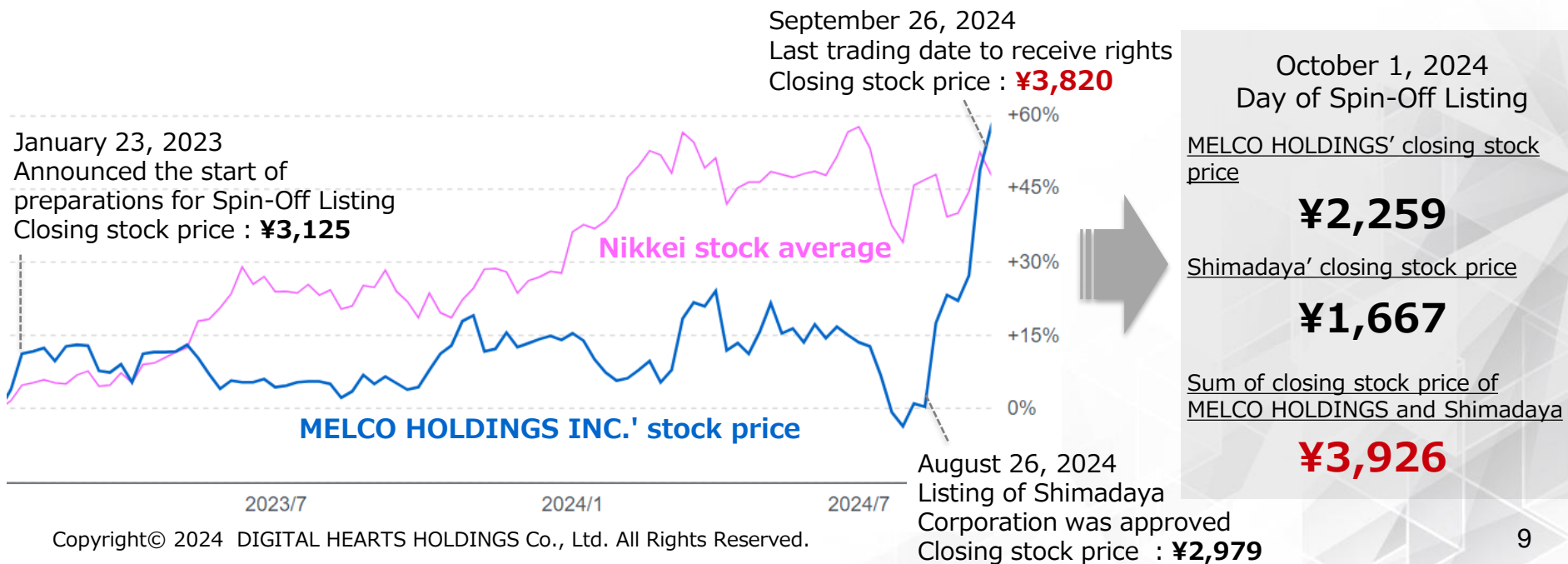
More active trading of shares by separating and simplifying each business



(References) Example of Recent Spin-Off Listing

Example of MELCO HOLDINGS INC. (Separated Shimadaya Corporation from MELCO HOLDINGS INC. by Spin-Off Listing)

Schedule	
January 23, 2023	Announced the start of preparations for the Spin-Off Listing
May 13, 2024	Announced that Spin-Off Listing will be submitted to the annual general meeting of shareholders
June 26, 2024	Resolved Spin-Off Listing at the annual general meeting of shareholders
August 26, 2024	Listing of Shimadaya Corporation was approved by the Tokyo Stock Exchange
September 26, 2024	Last trading day to receive rights
September 30, 2024	Record date for distribution
October 1, 2024	Effective date of dividends in kind, Shimadaya Corporation listed on the Tokyo Stock Exchange, and distributed.



Consolidated Financial Results for 1H FY2024

【Notice regarding Earnings by Segment】

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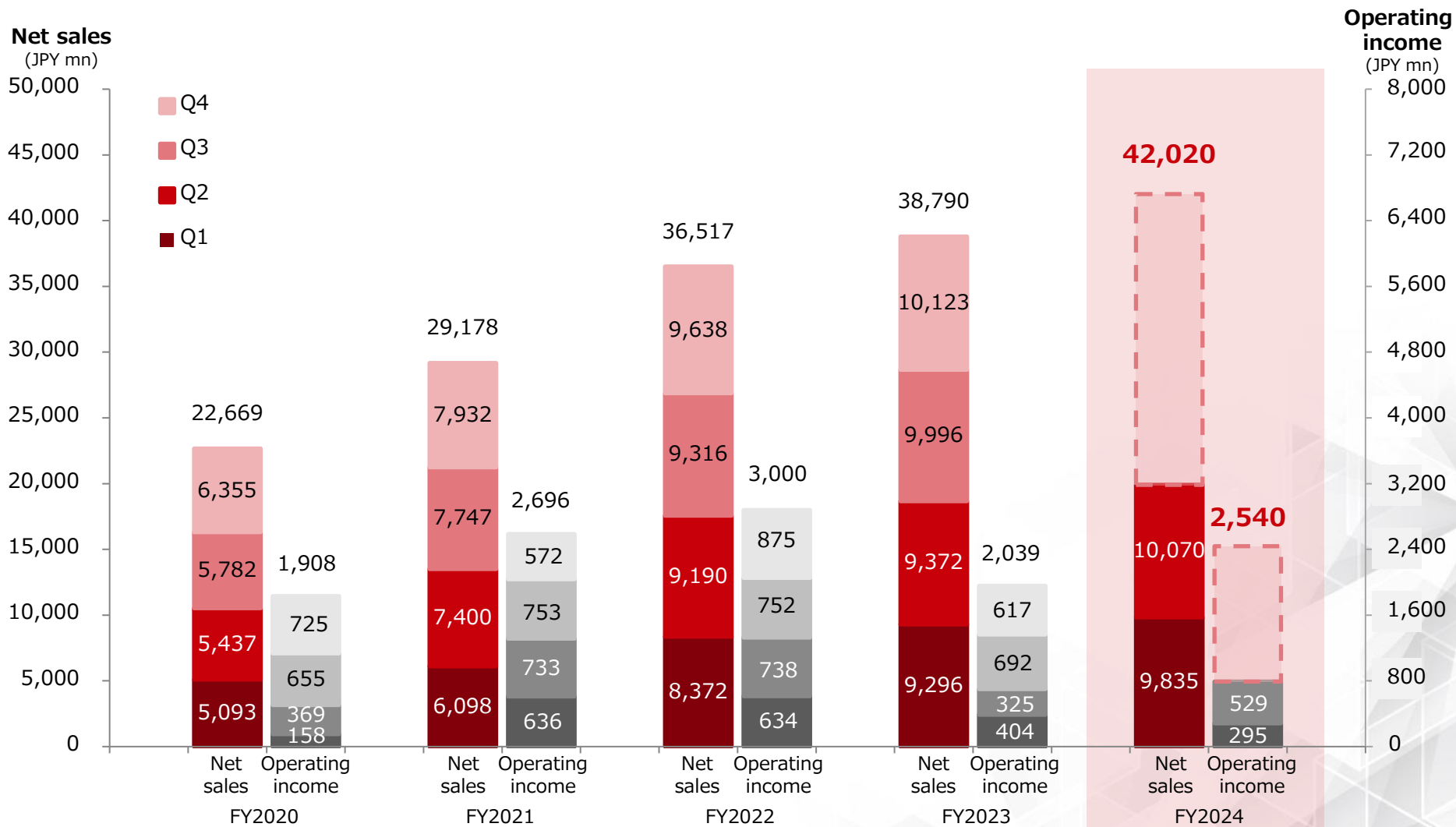
Summary of Business Results for the Six Months Ended September 30, 2024

- **Sales and profit increased** in both DH Group Business and AGEST Group Business.
- AGEST Group Business, temporarily profit declined in Q1, has generated **stable income from Q2**(Jul-Sep).
- **1H net income turned profitable** from the previous year 1H with impairment losses in foreign testing subsidiaries.

(JPY mn)	1H FY2023	1H FY2024	YoY Change	
Net sales	18,669	19,906	1,236	106.6%
Cost of sales	13,868	15,031	1,163	108.4%
Cost of sales (%)	74.3%	75.5%		+ 1.2 points
Gross profit	4,800	4,874	73	101.5%
SG&A	4,070	4,048	-22	99.5%
Operating income	729	825	95	113.1%
Operating income margin	3.9%	4.1%		+ 0.2 points
Ordinary income	792	809	17	102.1%
Profit attributable to owners of parent	-436	455	891	—
EBITDA	1,279	1,314	34	102.7%

Trend in Net Sales and Operating Income

Aiming for full year sales and profit growth by accelerating the growth of both businesses through independent management specializing in each.



Consolidated Balance Sheets

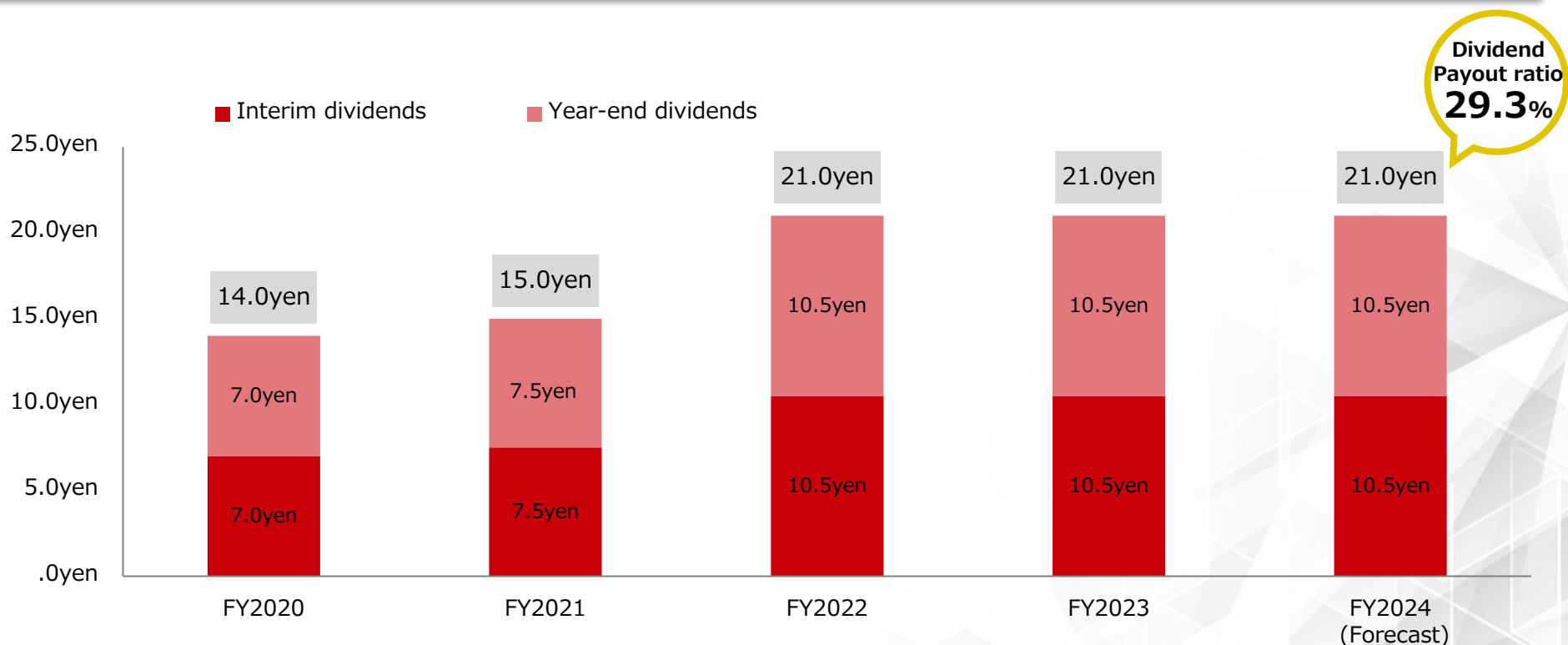
(JPY mn)	Q4 FY2023 (As of March 31, 2024)	Q2 FY2024 (As of September 30, 2024)	Change from Q4 FY2023
Total assets	21,103	21,163	60
Current assets	13,526	13,528	1
Cash and deposits	6,858	6,930	71
Noncurrent assets	7,576	7,635	58
Property, plant and equipment	1,491	1,490	-0
Intangible assets	2,908	2,842	-65
Goodwill	2,313	2,193	-120
Investments and other assets	3,177	3,302	124
Total liabilities	12,250	11,945	-305
Current liabilities	12,026	11,722	-304
Short-term loans	7,095	6,760	-335
Noncurrent liabilities	224	223	-1
Total net assets	8,852	9,217	365
Shareholders' equity	7,685	7,918	232
Accumulated other comprehensive income	729	868	138
Non-controlling interests	436	430	-5
Total liabilities and net assets	21,103	21,163	60

(JPY mn)	1H FY2023	1H FY2024	YoY Change
Net cash provided by operating activities	1,156	1,257	101
(*Cash flows before income taxes paid)	1,532	1,516	-16
Net cash used in investing activities	-592	-714	-122
Net cash provided by (used in) financing activities	-200	-612	-411
Effect of exchange rate change on cash and cash equivalents	176	140	-35
Net increase in cash and cash equivalents	540	71	-468
Cash and cash equivalents at the beginning of period	6,456	6,858	401
Cash and cash equivalents at the end of period	6,997	6,930	-67

The interim dividend are **10.5 yen**, in line with the initial forecast.
The annual dividend is expected to be stable at **21.0 yen**, the same level as the previous year.

Basic Policy to Return Profits to Shareholders

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



Financial Results of 1H FY2024 by Segment and Full-year Forecast of FY2024

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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	-

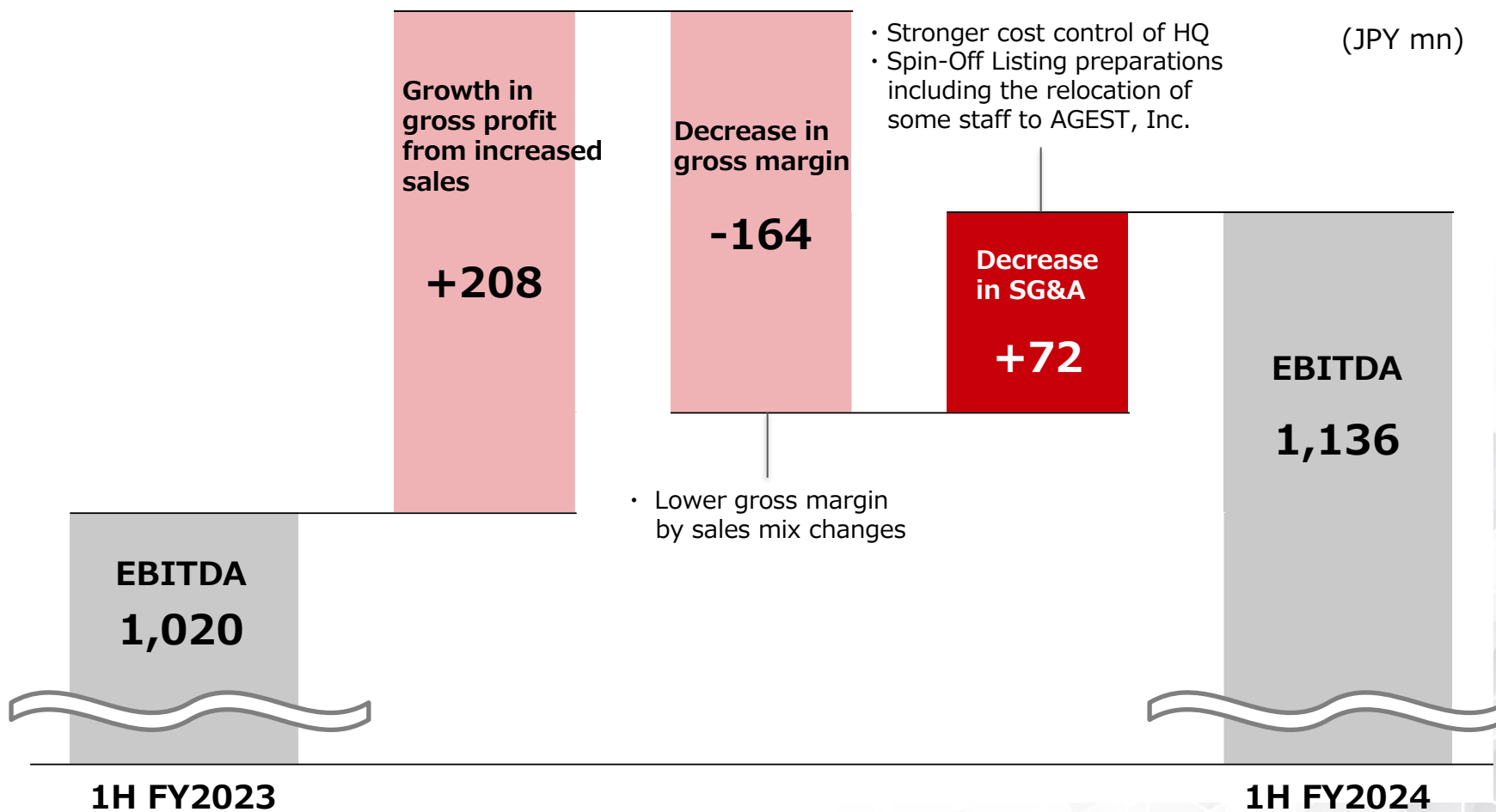
Summary of Financial Results by Segment

(JPY mn)	1H FY2023	1H FY2024	YoY Change
Net sales	18,669	19,906	106.6%
DH Group	11,379	12,170	107.0%
AGEST Group	7,639	7,925	103.7%
Adjustments	-350	-190	—
Operating income	729	825	113.1%
DH Group	748	832	111.2%
AGEST Group	-18	-6	—
EBITDA	1,279	1,314	102.7%
DH Group	1,020	1,136	111.4%
AGEST Group	259	177	68.5%

- **Double-digit sales growth of the Global and others** with increasing number of new projects for translation/ LQA and marketing-support, such as strengthening services with the launch of “ELLA”, **AI-base game translation engine**.
- **The Domestic debugging achieved stable sales growth** by strengthening sales including strategically resource-focused initiatives and by **raising the unit price per order by increasing the high-value-added services**, despite the impact of the cancellation or postponement of title-development in some domestic game clients.
- **Double-digit profit growth** due to the impact of higher sales and the decline in SG&A expenses due to the relocation of staff since Q2 FY2023 to prepare for Spin-Off Listing, despite the weaker gross margin ratio due to the impact of the sales-mix change.

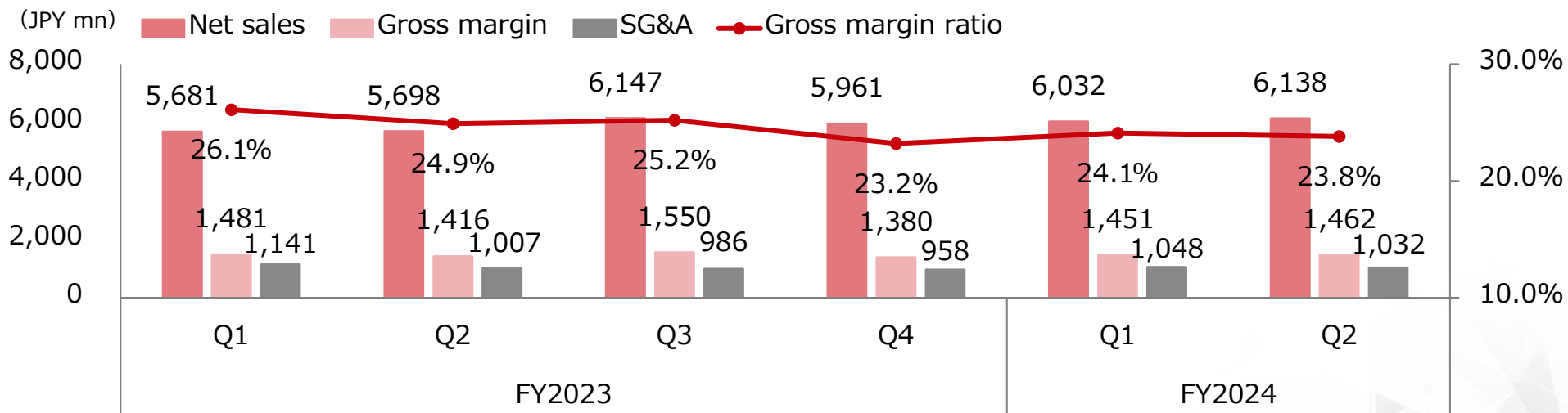
(JPY mn)	1H FY2023	1H FY2024	YoY Change
Net sales	11,379	12,170	107.0%
Domestic debugging	6,597	6,800	103.1%
Global and others	4,782	5,370	112.3%
Segment income	748	832	111.2%
EBITDA	1,020	1,136	111.4%

Double-digit profit growth YoY 111.4% thanks to the sales growth and the decline in SG&A expenses, despite lower gross margin due to the impact of the sales-mix change.

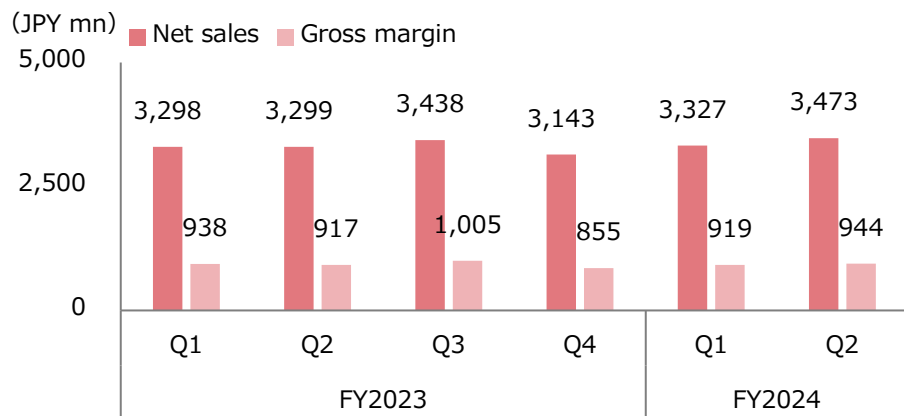


Performance Trends

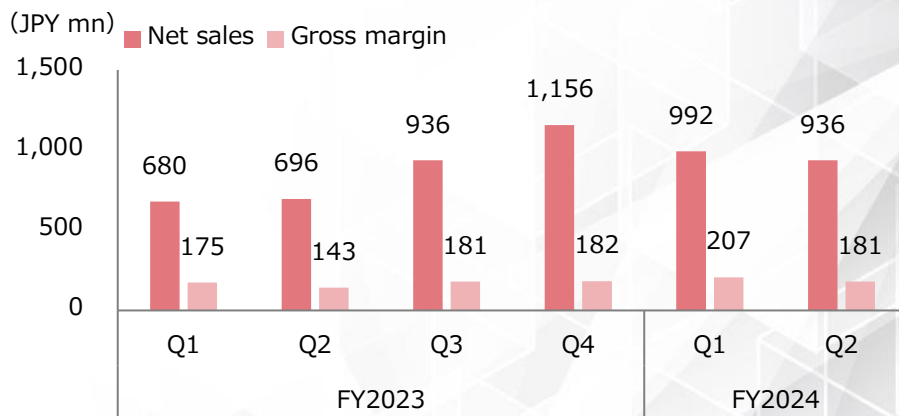
DH Group Business



Domestic debugging

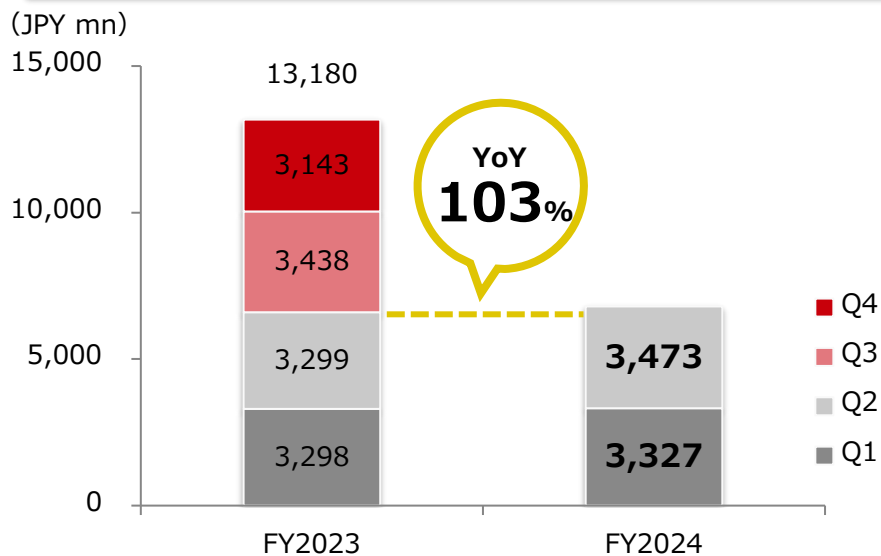


Global(*) service

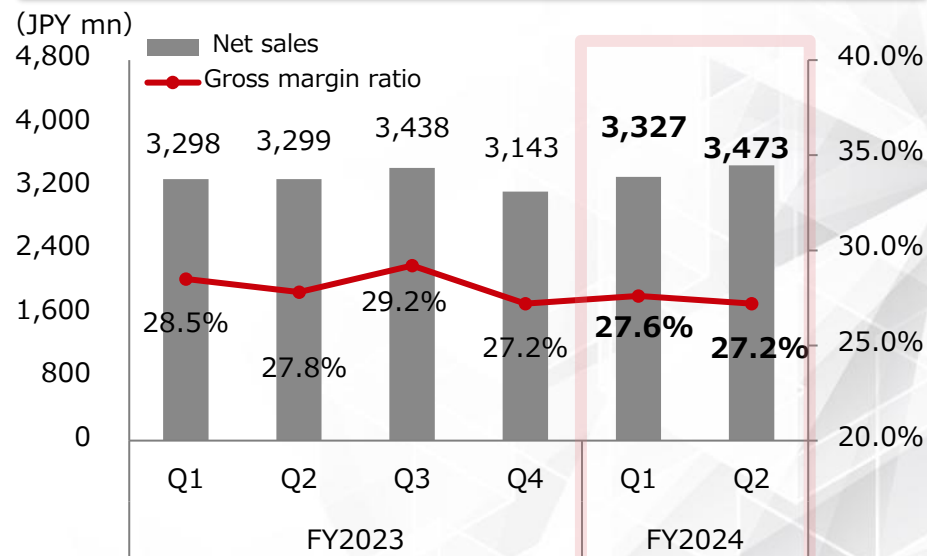


- **Strategic sales promotions** such as strengthening relations with key clients and focusing resources on some clients with actively developing new titles.
- Gross margin ratio in 1H FY2024 was 27.4%, largely **in line with the initial forecast**, due to some initiatives to improve the quality such as investing 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

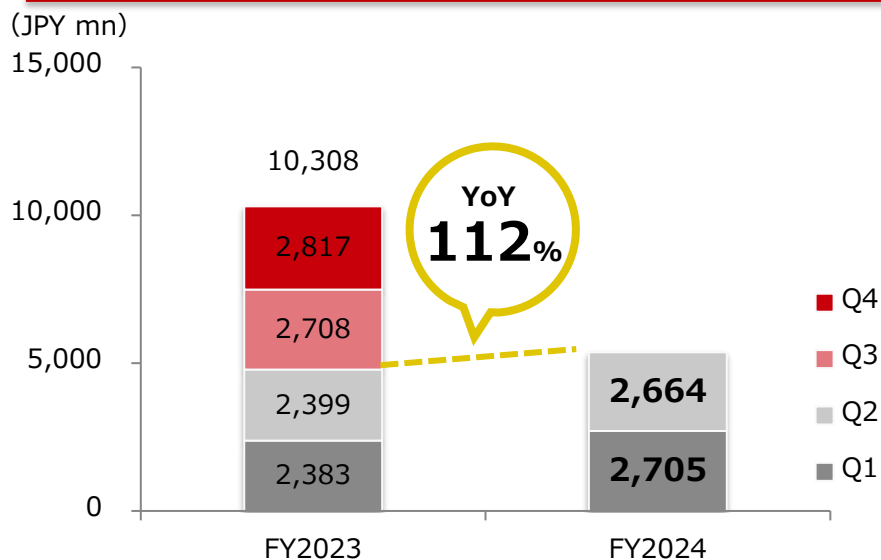


Net sales and Gross margin ratio

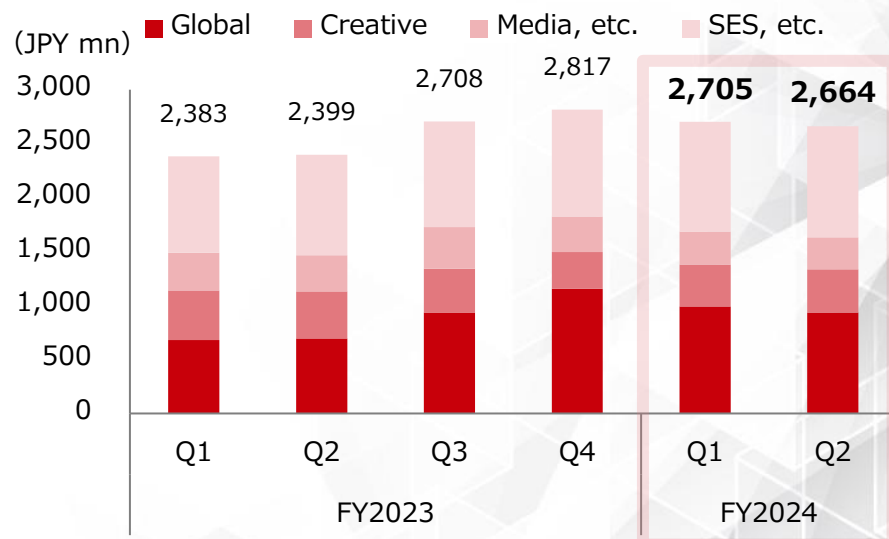


- **Sales of global services** (translation, LQA, and marketing support) achieved high growth of **140% YoY**, with sales growth of translation and LQA for European languages and marketing support for e-commerce businesses, which had been strengthened from the previous fiscal year.
- Strengthen operating activities for further growth with **“ELLA,” an innovative AI-base game translation engine** developed in collaboration with Rozetta Corp.
- **Develop the brand awareness of “DIGITAL HEARTS”** by exhibiting at large-scale game industry trade shows in **“ChinaJoy,” “gamescom,” and “TOKYO GAME SHOW.”**

Quarterly sales



Quarterly sales by service

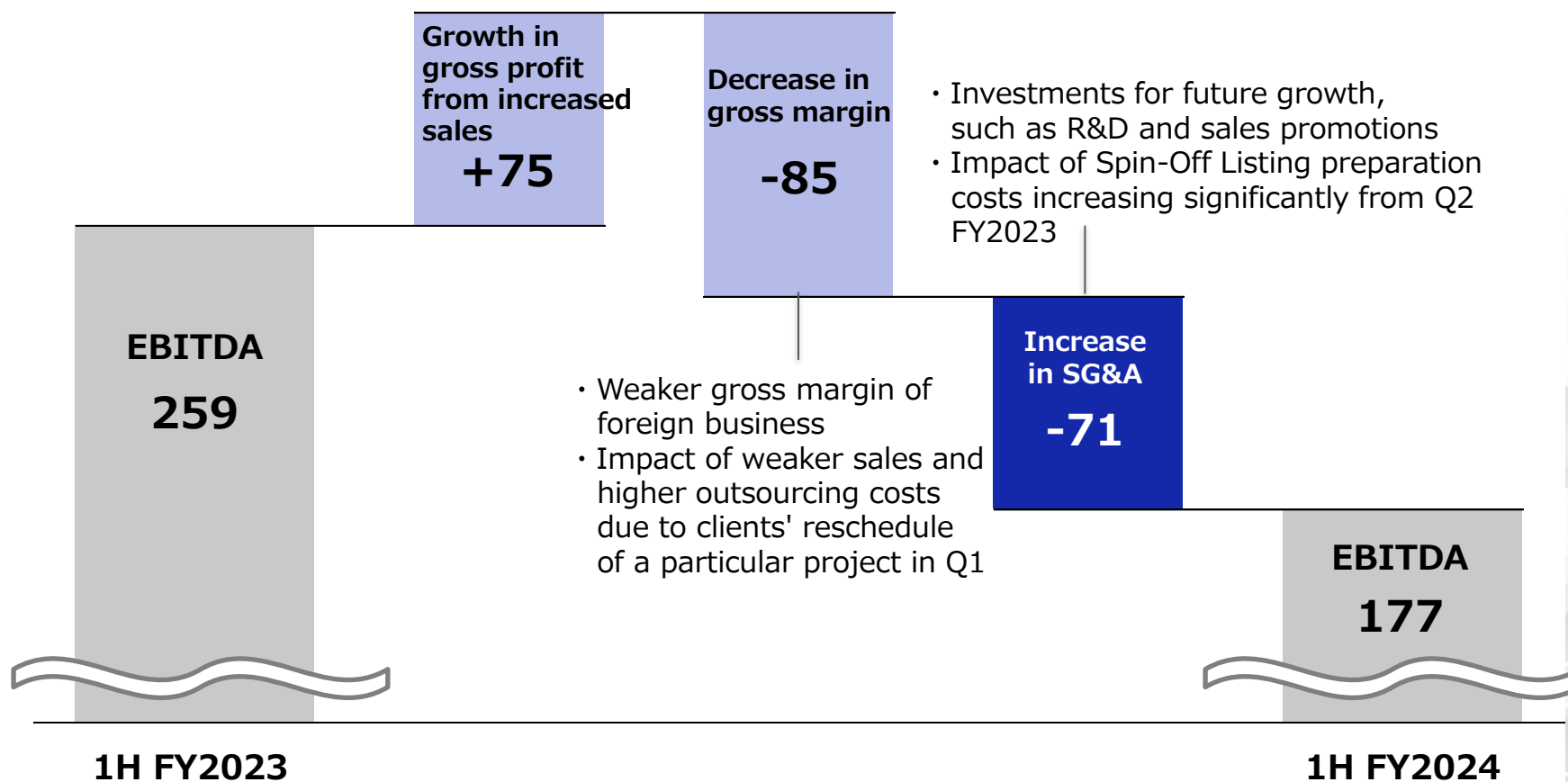


- Though foreign businesses have been still weak, on the other hand, **domestic QA solutions** under a booming market-environment achieved **double-digit sales growth** despite irregular sales in Q1.
- Decrease in IT service and others due to **strategic contraction** of unprofitable services.
- Segment income in 1H showed a loss significantly affected by a temporary decline in profitability due to the reschedule of a particular project in Q1. However, it **recovered to be profitable in Q2 (Jul-Sep)**, and it is expected to generate **stable income from 2H onward**.

(JPY mn)	1H FY2023	1H FY2024	YoY Change
Net sales	7,639	7,925	103.7%
QA solution	6,294	6,843	108.7%
IT services and others	1,345	1,081	80.4%
Segment income	-18	-6	—
EBITDA	259	177	68.5%

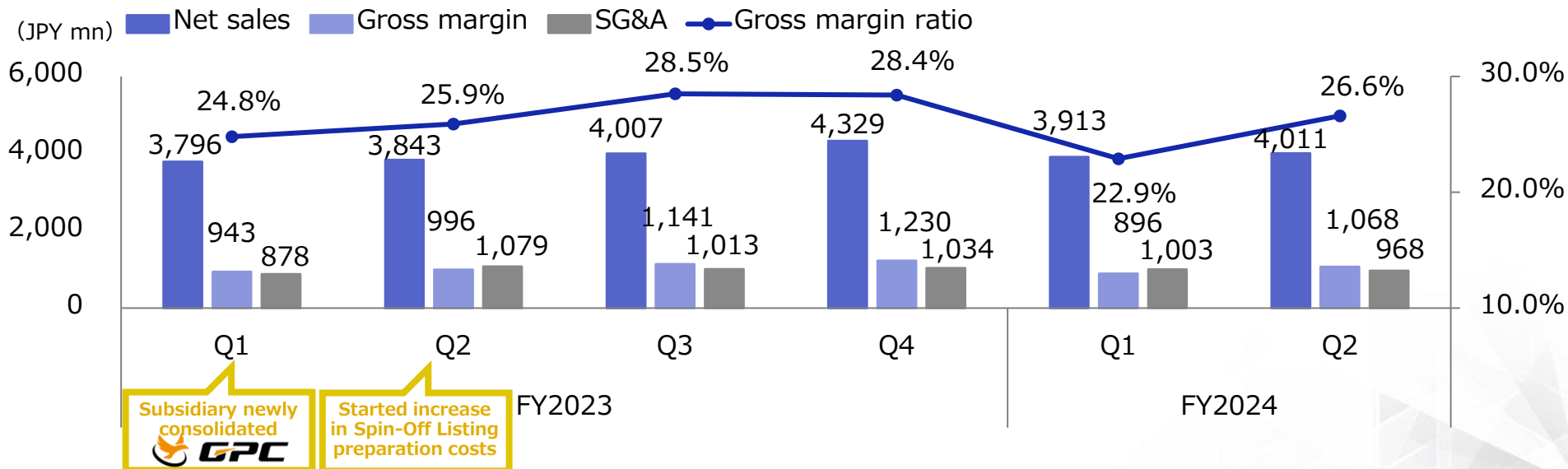
A decline in 1H due to the large impact of the reschedule of a particular project in Q1 and the increase in SG&A such as Spin-Off Listing preparation costs. EBITDA has recovered to the upward trend in Q2 (Jul-Sep) and is expected to increase as a full year.

(JPY mn)



AGEST Group Business

Performance Trends



QA solution division KPI

Number of clients with orders(*)

Q2 FY2023

822 companies

Q2 FY2024

867 companies

Breakdown of YoY changes
in number of clients with orders

Domestic +41 companies
Overseas +4 companies

Annual sales per client(*)

Q2 FY2023

¥14 mn

Q2 FY2024

¥15 mn

Number of engineers

Q2 FY2023

1,082 people

Q2 FY2024

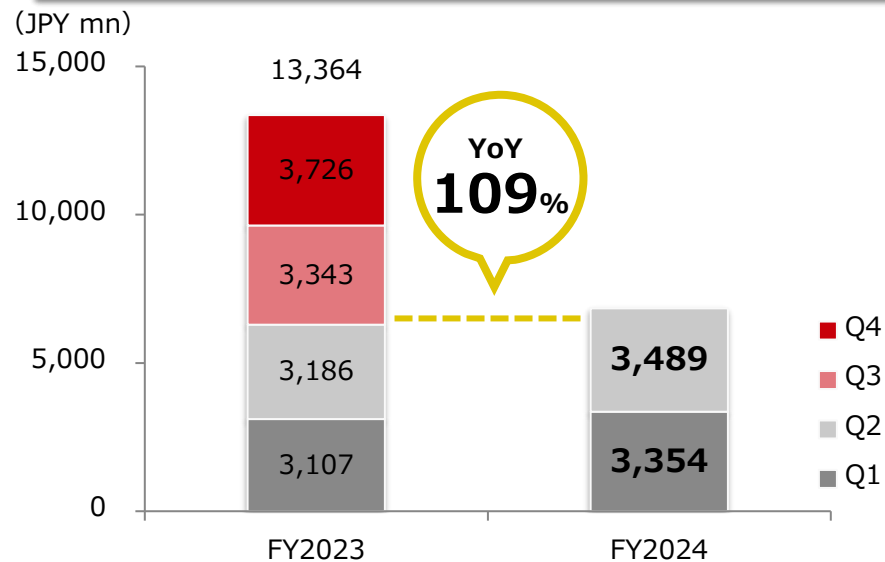
1,064 people

Breakdown of YoY changes
in number of engineers

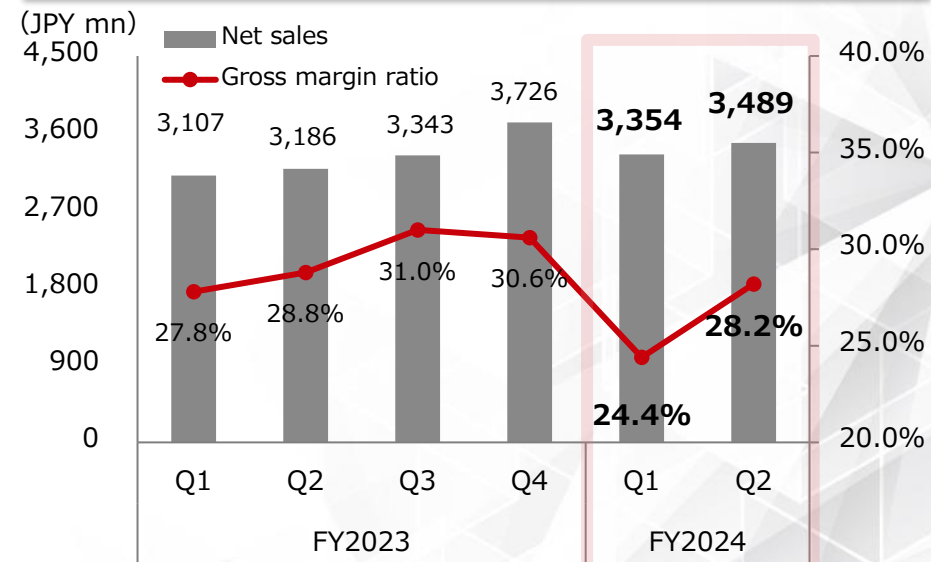
Domestic +47 people
Overseas -65 people

- Double-digit sales growth of **YoY 115%** in domestic QA solutions.
- **Gross margin ratio in Q2(Jul-Sep)** has recovered to around the normal level and is expected to improve to the same level in 2H as FY2023, despite a significant decline in Q1 due to some factors including weaker sales and heavier outsourcing costs related to the reschedule of a particular project.
- Focus on **branding as a 'Tech' company** and **differentiating AGEST from competitors** by strengthening "Shift-Left" QA solutions and AI utilizing services.

Quarterly sales

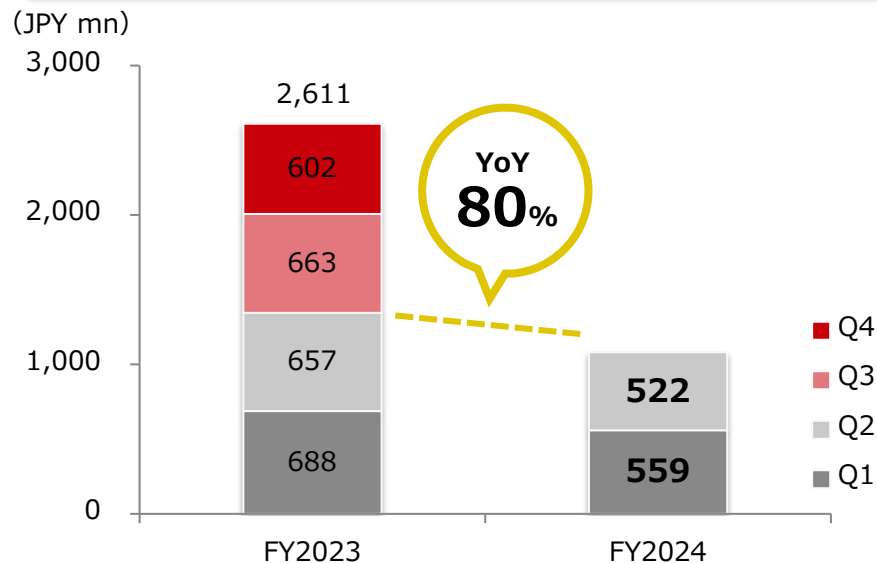


Net sales and Gross margin ratio

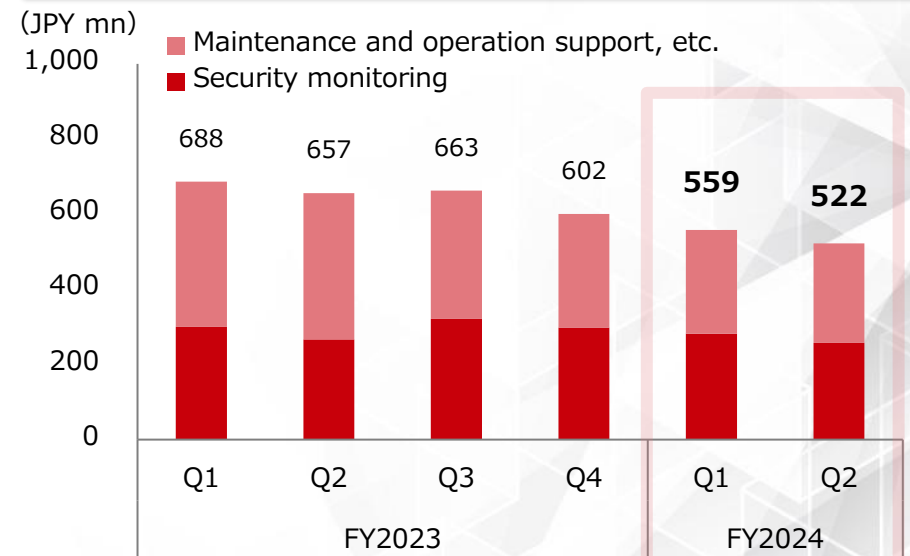


- **Strategic reduction of certain low-profit services**, such as maintenance and operation support.
- The number of **security monitoring 710 thousand units** as the top level in Japan.
- **Strengthen cybersecurity businesses** by some initiatives including investing in "Nippon Cyber Security Fund 1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

Quarterly sales



Quarterly sales by service



FY2024 Consolidated Financial Forecast

- AGEST Group Biz revised its businesses forecasts based on 1H business result.
- DH Group Biz, which is progressing almost as planned, unchanged from the initial forecast.
- Reflecting the impact of the gain on sale of shares in MK Partners, Inc., our consolidated subsidiary, following the share transfer in October 2024 to 2H forecast.

(JPY mn)	FY2023 (Actual)	FY2024 Initial Forecast (As of May 9, 2024)	FY2024 Revised forecast (As of November 7, 2024)	Comparison to Initial Forecast	
Net sales	38,790	44,100	42,020	-2,080	95.3%
DH Group	23,488	25,720	25,720	—	—
AGEST Group	15,975	18,380	16,490	-1,890	89.7%
Adjustments	-674	—	-190	-190	—
Operating income	2,039	3,100	2,540	-560	81.9%
DH Group	1,734	2,040	2,040	—	—
AGEST Group	305	1,060	500	-560	47.2%
Operating income margin	5.3%	7.0%	6.0%		-1.0Points
Ordinary income	2,059	3,100	2,470	-630	79.7%
Profit attributable to owners of parent	176	2,100	1,600	-500	76.2%

Growth Strategy

■ Purpose of Our Spin-Off Listing

1. Focus on one single business

Accelerate growth by focusing on each business with each unique growth strategy.

2. Realize management to react environment changes quickly

Implement swift management decisions without overlooking small changes, by separating the Company to two independent groups and making management focusing on a single business.

3. Develop a unique corporate culture

Develop each unique corporate culture suited to the one with diverse human resources brimming with entertainment enthusiasm and the other with engineer group with IT skill background.

4. Capital policies in line with growth strategies

Flexibly procure funds and return profits to shareholder in line with each corporate stage and growth-strategy.

5. Avoidance or elimination of conglomerate discounts

Clarify each brands such as the one with the balance between growth and shareholder return and the other focusing on business growth, and provide better opportunities to meet each investor's style.

	DH Group Business	AGEST Group Business
Market environment	<ul style="list-style-type: none"> ➤ Game and entertainment industries ➤ Increasing production costs and rapid global expansion <p>⇒ Larger demand for global services</p>	<ul style="list-style-type: none"> ➤ IT service industry for enterprise ➤ Chronic shortage of IT personnel and acceleration of DX investment <p>⇒ Growing demand for outsourcing of testing process</p>
Our unique added value	<ul style="list-style-type: none"> ➤ Deep knowledge and wealth of expertise in the game/entertainment industry, developed since its establishment <p>⇒ Bring Japan's "Game/Entertainment Quality" to the World</p>	<ul style="list-style-type: none"> ➤ Knowledge of top-level QA engineers in Japan, Europe, and the U.S. ➤ Test automation expertise in Silicon Valley <p>⇒ New QA as collaboration of AI and highly skilled engineers</p>
Growth stage	<ul style="list-style-type: none"> ➤ Strong client base and dominant shares with over 20 years experience of debugging service in Japan ➤ Aiming strong growth in global markets 	<ul style="list-style-type: none"> ➤ Rapid growth against the backdrop of "DX" investing ➤ Acceleration of changes due to rapid evolution of IT technology
Capital policy	<ul style="list-style-type: none"> ➤ Balancing between investment and shareholder returns, based on stable cash-flow generated in its strong domestic debugging service 	<ul style="list-style-type: none"> ➤ Accelerate growth investment in technology and M&As by flexibly procuring funds including from the market
Human resources and corporate culture	<ul style="list-style-type: none"> ➤ Diverse human resources brimming with entertainment enthusiasm <p>⇒ Working with smiles and each individuality</p>	<ul style="list-style-type: none"> ➤ Engineer group specializing in QA and following the latest tech trends <p>⇒ Update cutting-edge technologies</p>

"Global Quality Partner" in the game/entertainment industry

Provide services to game / entertainment companies in Japan and around the world to help them create fun and safe content, bringing smiles to the faces of people who love games.

Software development

Art production

Audio and voice

Localization

Debugging

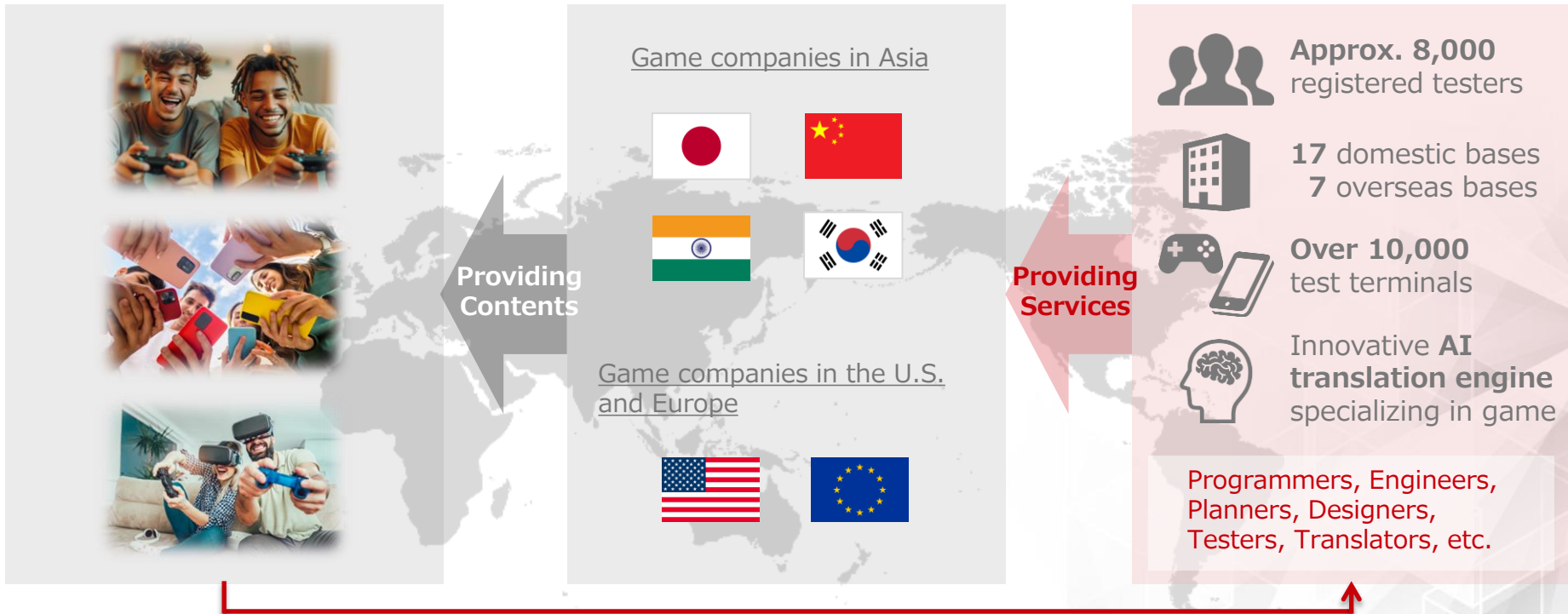
Customer support

Marketing

Player

Game Maker

Our Group

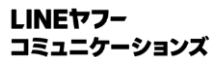


"Game enthusiasts" who themselves are players are joining to DH group with deep insight

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

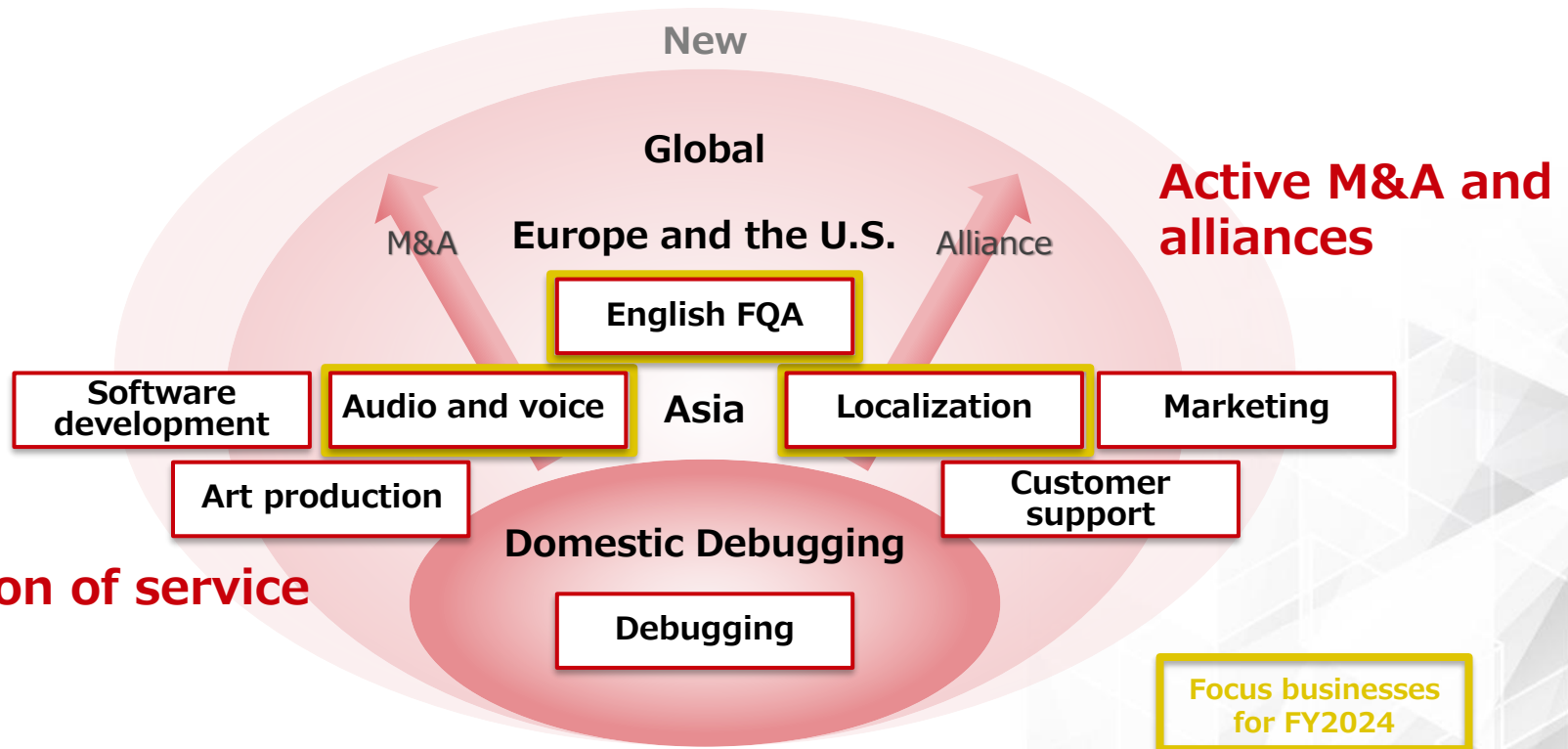
■ Examples of clients

* Alphabetical order

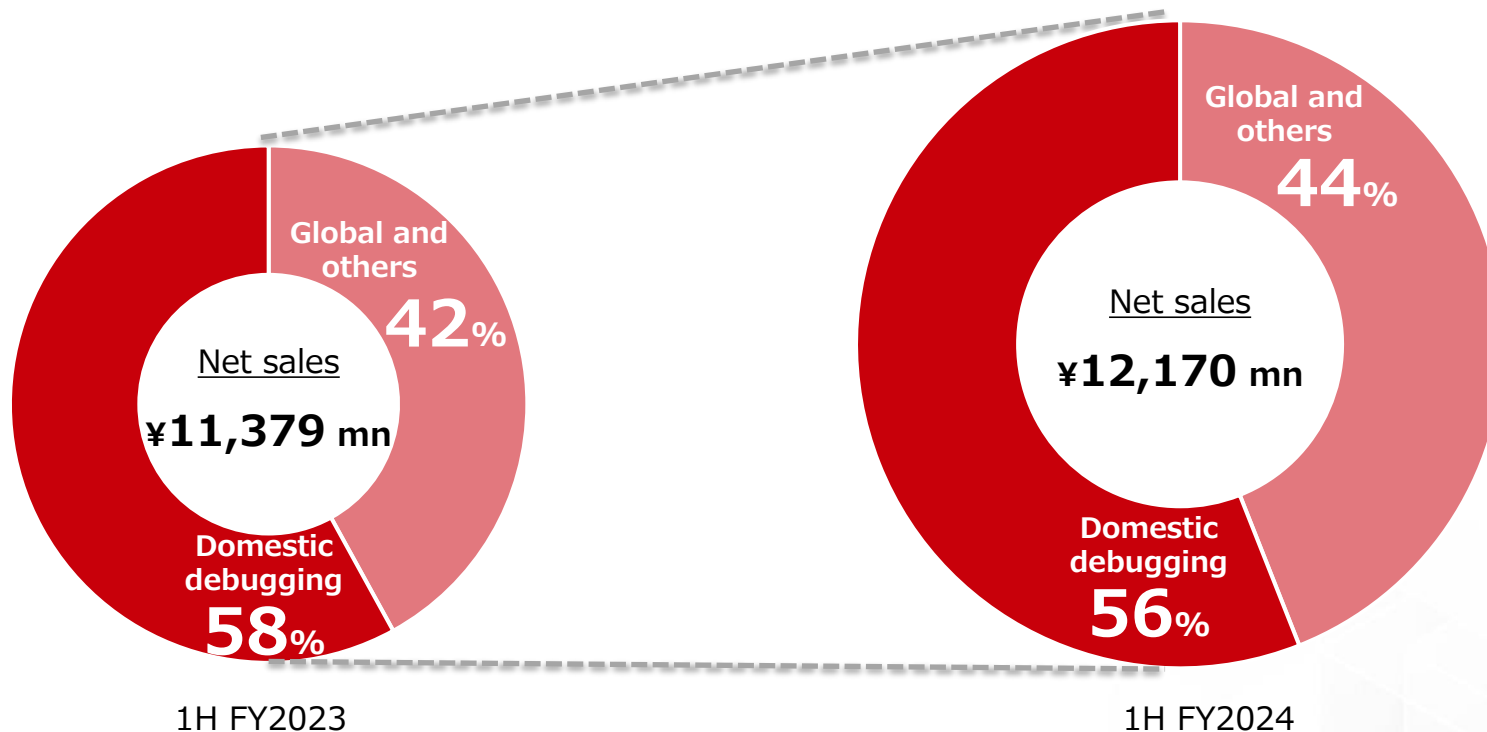


To become a global partner providing one-stop solution from domestic debugging company by expanding its businesses domains on both of service-axes and regional-axes, based on the business result and experiences, customer base, and human resources developed in the over 20 years of debugging service in Japan.

Geographical expansion



Global and others achieved double-digit sales growth and contributed to the group with increasing in its sales proportion.



Domestic debugging



Detecting defects behind console games and mobile games from user perspective.

Global and others



Services for global expansion of game content, such as translation, LQA(*), marketing-support, 2D/3D graphic production, and audio/voice recording.

Point1 "Entertainment QA" not just "Eliminating bug or defect"

Ordinary software testing

Is it working correctly according to the specifications?



Testing in line with specifications

View of UI and UE, such as "hard to understand how to operate it"

Debugging of DH



Does the character's personality match what he or she says?

Detecting defects from a player's perspective

Point2 Business model utilizing unique human resources

DH game testers

Core gamers

Like animation



Like manga

People with experience of withdrawal

No experience required, registered part-time jobbers

DH Professionals



Joined from hardware game maker

Joined from major game publisher

Professional translators

Diverse members with rich experience and knowledge

Point3 Unique market position

Entertainment Contents Market

Adjustments in line with the cultures of each market



Translation suited to the worldview of each game title

Accelerating global expansion of game content itself

Supporting clients' expansion into overseas

Focus businesses of DH



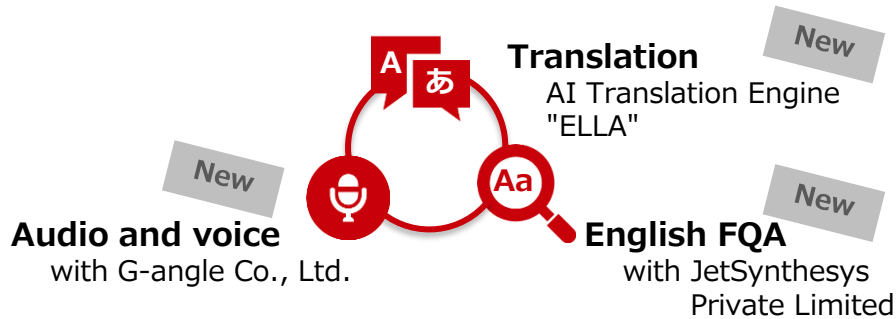
Globalization of existing services

Debugging Localization Marketing
Growing demand for our solutions around the world

Building a structure to provide one-stop global solutions and implementing marketing activities to increase brand awareness.

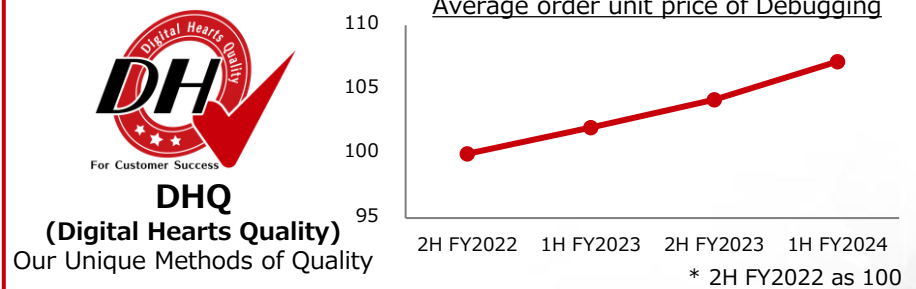
Expansion of services

Expand services as "One-stop gateway to Asia" by utilizing alliances



Enhance added value

Unit price hike per order by improving the added value through DHQ initiatives



Cultivate new global clients

Focus on increasing the brand awareness and acquiring global clients through large game industry exhibitions in China, Europe, and Japan.

Exhibition scene at game shows



ChinaJoy 2024



gamescom 2024



TOKYO GAME SHOW 2024

AI translation engine "ELLA" will be revolutionizing, by expressing "Emotion" in the translation of games, which has been said to be impossible in machine translation.

- Opportunity in growing translation needs : Global penetration of smartphones and game consoles ⇒ Rapid expansion of global demand
- Shortcomings of traditional machine translation : Not suitable for translation of games and entertainment contents requiring a sense of immersion



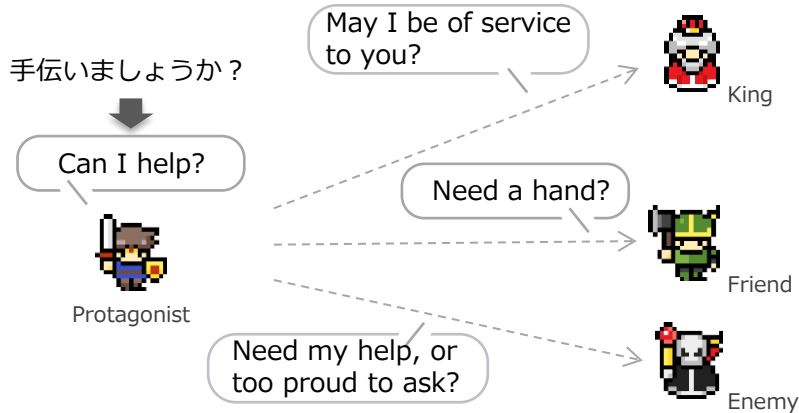
Character generator AI to create individuality



Native staff familiar with games that do not compromise on "Entertainment Quality"

Point1

Realize emotional translation reflecting the worldview and individuality of each character (case)

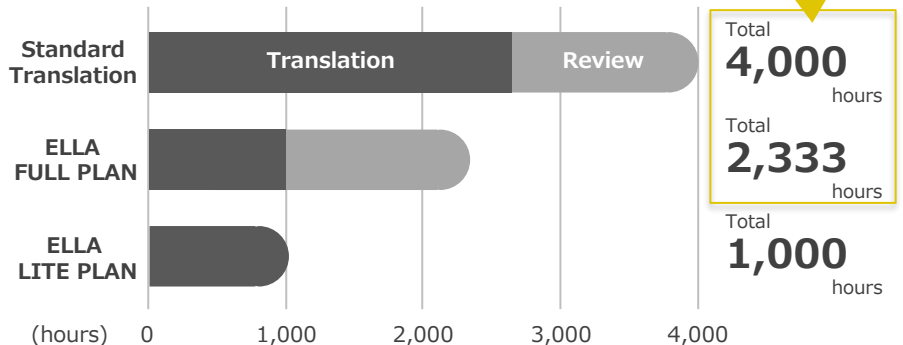


Point2

Realize overwhelming speed to provide translation service

(case)
Translation of Japanese language with 1 million letters into English

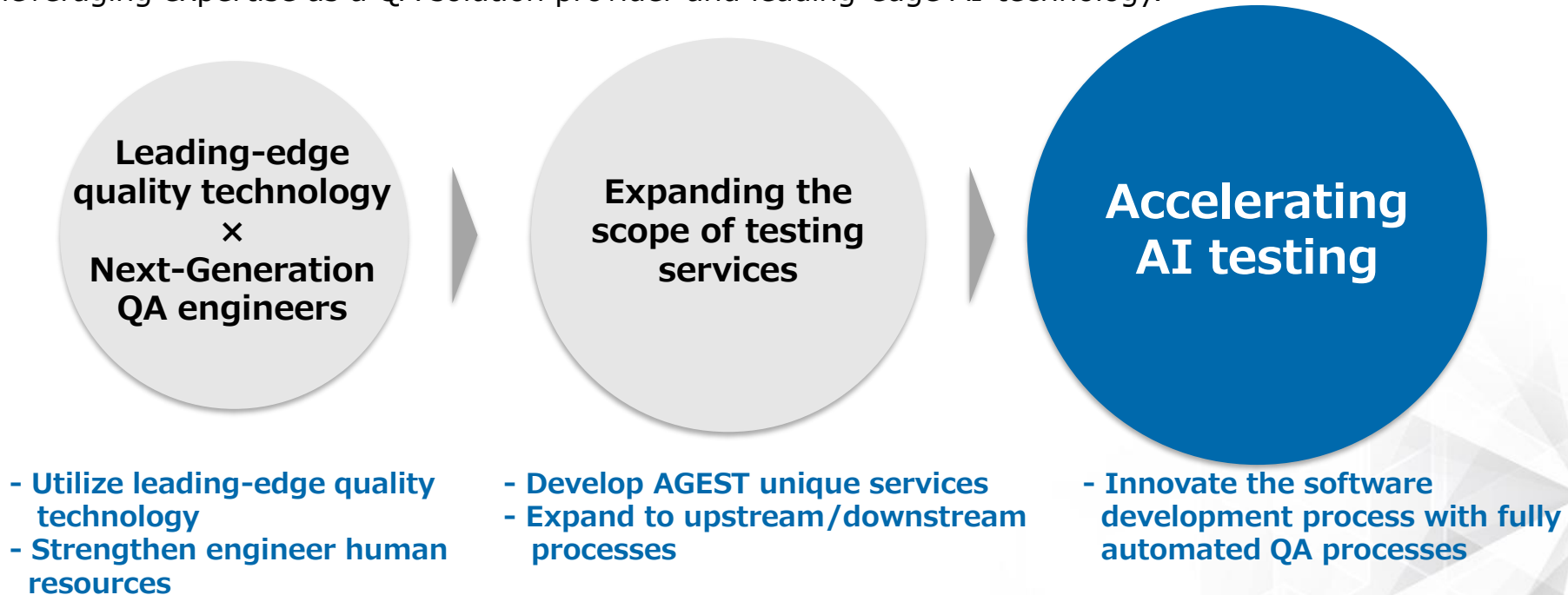
Approx. **40%** reduction



Powerful support for simultaneous worldwide release of any games in multiple languages

AI testing company supporting “Quality” of enterprise system with leading-edge technologies

To meet diversifying QA demands, we continue to implement leading-edge quality-related technologies and expand the testing service areas. Aiming to develop innovative, **fully autonomous AI-testing solutions** by leveraging expertise as a QA solution provider and leading-edge AI-technology.



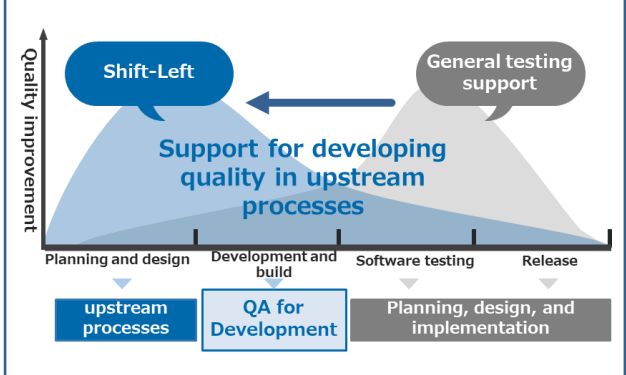
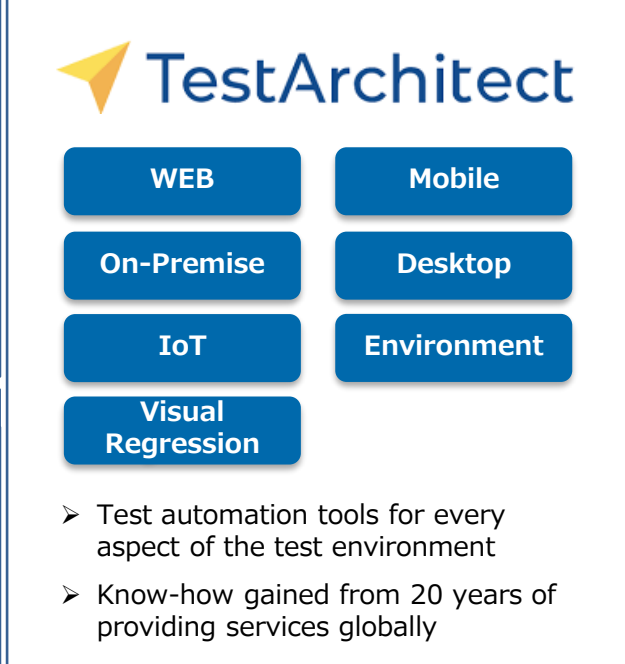
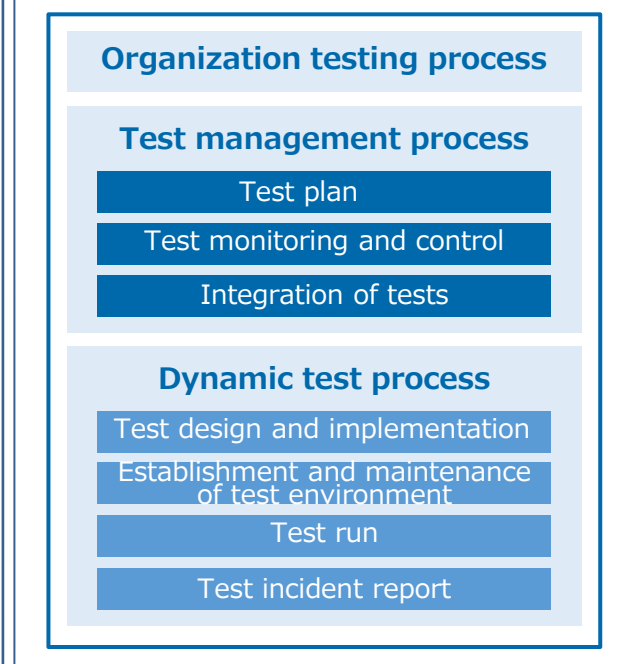

Improve “QA quality”, “Speed” and “Productivity” by utilizing QA leading-edge technologies

- I . Strengthen Next-Generation QA engineers capable of responding to leading-edge QA technologies.
- II . Expand into new fields such as “QA services utilizing AI” and “Shift-Left” services.
- III . Aiming for significant productivity improvement through unique development of fully autonomous AI and full-scale launch of AI testing service.

Background of AGESt's Technological Capability as the Base of AI Utilization

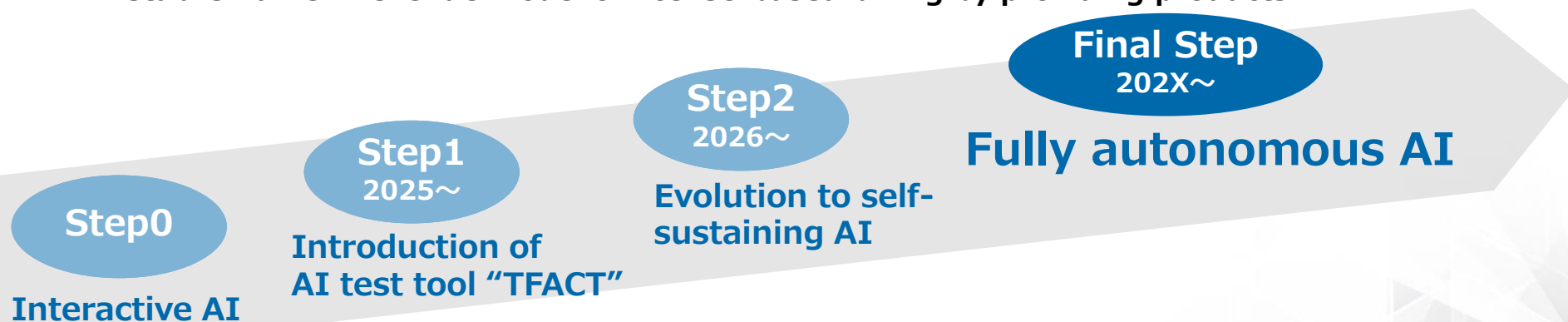
Building on the technological capabilities of the AGESt, to develop new AI-based QA services. Aiming to become the de facto industry-standard.




- Promoting the development of services using AI and other cutting-edge technologies, such as “QA for Development” for “Shift-Left” and QA services utilizing AI, as early as possible for competitors.
- AGESt's unique test automation products help it develop the linking tools and others necessary for AI-testing.
- The AGESt testing process complies with international standards and can be quickly applied to the standardization required to implement AI-testing.

<h3>Develop "Shift-Left" testing solutions and AI-related services</h3>	<h3>Unique test automation product</h3>	<h3>" ISO/IEC/IEEE 29119 " Standardized test process</h3>
<h4>QA for Development</h4>  <p>The diagram shows a graph of Quality Improvement vs. Development Lifecycle. The lifecycle stages are Planning and design, Development and build, Software testing, and Release. A blue area labeled 'Shift-Left' is positioned over the Planning and design and Development and build stages, with an arrow pointing left. A grey area labeled 'General testing support' is positioned over the Software testing and Release stages. Below the graph, 'upstream processes' is linked to 'QA for Development' (covering Planning and design and Development and build), and 'Planning, design, and implementation' is linked to 'Software testing'.</p>	<h4>TestArchitect</h4>  <p>The TestArchitect product capabilities are listed in blue boxes:</p> <ul style="list-style-type: none"> WEB Mobile On-Premise Desktop IoT Environment Visual Regression <ul style="list-style-type: none"> ➤ Test automation tools for every aspect of the test environment ➤ Know-how gained from 20 years of providing services globally 	<h4>An illustration of a standardized testing process for AGESt</h4>  <p>The standardized testing process is illustrated in three main stages:</p> <ul style="list-style-type: none"> Organization testing process <ul style="list-style-type: none"> Test management process <ul style="list-style-type: none"> Test plan Test monitoring and control Integration of tests Dynamic test process <ul style="list-style-type: none"> Test design and implementation Establishment and maintenance of test environment Test run Test incident report
<h4>AI Debugging for Enterprise</h4>  <p>Collaboration between autonomous AI-agents and Next-Generation QA engineers. From analyzing log-information in the event of defects to identifying causes, preparing reports, and correcting source-code.</p>		

Aiming to develop new QA services by utilizing AI

- To develop the **industry's de facto standard as a fully autonomous AI test**
- Significantly reduce testing number of man-hours and dramatically **improve the value provided** by accelerating speed
- Strengthen Next-Generation QA engineers and improve order capacity by utilizing AI testing
- Establish a new revenue model of license-based billing by providing products

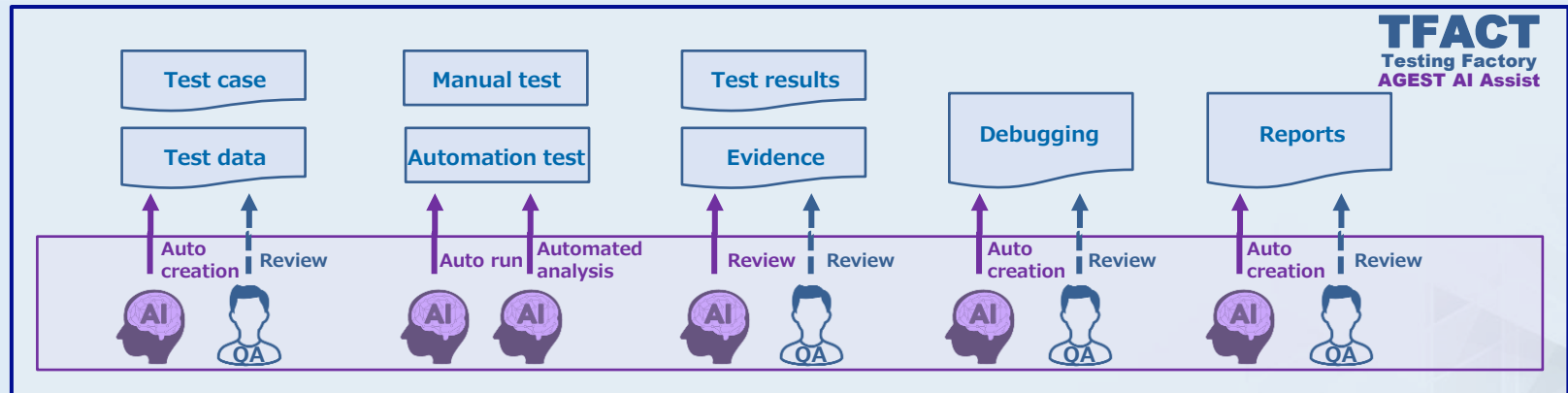
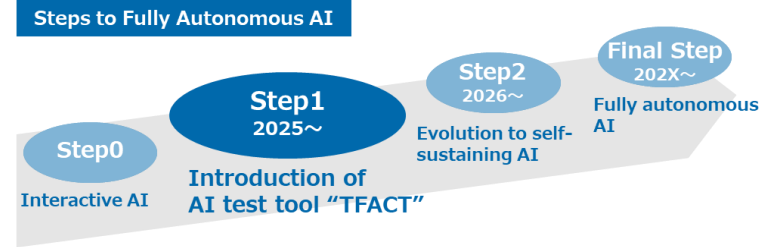


Step1 2025~		"TFACT" AI-test tool to realize "Scenario creation - Execution - Testing - Debugging - Reporting", and to greatly improve the speed of providing the service by reducing the testing number of man-hours by 30%
Step2 2026~		Autonomous testing with AI, aiming for test process innovation. Halve the testing number of man-hours to improve the speed of provision
Final Step 202X~		Pursue further total optimization with fully autonomous AI, innovate the entire software life cycle, and become fully automated AI testing.

Overview of "TFACT"

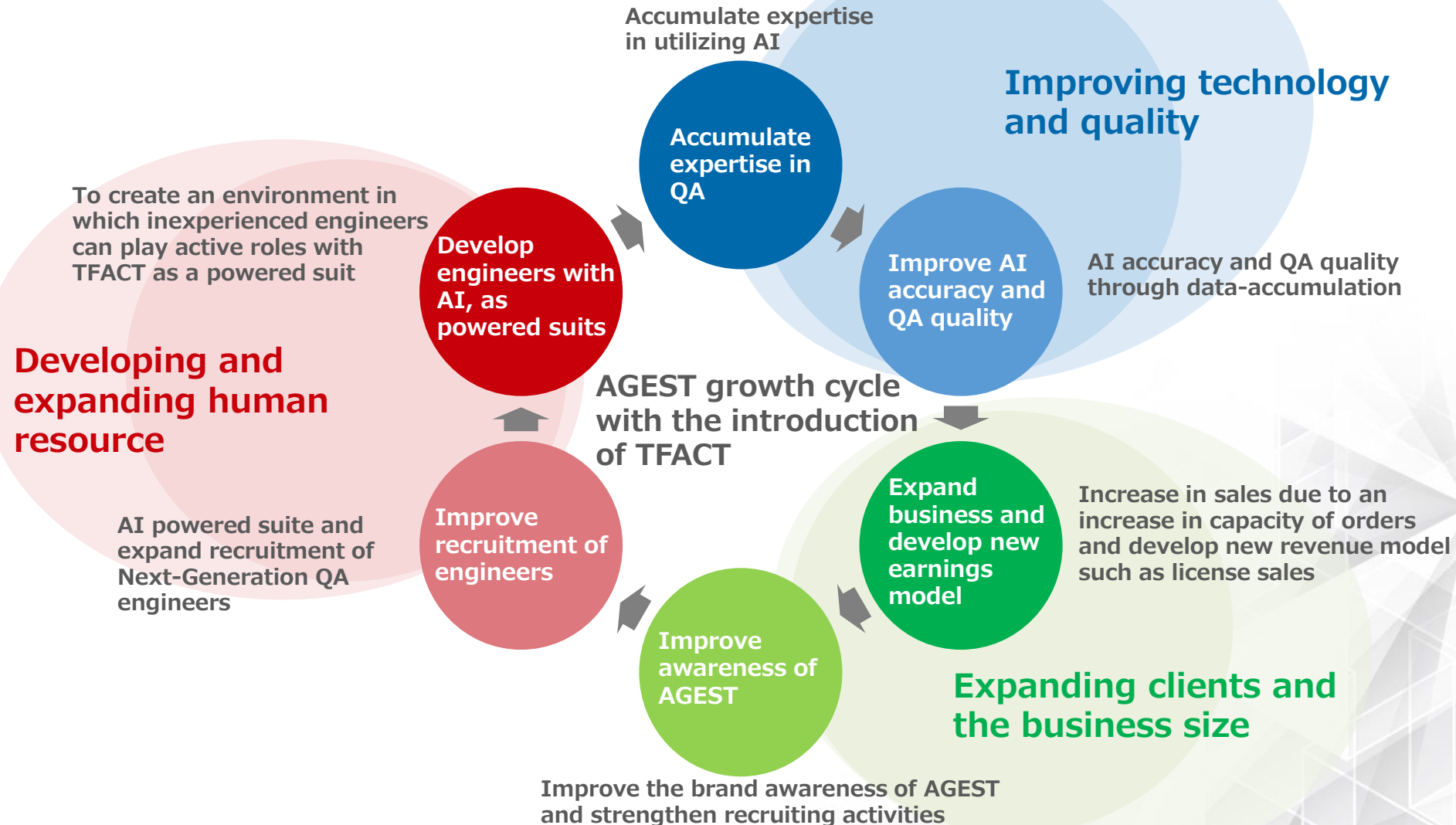
In January 2025, planning to introduce "TFACT" a unique test management tool with AI assisting functions.

- AI-functions strongly supports Next-Generation QA engineers.
- AI performs Scenario creation - Execution - Testing - Debugging - Report preparation.
- Efficient collaboration with test automation tools
- AI-functions reduce testing number of man-hours by 30%



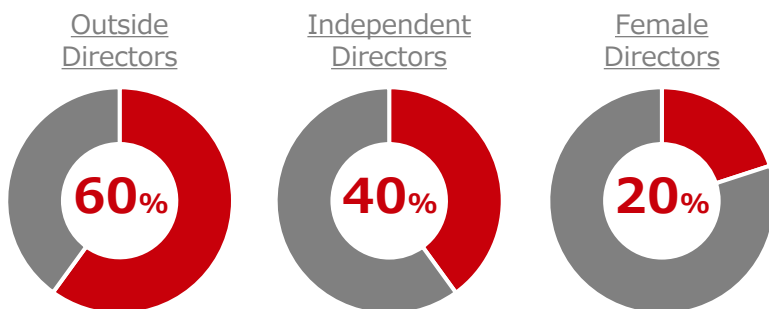
AI Test Case Designer	AI Test Automation	AI Test Result Analyzer	AI Debug	AI Incident Report
<p>AI automatically generates the test steps necessary for test automation</p>	<p>AI analyzes the elements being tested and performs test steps automatically</p>	<p>AI verifies the content of the test and analyzes for problems</p>	<p>AI debugs the findings of the tests and automatically identifies the problem areas</p>	<p>AI analyzes problem of implementation results and prepare an incident report</p>

As a pioneer in AI-testing, aiming to establish an industry de facto standard for QA processes and to continuously expand its business by AGESt's unique growth cycle.



Board of Directors

Consists of members from diverse backgrounds, including founder, corporate management experiences in various industries, certified public accountants, and lawyers, and holds discussions from a diverse perspective.



Audit & Supervisory Board

Members with specialized knowledge and experience in finance, accounting, compliance, etc., audit the execution of duties by directors.

Investment Committee

Implement appropriate investment with a certain discipline by deliberating in advance for large scale investments including M&As.

Risk Management Committee

Identify risks and formulate countermeasures on a cross-group basis.

(As of March 31, 2024)

Ratio of female managers *1

12.4%

Ratio of foreign employees *1

9.5%

Ratio of employees with disabilities *2

2.9%

Number of ISTQB qualification holders *3

500 people

*1 Reporting target: All domestic group companies

*2 Reporting target: DIGITAL HEARTS HOLDINGS Co., Ltd., DIGITAL HEARTS Co., Ltd., AGEST, Inc., DIGITAL HEARTS PLUS Co., Ltd.

*3 Reporting target: All group companies
ISTQB...International Software Testing Qualifications Board

(References) Comparison with competitors

(JPY mn)	<u>The Company</u> (Current)	<u>The Company</u> (Current)	DH Group			AGEST Group			
	FY2023	FY2024 Revised Plan	<u>DH Group</u> FY2023	<u>DH Group</u> FY2024 Revised Plan	<u>Competitor P</u> FY2023	<u>AGEST Group</u> FY2023	<u>AGEST Group</u> FY2024 Revised Plan	<u>Competitor S</u> FY2023	<u>Competitor V</u> FY2023
Net sales	38,790	42,020 (44,100)	23,488	25,720	46,980	15,975	16,490 (18,380)	110,627	10,362
Operating income	2,039	2,540 (3,100)	1,734	2,040	404	305	500 (1,060)	10,537	840
Operating income margin	5.3%	6.0% (7.0%)	7.4%	7.9%	0.9%	1.9%	3.0% (5.8%)	9.5%	8.1%
Profit attributable to owners of parent	176	1,600 (2,100)	—	—	-1,967	—	—	5,127	518
EBITDA	3,077	3,516 (4,076)	2,320	—	1,573	757	—	13,424	1,033
PER	102.02	(8.59)	—	—	—	—	—	54.39	15.43
EBITDA multiple	6.29	(4.75)	—	—	10.72	—	—	21.06	8.11
Market Capitalization	19,351	19,351	—	—	16,864	—	—	282,659	8,386

*1 PER, EBITDA multiple, and market capitalization are calculated based on the closing stock price on November 6, 2024.

*2 The figures in () for our plan are the initial plan disclosed on May 9, 2024 and the figures calculated based on that initial plan.

*3 Some of the EBITDA figure is calculated by us based on the published materials of each company.

Appendix

Our mission

SAVE the DIGITAL WORLD

Market environment

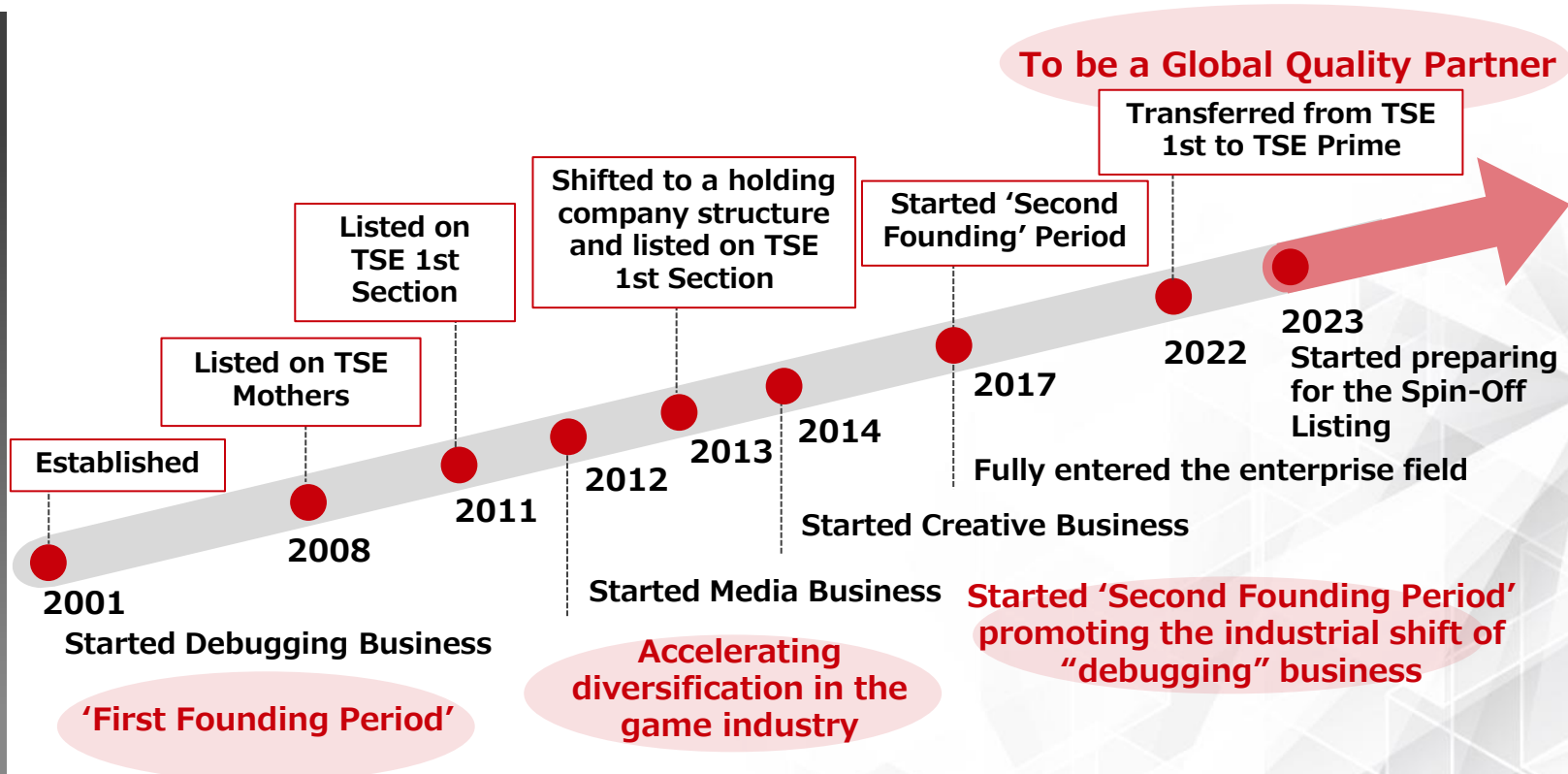
Growth of console game market

Growth of mobile game market

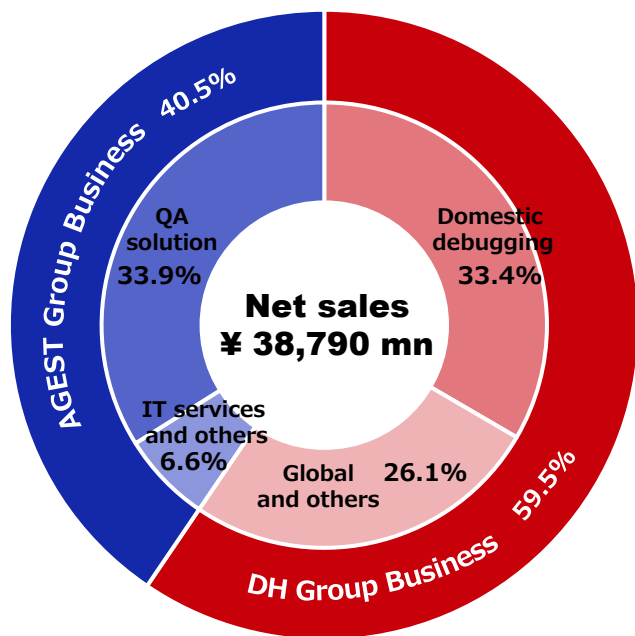
Expansion of IoT

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 September 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.

(As of September 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 AI testing company supporting "Quality" of enterprise systems with leading-edge technology

- Accelerate to grow with centering AGEST, Inc.

Market environment

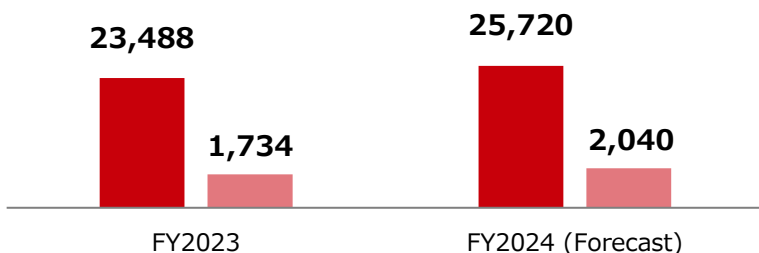
Global digital content market(*1)

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

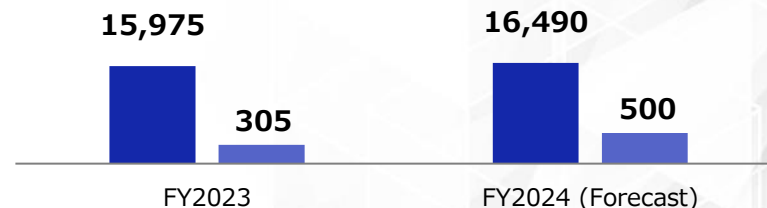
Domestic software testing market (*2)

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.

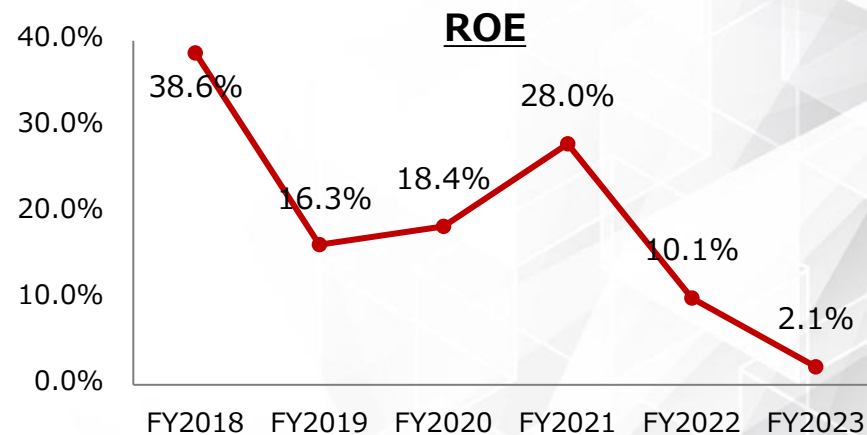
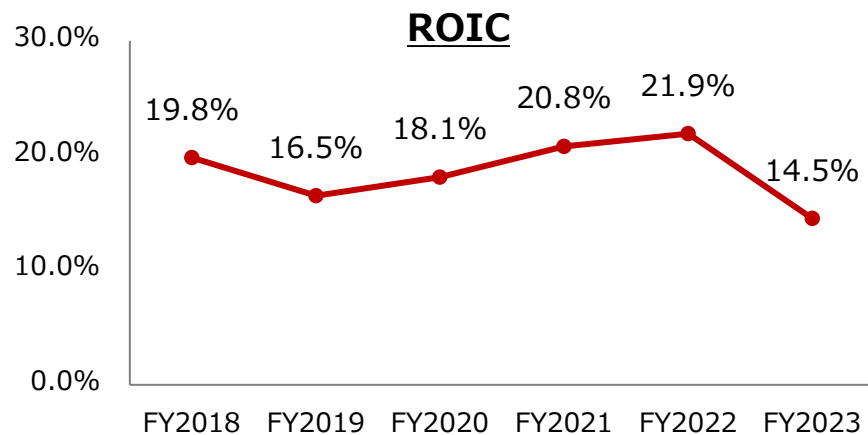
(JPY mn)	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Net sales	15,444	17,353	19,254	21,138	22,669	29,178	36,517	38,790
Enterprise Business	1,952	1,892	3,302	5,022	7,021	11,491	16,840	19,714
Entertainment Business	13,544	15,568	15,951	16,115	15,647	17,687	19,815	19,180
Adjustments	-52	-108	-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.

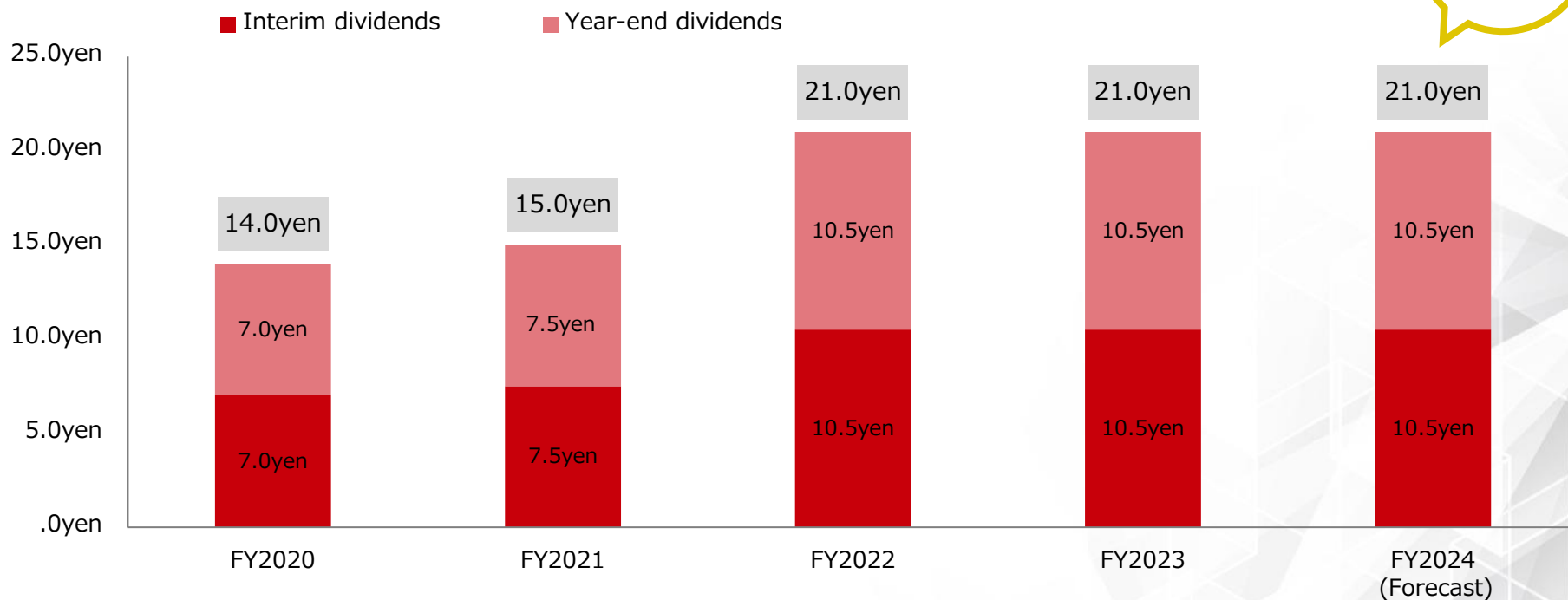
ROIC and ROE



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

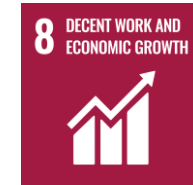
- In-depth market research and due diligence
- Reducing risks by building a system for appropriate business management after acquisition

Our Major Initiatives and Sustainable Development Goals (SDGs)

Human resource

To resolve the shortage of IT human resource

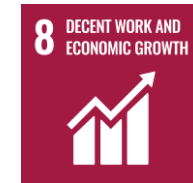
- Internal support system for obtaining software test certification of "ISTQB".
- Provide world-class test engineer training program in "AGEST Academy" for employees.



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

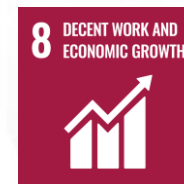
- Established "AGEST Testing Lab." to promote research on new software testing methods to support the evolving software society through industry-academic collaboration.
- Develop original unique tools and business solutions by utilizing AI.



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.

<Contact>

Investor and Public Relations Division

Phone : +81-3-3373-0081

Email : ir_info@digitalhearts.com

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

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