

# Presentation Material

for the First Half of the Fiscal Year Ending March 31, 2019

November 12, 2018

Tokyo Stock Exchange First Section : Code 3676

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

# Business Results for the First Half of FY2018

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(The six months ended September 30, 2018)

# Results for the First Half of FY2018

Record-high  
in net sales of  
the First Half

Net sales

**9,333** million yen  
(YoY 113.0%)

Rapid sales growth of  
Enterprise Business

Sales of Enterprise Business

1H FY2018

Approx. **2 times** (YoY)

Making active  
investments in  
human capital

Operating income

**777** million yen  
(YoY 77.5%)

Training, Recruiting, and M&A  
to strengthen human capital

Number of Expert Engineers

Q2 FY2017

Q2 FY2018

**69**



**161**

Roughly on target of  
the Six months  
ended Sep. 2018

Achievement rate for  
full year forecast

Net sales

**44.4%**

Operating income

**35.3%**

No Change from initial forecast  
by recovering of net sales and  
profit in 2H

Full year forecast of FY2018

Net sales

Operating income

**21.0**

Bln yen

**2.2**

Bln yen

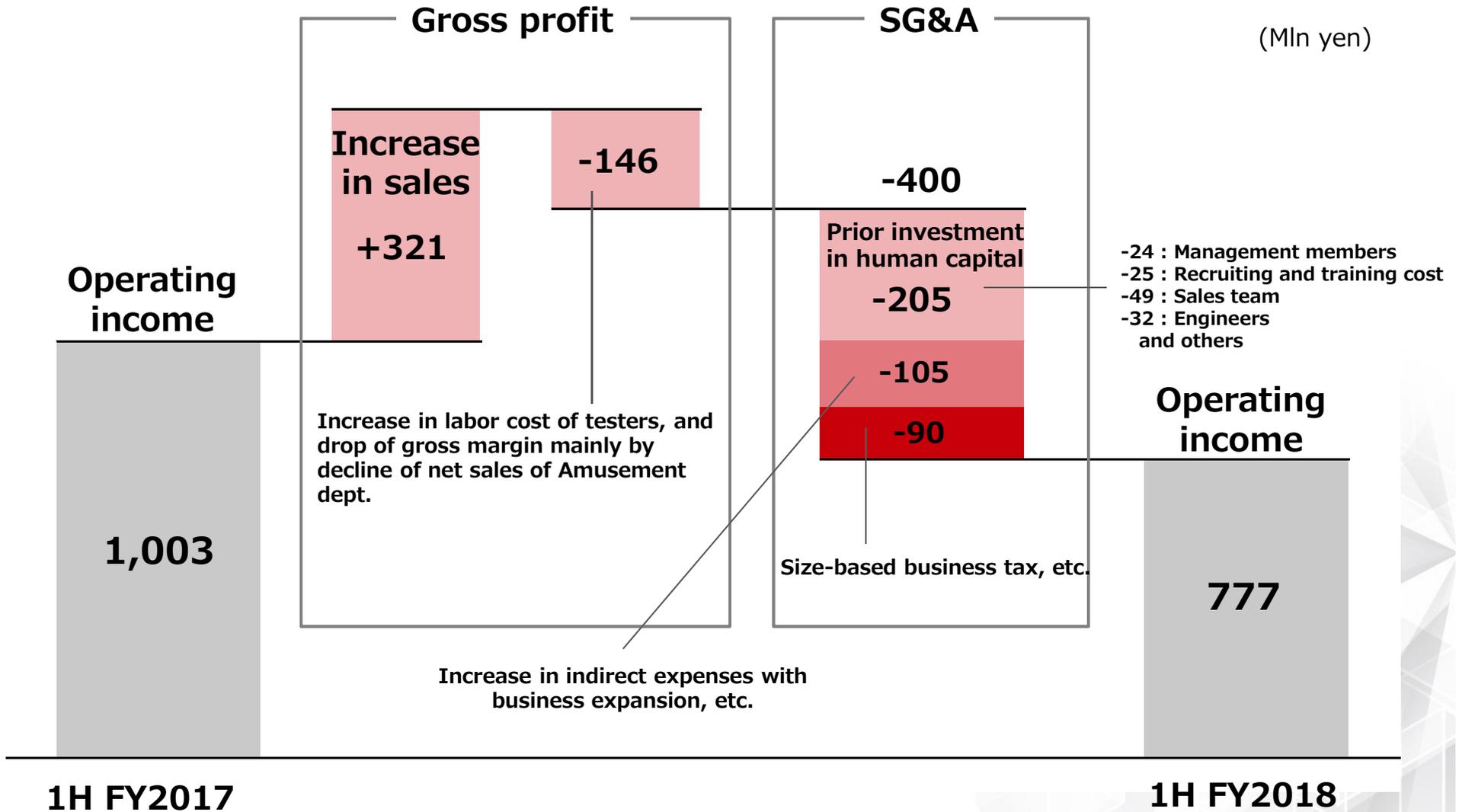
# Summary of Business Results for the Six Months Ended September 30, 2018



- Net sales increasing in both Entertainment and Enterprise business
- Increasing Cost of sales and SG&A by **active prior investment** mainly in human capital

(Mln Yen)	1H FY2017	1H FY2018	YoY Change	
<b>Net sales</b>	<b>8,263</b>	<b>9,333</b>	<b>1,070</b>	<b>113.0%</b>
Cost of sales	5,784	6,680	896	115.5%
Cost of sales (%)	70.0%	71.6%		+1.6 Points
Gross profit	2,478	2,652	174	107.0%
SG&A	1,475	1,875	400	127.1%
<b>Operating income</b>	<b>1,003</b>	<b>777</b>	<b>-225</b>	<b>77.5%</b>
<b>Operating income margin</b>	<b>12.1%</b>	<b>8.3%</b>		<b>-3.8 Points</b>
<b>Ordinary income</b>	<b>1,008</b>	<b>754</b>	<b>-254</b>	<b>74.8%</b>
<b>Profit attributable to owners of parent</b>	<b>674</b>	<b>508</b>	<b>-165</b>	<b>75.4%</b>

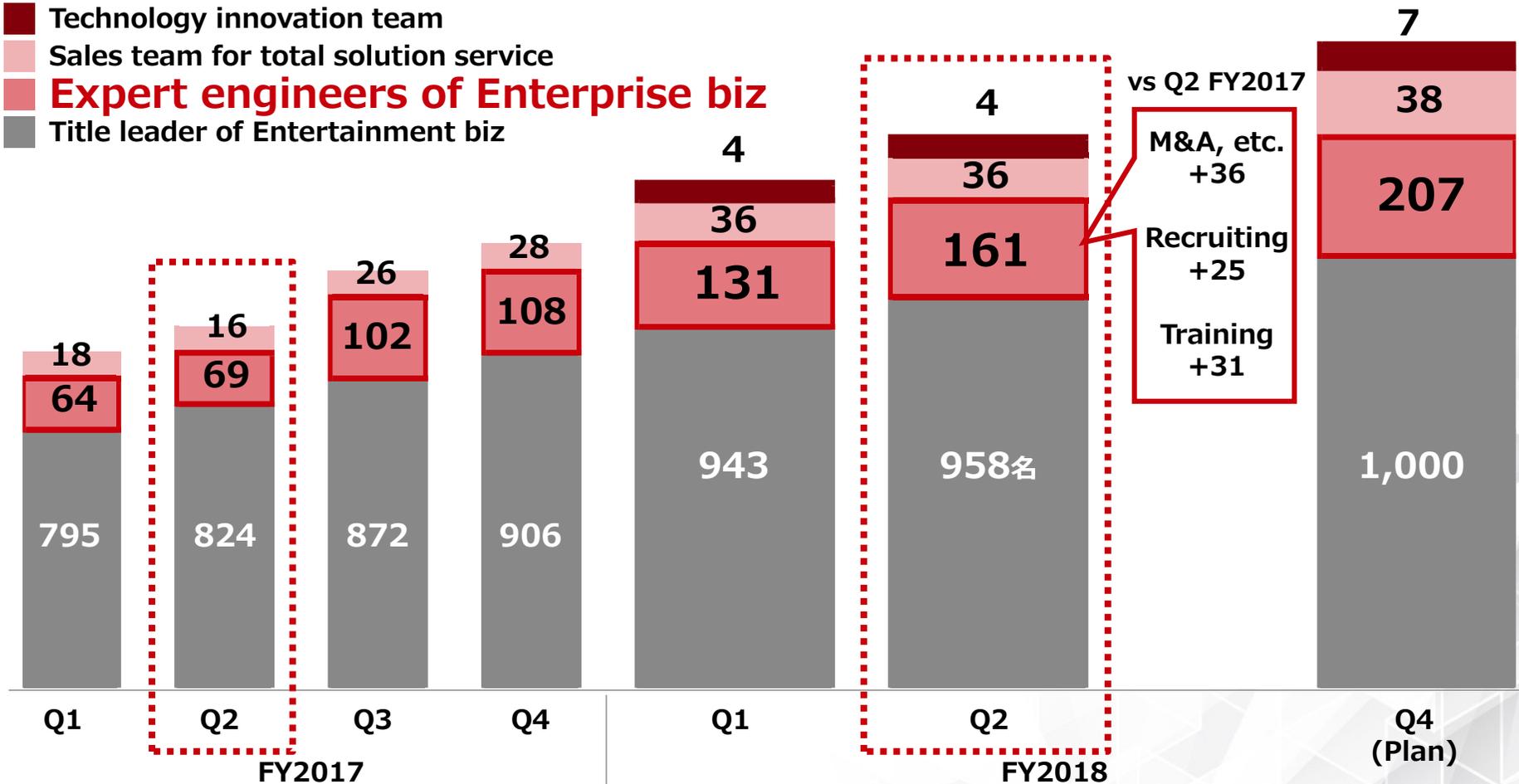
# Analysis of Changes in Operating income



## Number of Expert engineers **2.3 times** (YoY)

[Number of expert employees]

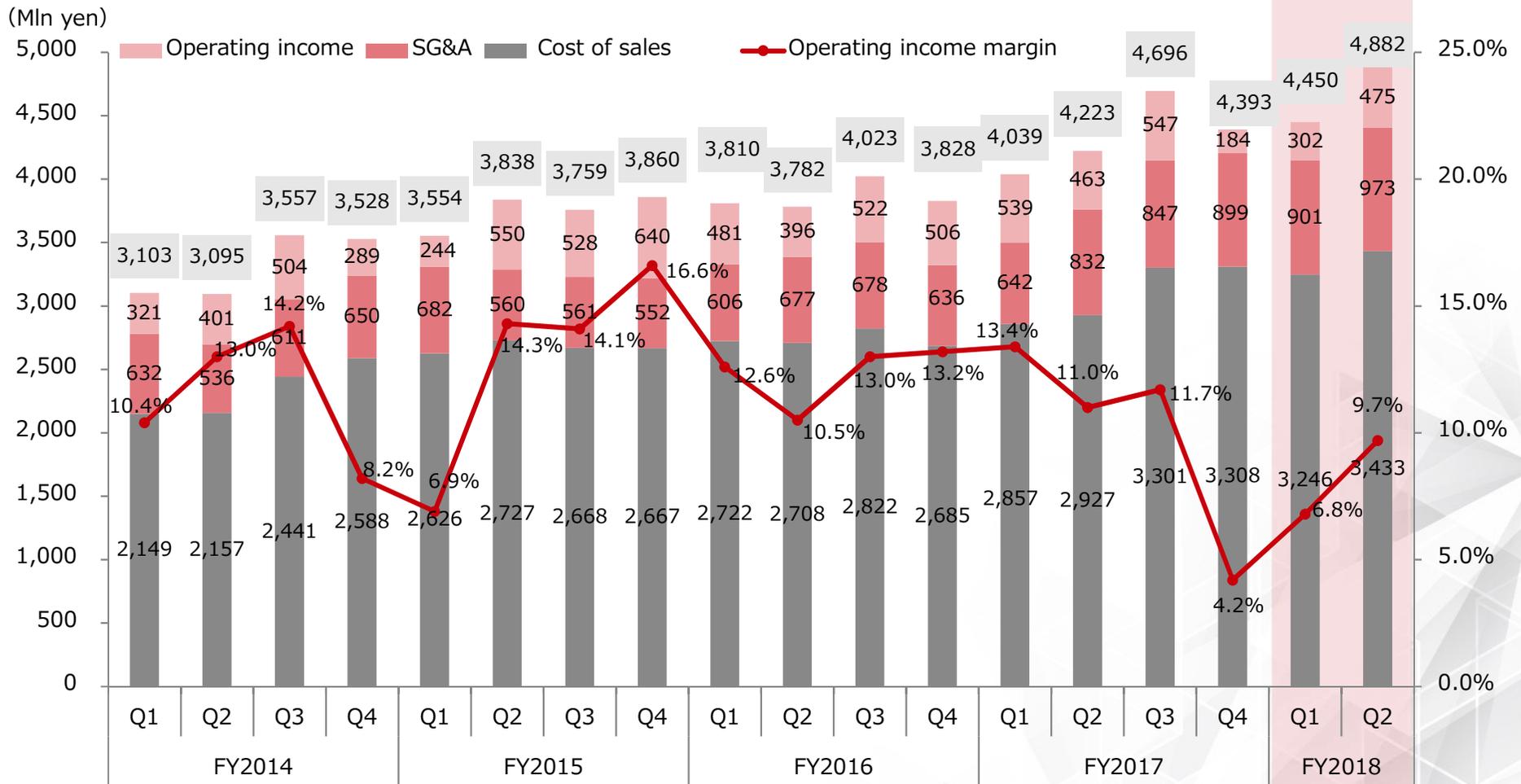
- Technology innovation team
- Sales team for total solution service
- **Expert engineers of Enterprise biz**
- Title leader of Entertainment biz



# Quarterly sales and operating income

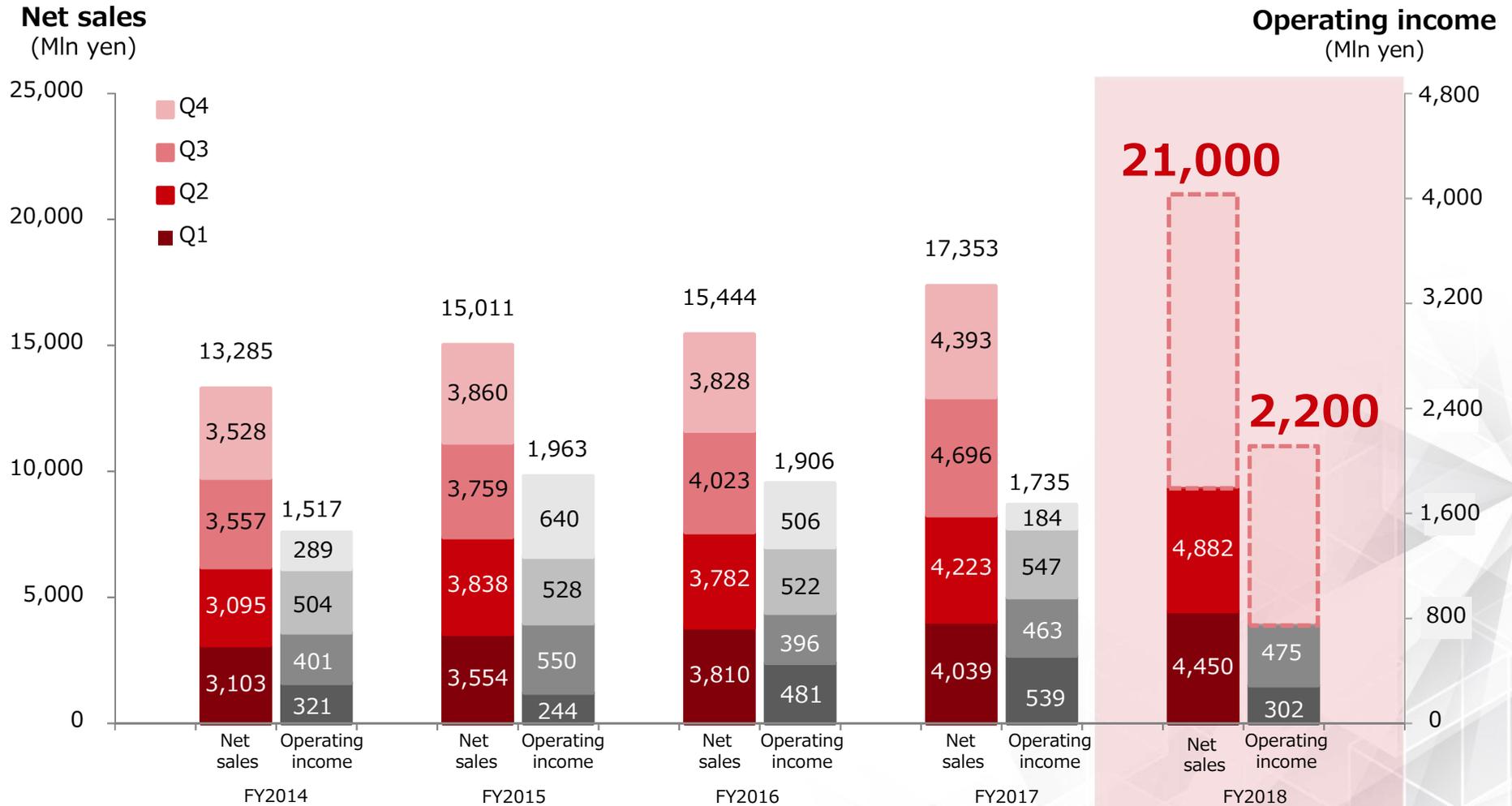
## Operating income margin recovering by increasing of Debugging div. sales

### Quarterly results



# Trend in net sales and operating income

## No change of full year forecast of FY2018 to achieve the record-high net sales and operating income



# Consolidated Balance Sheets



(MIn Yen)	Q4 FY2017 (As of March 31, 2018)	Q2 FY2018 (As of September 30, 2018)	YoY Change
<b>Total assets</b>	<b>8,575</b>	<b>9,423</b>	<b>847</b>
Current assets	6,732	6,653	-78
Cash and deposits	3,894	3,767	-126
Notes and accounts receivable-trade	2,480	2,500	19
Noncurrent assets	1,842	2,769	926
Property, plant and equipment	473	477	4
Intangible assets	286	622	336
Investments and other assets	1,082	1,668	586
<b>Total liabilities</b>	<b>5,005</b>	<b>4,886</b>	<b>-118</b>
Current liabilities	3,929	3,708	-220
Short-term loans	1,600	1,700	100
Noncurrent liabilities	1,075	1,177	101
Convertible bond-type bonds with subscription rights to shares	1,017	1,017	—
<b>Total net assets</b>	<b>3,570</b>	<b>4,536</b>	<b>966</b>
Shareholders' equity	3,340	3,836	495
Capital stock	300	300	—
Treasury shares	-2,405	-2,311	93
Non-controlling interests	200	191	-8
<b>Total liabilities and net assets</b>	<b>8,575</b>	<b>9,423</b>	<b>847</b>

# Consolidated Statements of Cash Flows



(Mln Yen)	1H FY2017	1H FY2018	YoY Change
<b>Net cash provided by operating activities</b>	<b>858</b>	<b>315</b>	<b>-542</b>
(*Cash flows before income taxes paid)	927	569	-358
<b>Net cash used in investing activities</b>	<b>-332</b>	<b>-449</b>	<b>-117</b>
<b>Net cash used in financing activities</b>	<b>-152</b>	<b>-40</b>	<b>112</b>
Effect of exchange rate change on cash and cash equivalents	-11	2	13
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>361</b>	<b>-171</b>	<b>-533</b>
Cash and cash equivalents at the beginning of period	3,344	3,894	549
Increase in cash and cash equivalents from newly consolidated subsidiary	—	9	9
<b>Cash and cash equivalents at the end of period</b>	<b>3,706</b>	<b>3,732</b>	<b>25</b>

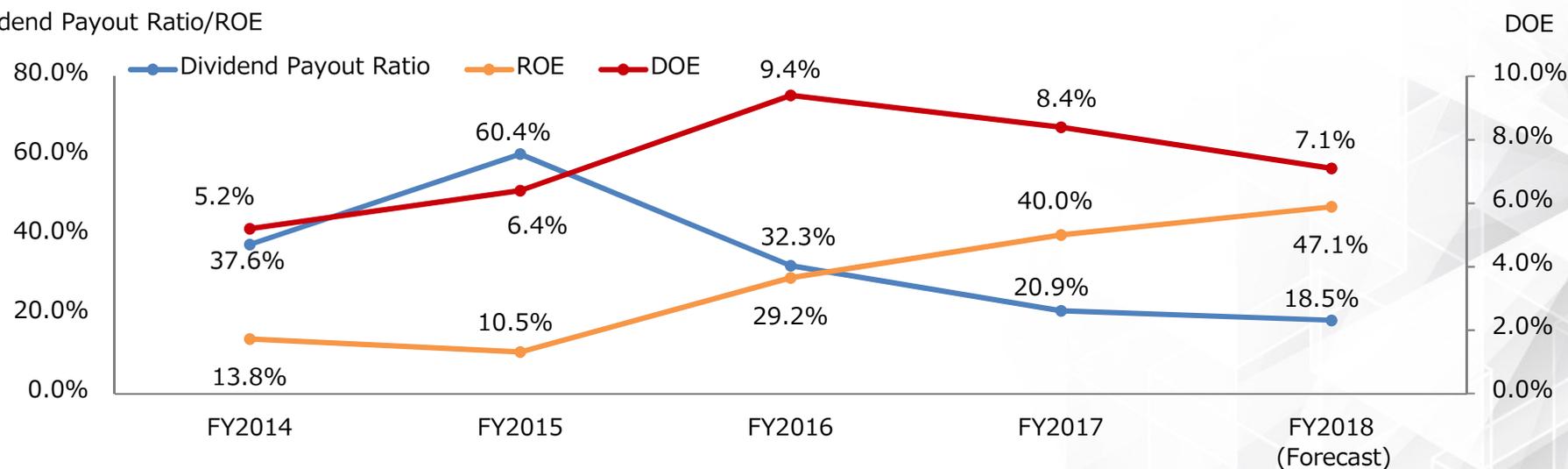
# FY2018 Dividends Forecast



**An interim dividend of 6.5 yen**  
**A year-end dividend of 6.5 yen (forecast)**

	FY2014	FY2015	FY2016	FY2017	FY2018 (Forecast)
<b>Annual dividends</b>	<b>8.5yen</b>	<b>9.5yen</b>	<b>11.5yen</b>	<b>11.5yen</b>	<b>13.0yen</b>
<b>(Interim dividends)</b>	<b>4.0yen</b>	<b>4.5yen</b>	<b>5.5yen</b>	<b>5.5yen</b>	<b>6.5yen</b>
<b>(Year-end dividends)</b>	<b>4.5yen</b>	<b>5.0yen</b>	<b>6.0yen</b>	<b>6.0yen</b>	<b>6.5yen</b>

Dividend Payout Ratio/ROE



\*As the company conducted a 2-for-1 common stock split, effective on October 1, 2016, dividends before the interim dividends for FY2016 are accordingly adjusted retroactively to reflect the share splits impact.

# Financial results of the First Half by Segment and Full year Forecast of FY2018

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【Notice regarding Earnings by Segment】

- Net sales by segment include inter-segment sales or transfers.  
Segment income is based on operating income.

## Summary of Earnings by Segment



- Net sales increasing in both Entertainment and Enterprise business
- Profit drop mainly by active prior investment in human capital

(Mln Yen)	1H FY2017	1H FY2018	YoY Change
<b>Net sales</b>	<b>8,263</b>	<b>9,333</b>	<b>113.0%</b>
Entertainment	7,603	7,874	103.6%
Enterprise	767	1,459	190.2%
Adjustments	-108	-0	—
<b>Operating income</b>	<b>1,003</b>	<b>777</b>	<b>77.5%</b>
Entertainment	1,644	1,511	91.9%
Enterprise	-38	-119	—
Adjustments	-602	-614	—
<b>Operating income margin</b>	<b>12.1%</b>	<b>8.3%</b>	<b>-3.8 Points</b>

## Result of Entertainment Business



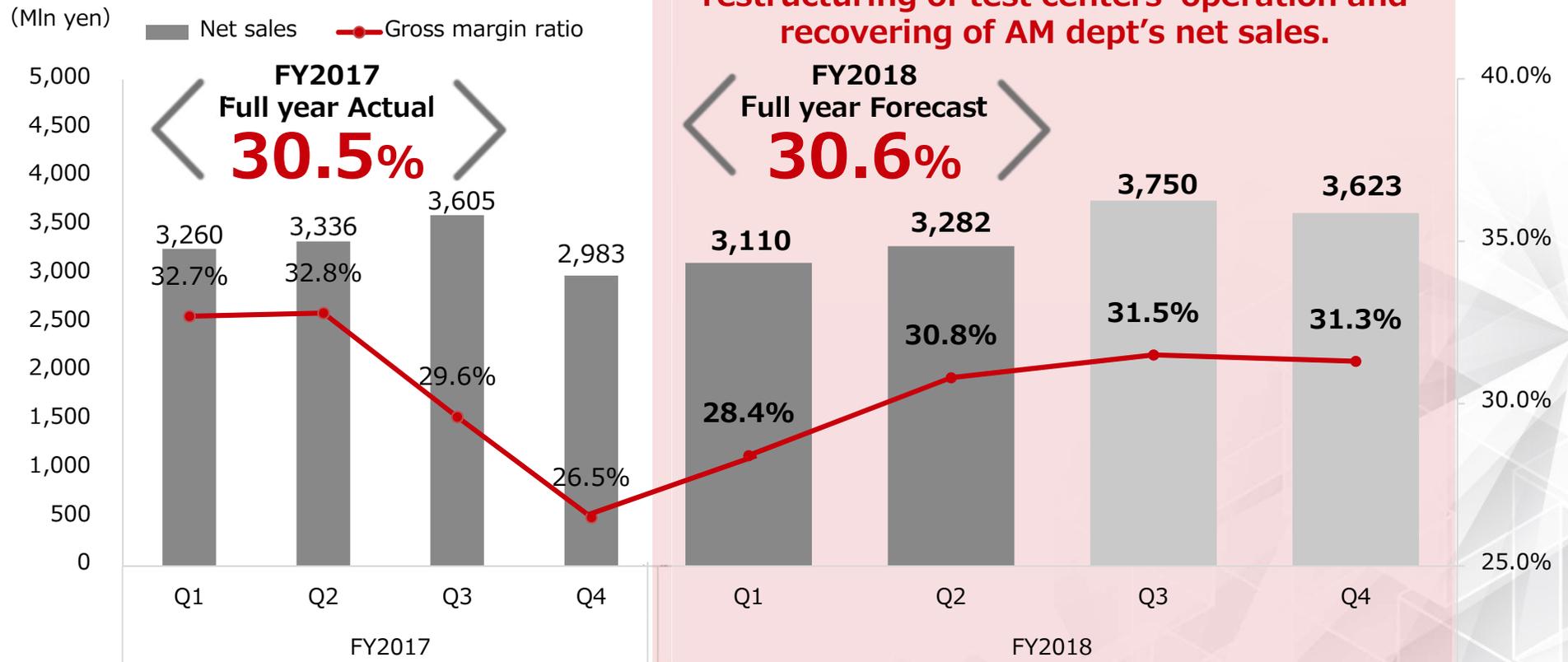
- Stable growth in Mobile Solutions dept. of Debugging div.
- Increase of net sales in both Creative and Media div.
- Profit drop mainly by decline of Amusement dept. of Debugging div.

(Mln Yen)	1H FY2017	1H FY2018	YoY Change
<b>Net sales</b>	<b>7,603</b>	<b>7,874</b>	<b>103.6%</b>
Debugging	6,596	6,393	96.9%
Game Console (GC)	2,056	1,981	96.4%
Mobile Solutions (MS)	3,492	4,128	118.2%
Amusement (AM)	1,047	282	27.0%
Creative	735	1,073	145.9%
Media and others	271	408	150.1%
<b>Segment income</b>	<b>1,644</b>	<b>1,511</b>	<b>91.9%</b>

# Entertainment Business – Debugging div.

- Debugging div.'s gross margin for Q2 FY18 was 30.8%, higher than our plan.
- Gross margin target for full year is 30.6%, almost same as previous year.
- 2H gross margin will be recovered by labor cost control and growth of sales.

## Quarterly results of Debugging div.

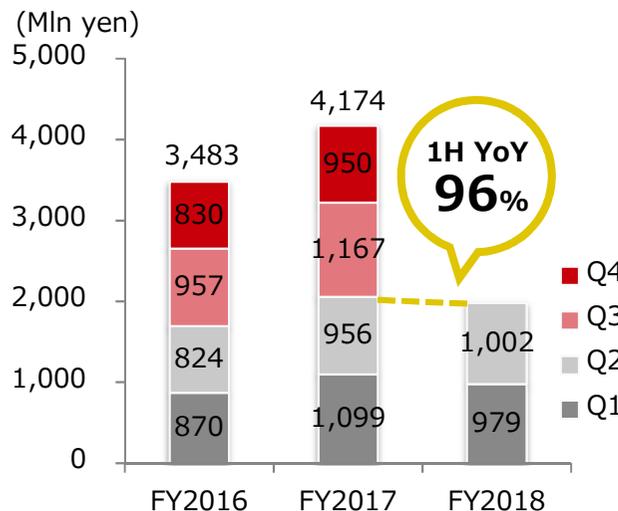


# Entertainment Business – Debugging div.

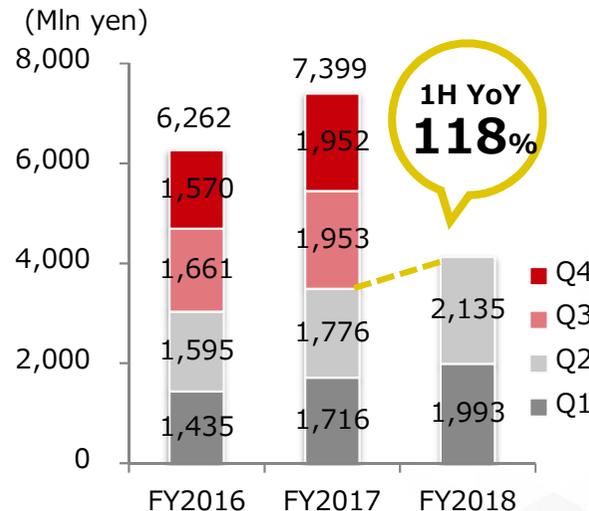
- **Game Console dept. (GC)**
  - Stable sales in 1H and sales growth in Q3 and Q4 as peak season of this year
- **Mobile Solutions dept. (MS)**
  - Larger Q2 sales than Q1 and continuous increase in sales for full year
- **Amusement dept. (AM)**
  - Drop of sales since prev. Q4 by regulatory changes and will recover in this 2H

## Quarterly sales

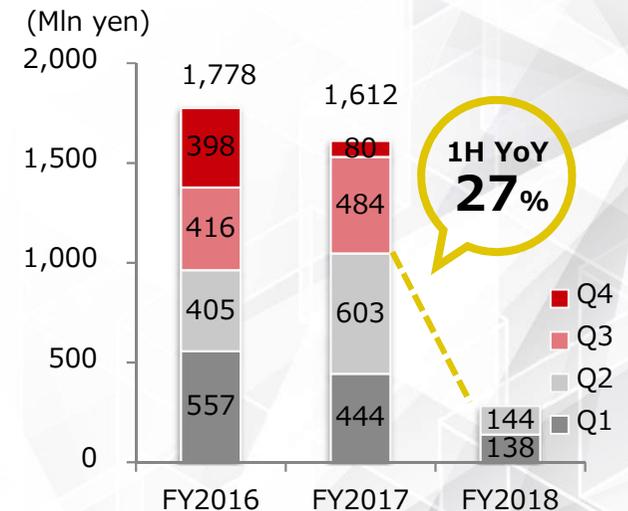
**Game Console dept. (GC)**



**Mobile Solutions dept. (MS)**

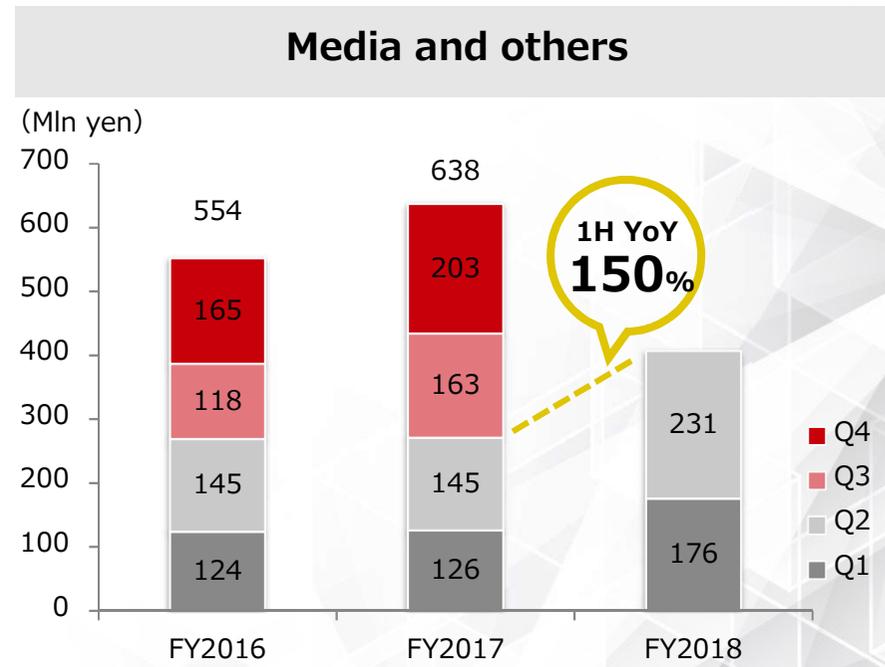
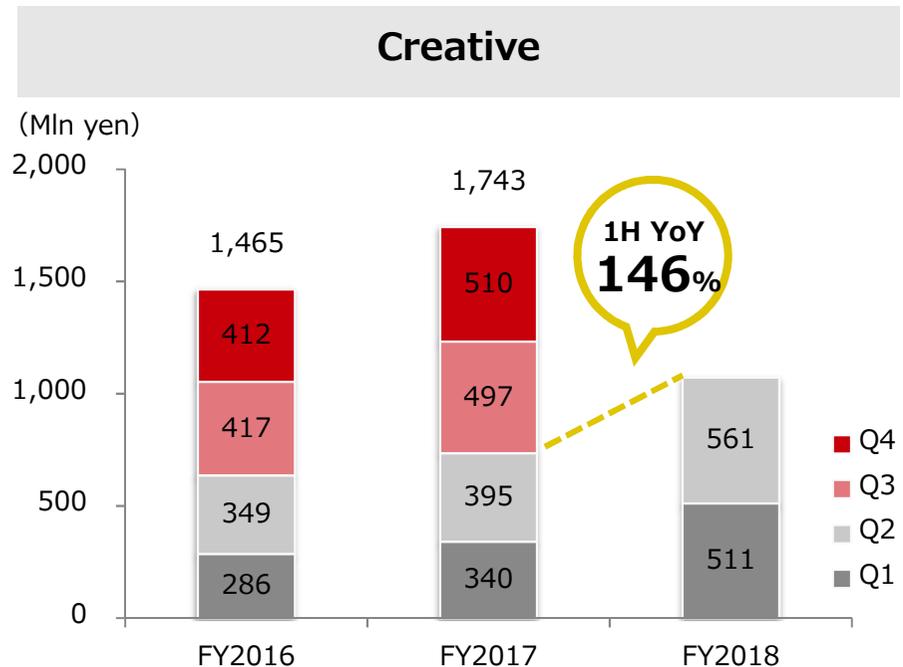


**Amusement dept. (AM)**



- Creative
  - Continuous growth of game development and 2D/3D graphic production
- Media and others
  - Stable sales of advertising service of game information site, “4Gamer.net”
  - Contribution of customer support service newly launched last year

## Quarterly sales



# Result of Enterprise Business

- Enterprise business sales growth of **around 200%** (YoY) by increasing expert engineers and making new business alliances

(Mln Yen)	1H FY2017	1H FY2018	YoY Change
<b>Net sales</b>	<b>767</b>	<b>1,459</b>	<b>190.2%</b>
System Testing	345	545	158.0%
IT service / Security	421	913	216.6%
<b>Segment loss</b>	<b>-38</b>	<b>-119</b>	<b>—</b>

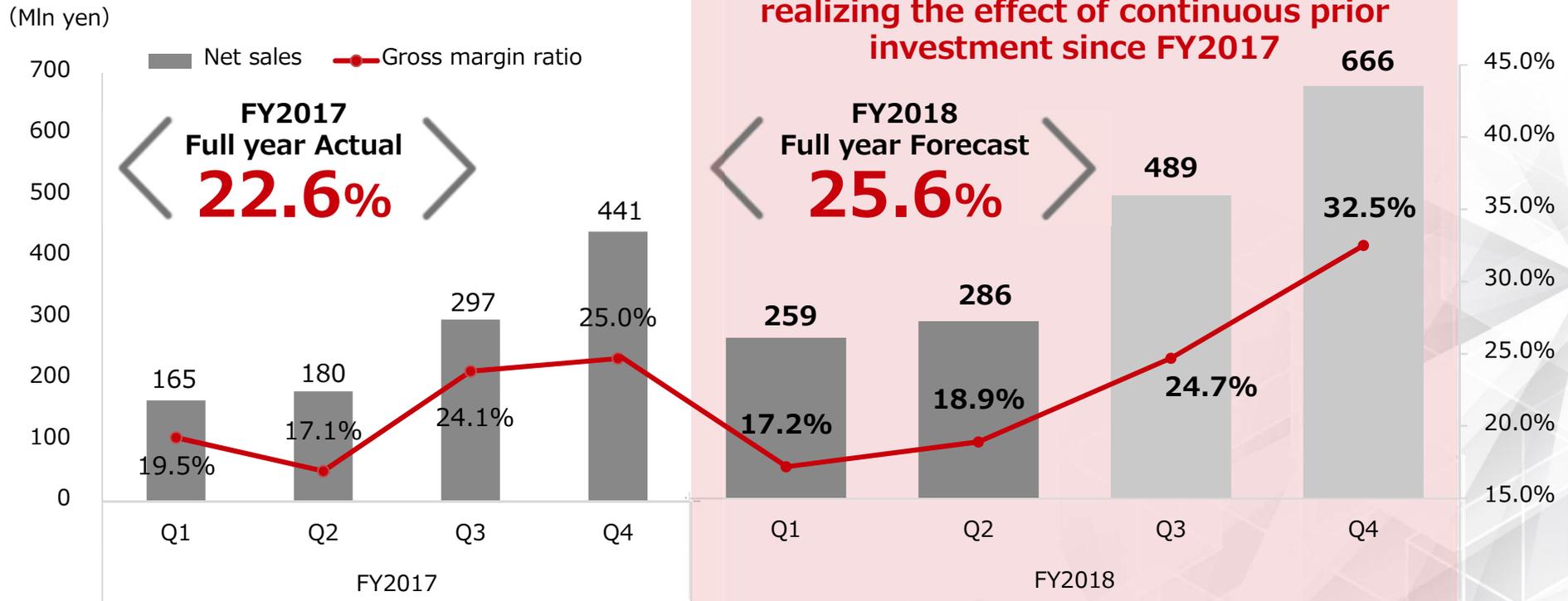
## M&A, etc

		FY2018			
		Q1	Q2	Q3	Q4
	Acquisition of the system development business from <b>Keepahead Co.Ltd.</b> - Consolidated from June, 2018		Consolidated →		
	Stock acquisition of medical system testing company, <b>ANET corporation</b> - Consolidated from September, 2018		Consolidated →		

# Enterprise Business – System Testing div.

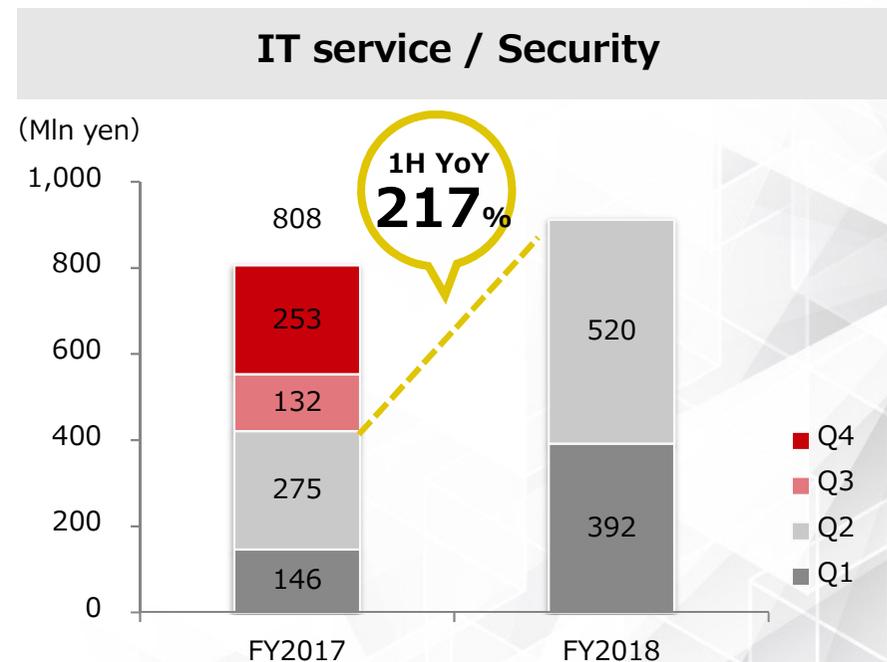
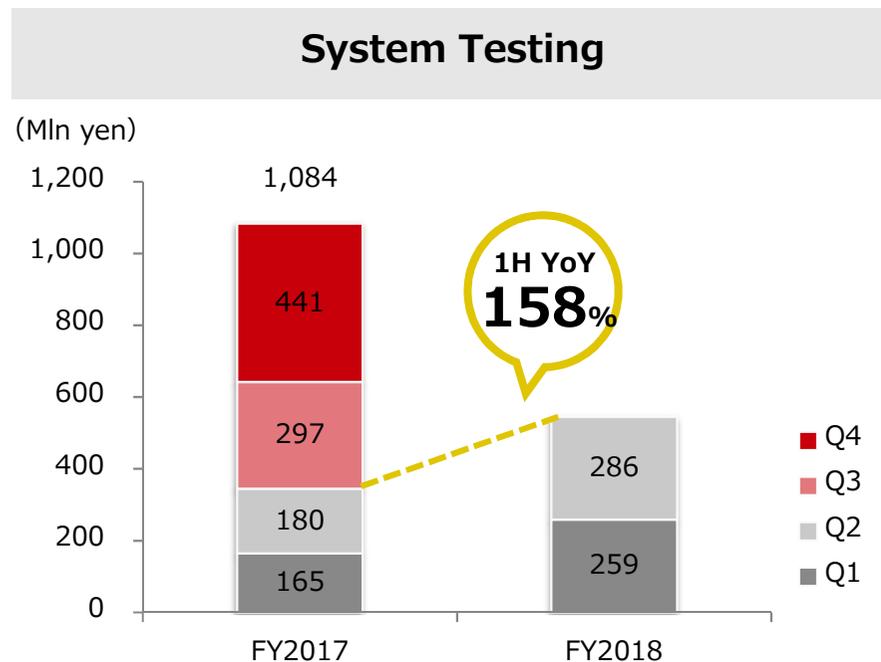
- From September 2018, profit from the ANET Corporation, a newly acquired subsidiary, contributed.
- Sales and the gross margin were both revised in the plan for the 2H of the fiscal year. Aiming to reach a 25.6% gross margin in FY2018.
- Gross margin of Q3 and Q4 will be improved by sales growth of the div.

## Quarterly results of System Testing div.



- System Testing**  
 By acquiring new customers in different industries, 2H sales of the div. is planned to increase rapidly
- IT service / Security**  
 By good sales of new services, 1H sales is already larger than full year FY2017 and 2H sales will be increasing as well

## Quarterly sales



# FY2018 Consolidated Financial Forecast



- Expecting to achieve new record-high sales and profit of full year with no change from initial forecast
- Operating income margin will be improved in 2H, with a positive effect of prior investment since FY2017

(MIn Yen)	Full year FY2017 (Actual)	Full year FY2018 (Forecast)	YoY Change
<b>Net sales</b>	<b>17,353</b>	<b>21,000</b>	<b>121.0%</b>
Entertainment Business	15,568	17,000	109.2%
Enterprise Business	1,878	4,000	212.9%
<b>Operating income</b>	<b>1,735</b>	<b>2,200</b>	<b>126.7%</b>
Operating income margin	10.0%	10.5%	+0.5Points
<b>Ordinary income</b>	<b>1,782</b>	<b>2,224</b>	<b>124.8%</b>
<b>Profit attributable to owners of parent</b>	<b>1,200</b>	<b>1,533</b>	<b>127.7%</b>

# Execution of the growth strategy

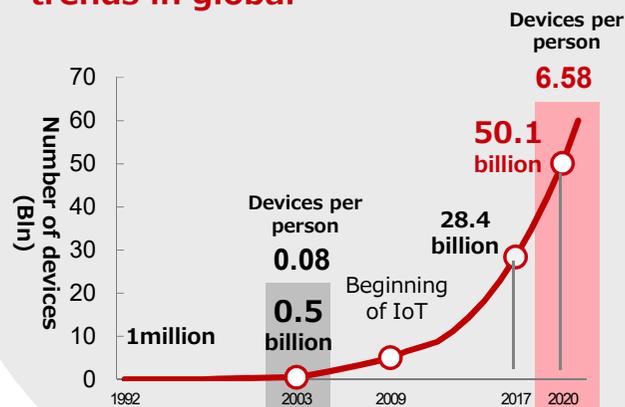
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# Market trends of testing service

Due to advances in digital transformation (DX), development needs are changing. Outsourcing of testing to specialized companies with a wealth of knowledge and expertise is being accelerated.

## Growth of IoT and cloud trends

No. of connected devices due to IoT trends in global



Source: IDC

## Increase in outsourcing of testing

Factors driving outsourcing of testing



Source: Trends in software testing July 2016 – KPMG

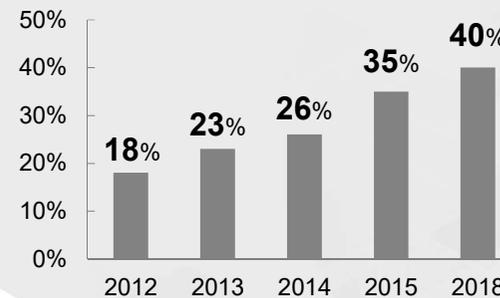
Japan's future shortage of IT human Capital (number of people)

2015 Approx. **170** thousand

2030 Approx. **790** thousand

Source: METI, "Latest trends of IT human resources and survey results concerning the future estimate"

## Budget allocation as percentage of software testing



Source: World Quality Report 2015-16

Pursuing the growth of the entertainment business and developing the enterprise business as a second pillar of our group.

## Entertainment Business

## Enterprise Business

### Improvements in customer engagement

- Flexibly assign testers to accommodate changeable development schedules.
- Improve ability to make proposals tailored for each project.
- Expand services based on our clients' needs.

**Continuing growth**

FY2018  
Net sales (Plan)

**17.0Bln yen**

FY2017  
Net sales  
15.5Bln yen

**Rapid growth**

FY2018  
Net sales (Plan)

**4.0Bln yen**

FY2017  
Net sales  
1.8Bln yen

### Expansion as the second pillar of business

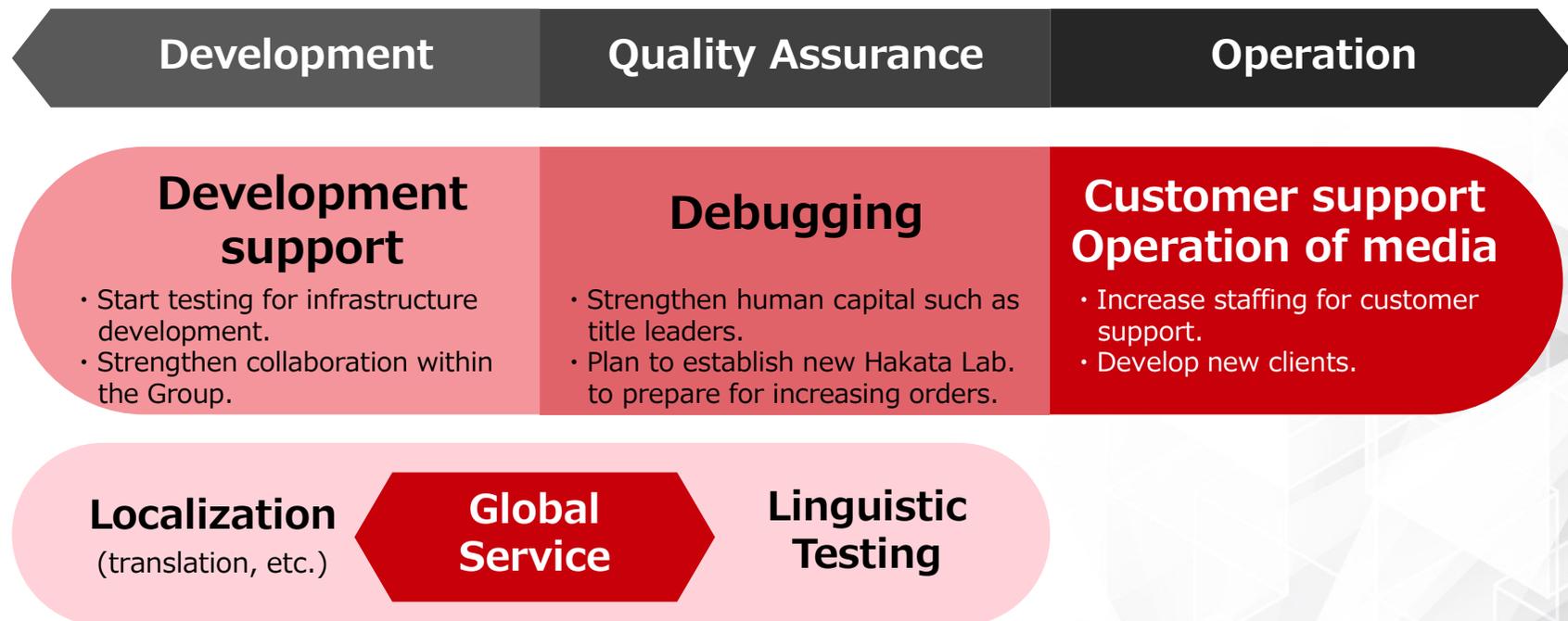
- Expand the service range targeting the rapidly growing market.
- Actively use business alliances and M&A.
- Develop new services with our own technology.

## Human Capital and Technology

Improve recruitment and personnel training, and enhance motivation.  
Invest in technology, e.g. operational efficiency and service development.

## Improvements in customer engagement

Continue to improve game debugging as our core business. Expand services such as game development support, customer support, and global services, and respond to diverse clients' needs throughout the Group.



Strengthen wide range of services such as localization, linguistic testing, CG content development, and voice/music recording.  
Enhance support with Japanese quality in both outbound and inbound services.

## Sales growth of Global service

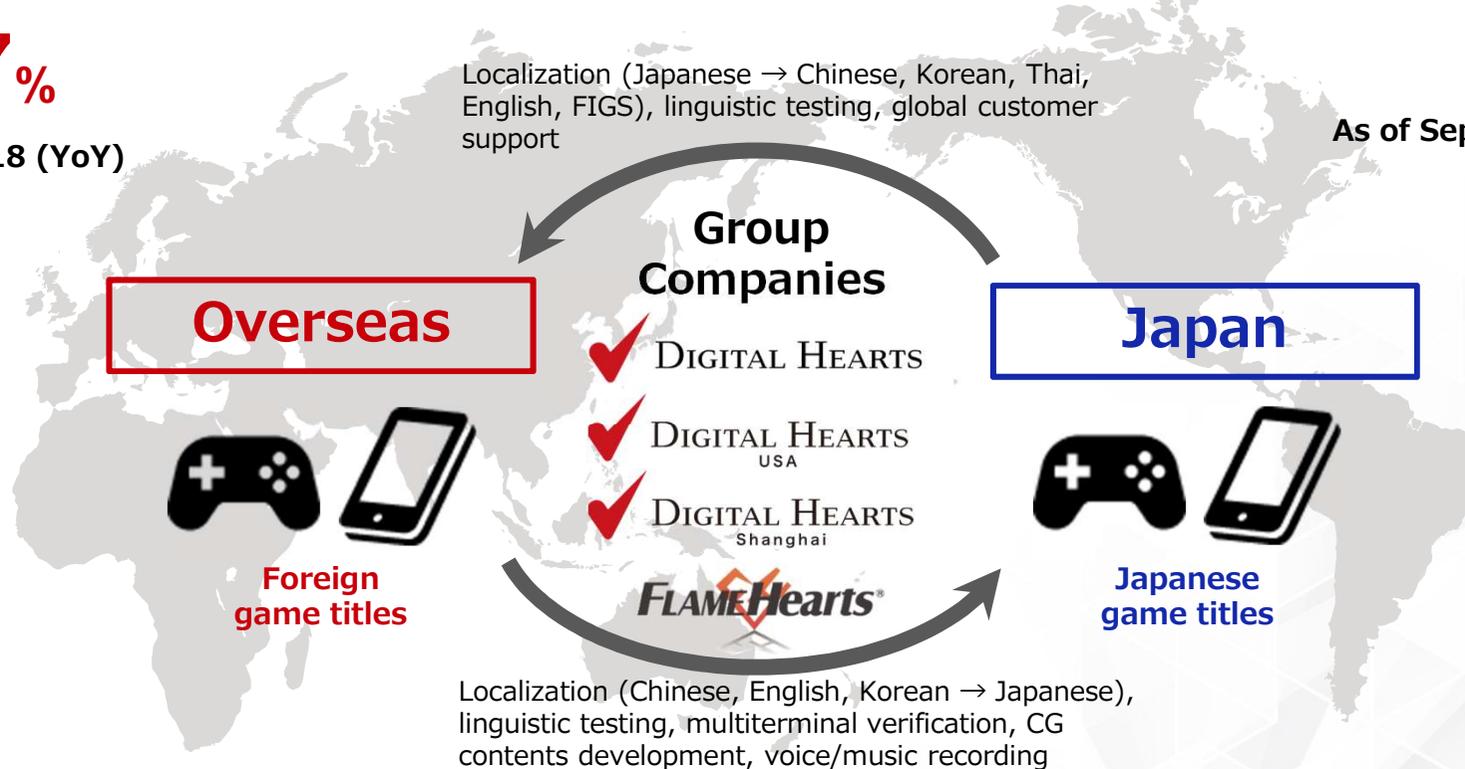
**157%**

1H FY2018 (YoY)

## Number of members of Global service business

**219**

As of September 2018



Rapidly improve productivity by instituting operational reforms in test centers. Improve all operations, human capital management, and information systems.

## Operation

### Improve testing efficiency

- Establish a new operational reform support section.
- Simplify and automate operations in Labs.

## Human capital management

### Strengthen Lab management structure

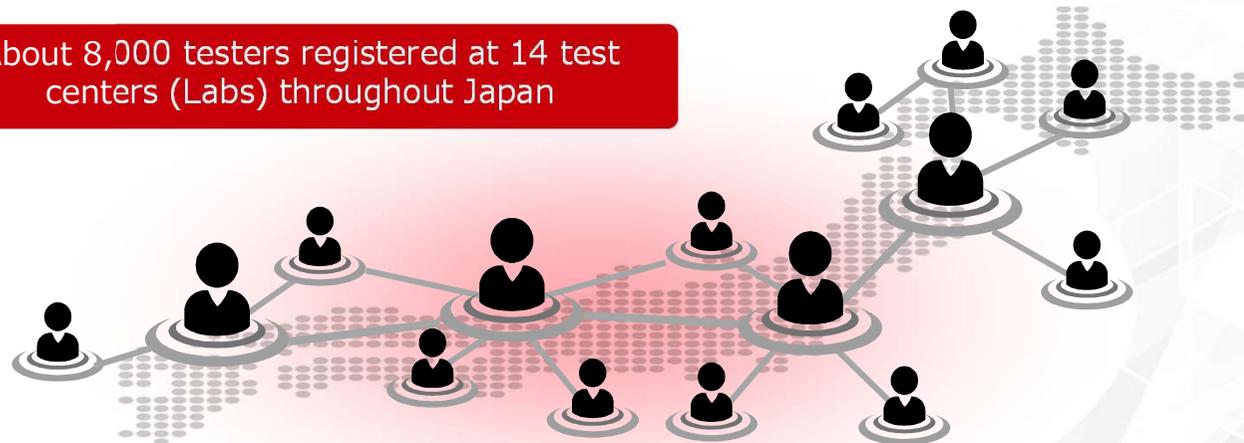
- Redefine each position's role and capacity.
- Retain capable personnel and enhance motivation by improving human capital development support.

## Information systems

### Renewal core IT system

- Visualize testers' capability and operational efficiency.
- Share information among Labs and implement standardization.

About 8,000 testers registered at 14 test centers (Labs) throughout Japan



## Expansion of the service range

Acquiring different kinds of clients in new industries such as real estate or beverage manufacture by continuing active investments and improving human capital, technology, and sales promotion

### Testing of systems for consumer use

### Testing of industrial systems

**Mobile / WEB applications**  
**E-commerce sites, etc.**

Using common infrastructure with debugging (e.g. multiterminal verification)

**Autonomous driving**  
**Consumer electronics, etc.**

System testing from users' eyes using experience gained through debugging

**Operation systems**  
**Medical systems, etc.**

System testing conducted by expert engineers secured or trained through alliances, M&A, etc.

### Case examples

#### Online Music Distribution

- ✓ Music distribution system
- ✓ Test automation
- ✓ Vulnerability diagnosis

#### Internet Services

- ✓ WEB System
- ✓ Test automation

#### Financial Services

- ✓ Online payment system
- ✓ Stress test
- ✓ Vulnerability diagnosis

#### Real estate Services

- ✓ Sales support system
- ✓ Property management system

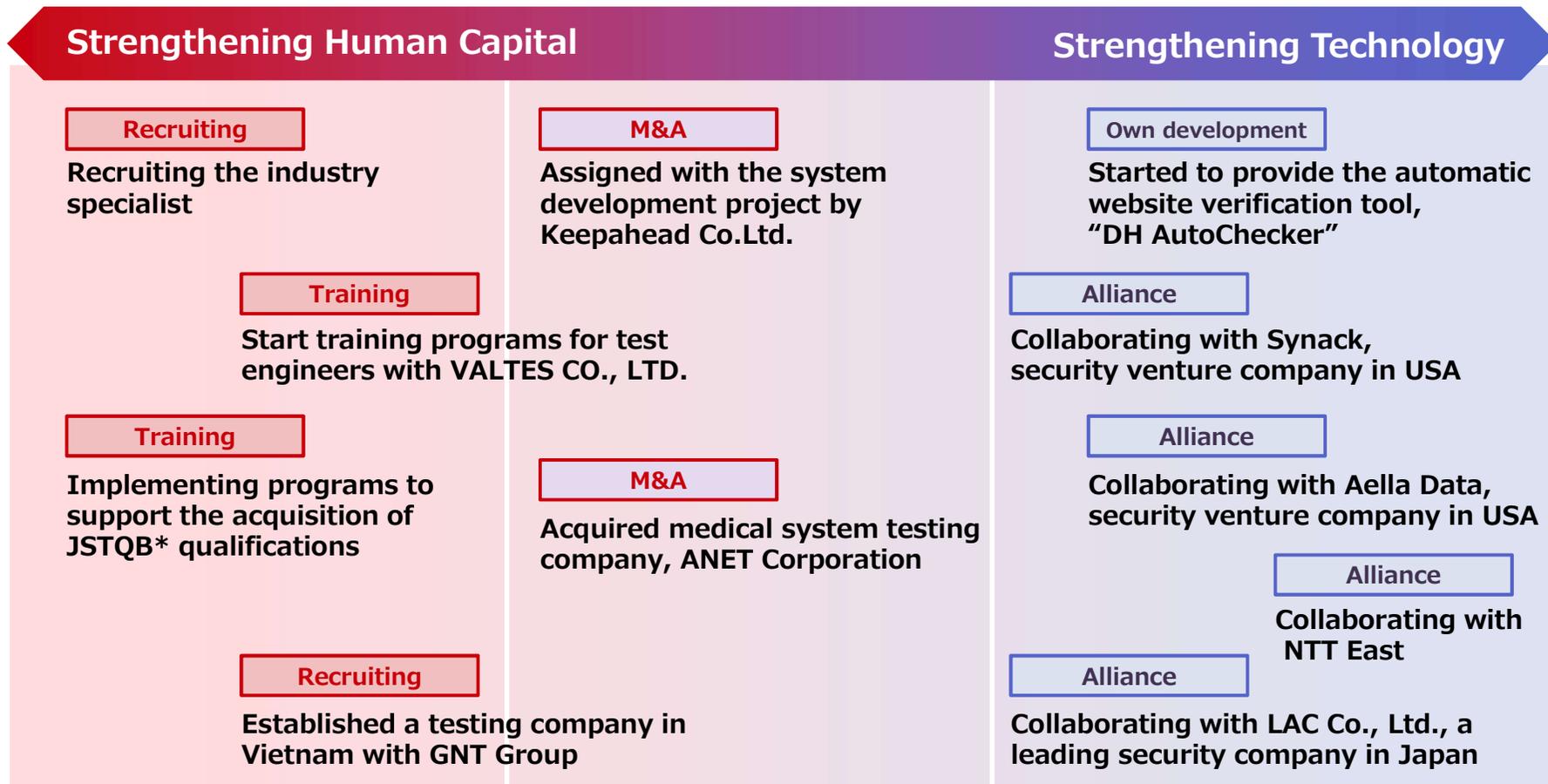
#### Beverage Manufacturer

- ✓ IoT system
- ✓ Test automation

#### Auto parts Manufacturer

- ✓ Connected car system
- ✓ Voice recognition system

By focusing on securing and training expert engineers and boosting technology use, promote the improvement of service quality and operational efficiency.



\*JSTQB...Qualifications of software testing engineers in Japan

TOPICS  
1

**Acquired ANET Corporation**, a company which has strengths in medical system testing, **as a subsidiary**

- ✓ Further development of the medical and healthcare domain
- ✓ Develop testing engineers with diverse skills by sharing the expertise of ANET Corporation



Corporate Profile	
Company Name	ANET Corporation
Location	Shimonogo 813-15, Ueda, Nagano
Representative	President Kenzo Miyajima
Incorporated	June 1989
Business Activities	System testing, System development, etc.
Operating Results	Net sales 251million yen Operating income 20million yen (Fiscal year ended October 2017)
Number of Employees	29 (including <b>24</b> expert engineers)

Consolidated from September 2018

TOPICS  
2

## Number of software testing engineers certified with JSTQB qualifications **To be one of the industry-leading companies**

- ✓ Many internal testers passed by organizing programs, etc. for supporting the acquisition of JSTQB-certified qualifications
- ✓ Aiming to be a company with a largest scale of the certified qualification holders in Japan, and become one of Platinum Partners

### Personnel with JSTQB qualifications

As of October 31, 2018  
(Total number of our group companies)

Advanced Level

8

Foundation Level

325

### ISTQB Partners

#### Platinum Partner

VALTES CO.,LTD. / VeriServe Corporation /  
**DIGITAL HEARTS Co., Ltd. (Currently applying)**

#### Gold Partner

webrage CO.,LTD. / ELINT System / QaaS Co., Ltd. / Computer Associated Laboratory,Inc / VALTES Advanced Technology, Inc. / VALTES MOBILE TECHNOLOGY CO.,LTD / FUJITSU PUBLIC SOLUTIONS LIMITED / METATECHNO Inc. / MITSUIWA ENGINEERING CORPORATION / Boole Japan Co., Ltd. /  
**ANET Corporation (Currently applying)**

Source: JSTQB's WEB site (As of November 8, 2018)

\* Japan Software Testing Qualifications Board (JSTQB) is an organization that certifies software testing engineers in Japan. JSTQB is a member board of the International Software Testing Qualifications Board (ISTQB), which has a membership of organizations certifying testing engineers from all over the world.

\* The ISTQB Partner Program accredits companies and organizations that are committed to improving quality technology and testing techniques. The Program comprises four levels of partnerships; Global Partner, Platinum Partner, Gold Partner, and Silver Partner.

TOPICS  
3

# Enhancing cybersecurity business by utilizing alliances with other companies

## DH Security Solution Center

Testing

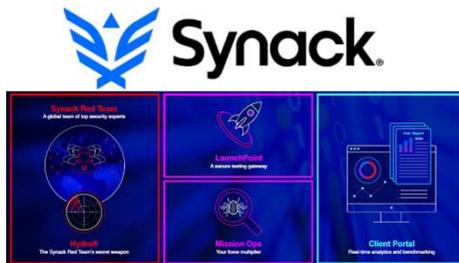
Monitoring  
(Operation)

Training

New

**Started vulnerability inspection services through AI x cloud sourcing**

Providing vulnerability diagnosis by world-class white-hat hackers in collaboration with Synack, a professional service firm designated by the U.S. Department of Defense.



New

**Started to provide abnormality detection systems using AI**

In collaboration with Aella Data, an U.S. security venture company, providing services using their highly expandable abnormality detection systems.



New

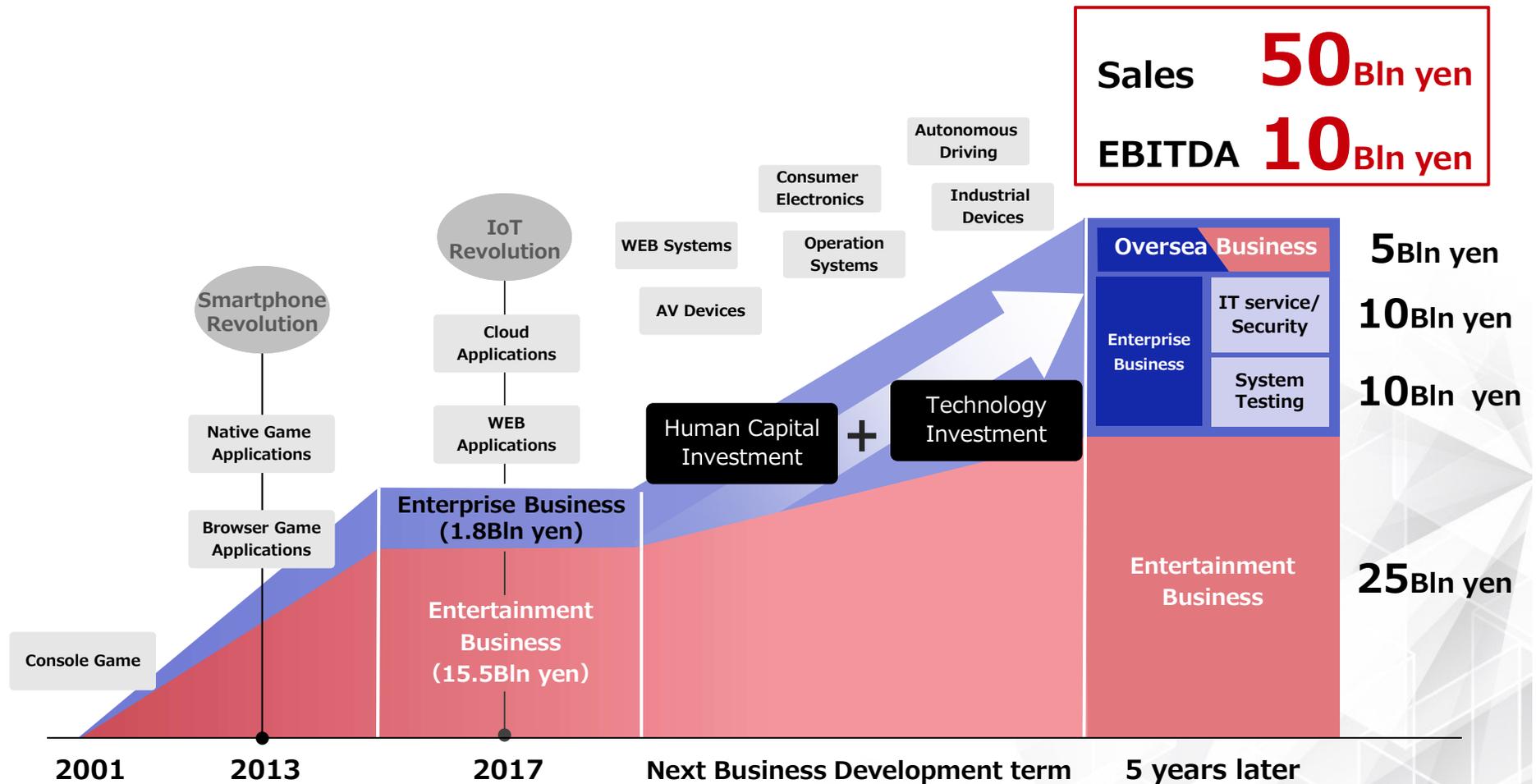
**Introducing practical training courses for security engineers**

Twenty testers joined the two-week DH security boot camp from Labs throughout Japan. Some of them have already started OJT in security departments.



# Mid-term roadmap

## To be the Asia's No.1 Company for Comprehensive Testing Solutions



# Reference

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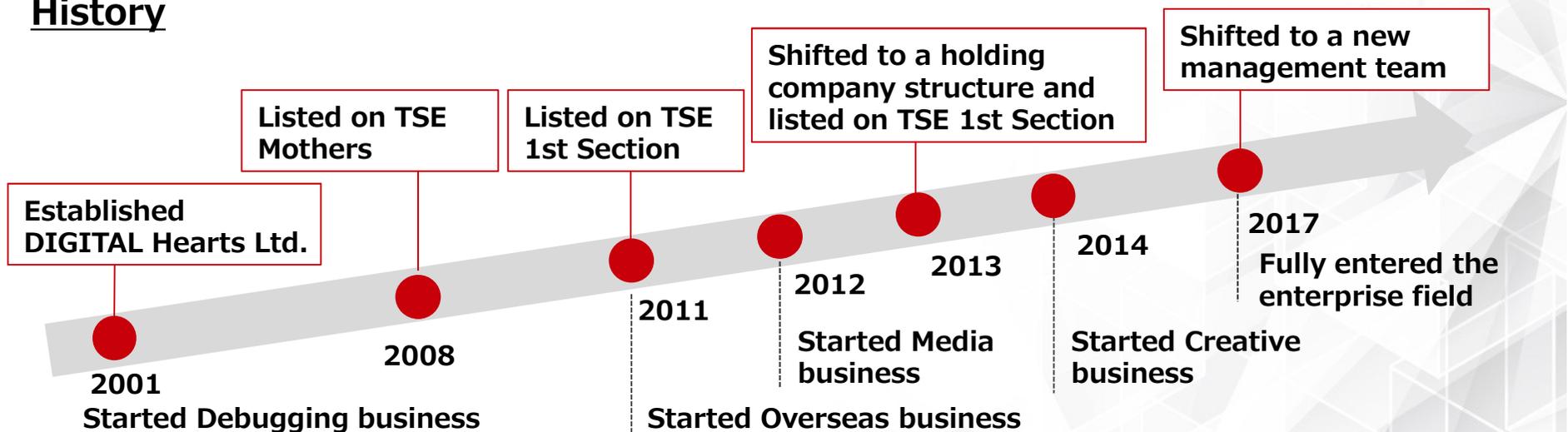
# Corporate Profile



<b>Company Name</b>	<b>DIGITAL HEARTS HOLDINGS Co., Ltd.</b>	<b>Capitalization</b>	<b>¥300,686,000</b>
<b>Location</b>	<b>3-20-2 Nishi-Shinjuku, Shinjuku-ku, Tokyo</b>	<b>Shares Issued</b>	<b>23,890,800 Shares</b>
<b>Incorporated</b>	<b>October 1, 2013</b>	<b>Fiscal year end</b>	<b>March 31</b>
<b>Representative</b>	<b>President and CEO, Genichi Tamatsuka</b>	<b>Number of Employees</b>	<b>791(Consolidated)</b>
<b>Stock Exchange</b>	<b>Tokyo Stock Exchange The 1st Section (code : 3676)</b>	<b>Group Companies</b>	<b>Domestic:6 Overseas:3</b>

(As of September 30, 2018)

## History



# Group Companies

## DIGITAL HEARTS Co., Ltd.

Entertainment

Enterprise

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

## DIGITAL HEARTS (Shanghai) Co., Ltd.

Entertainment

Business Activities : Game debugging, etc.

## DIGITAL HEARTS GNT VIET NAM COMPANY LIMITED

Enterprise

Business Activities : System testing, etc.

## DIGITAL HEARTS USA Inc.

Entertainment

Business Activities : Localization, etc.

## ANET Corporation

Enterprise

Business Activities : System testing, System development, etc.

## Aetas, Inc.

Entertainment

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

## FLAME Hearts Co., Ltd.

Entertainment

Business Activities : Game development and CG content development

## DIGITAL HEARTS NETWORKS Co., Ltd.

Enterprise

Business Activities : Internet communication related business, Security, etc.

## ZEG Inc.

(Affiliated company)

Enterprise

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

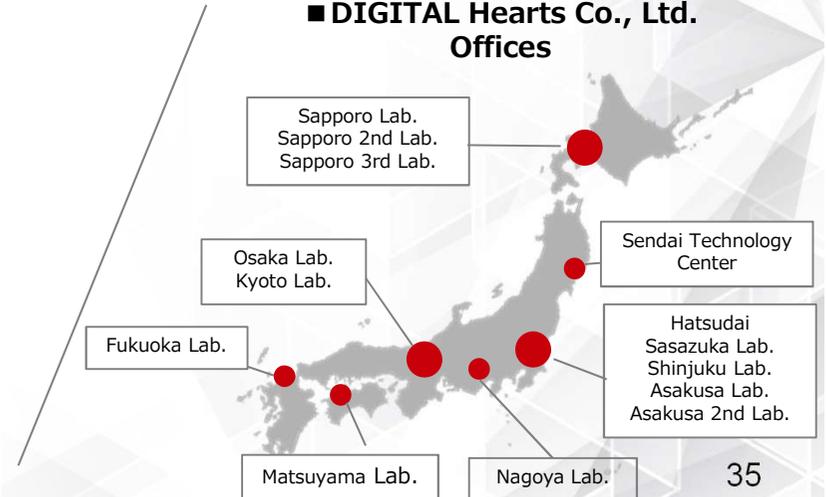
### ■ Business Sites

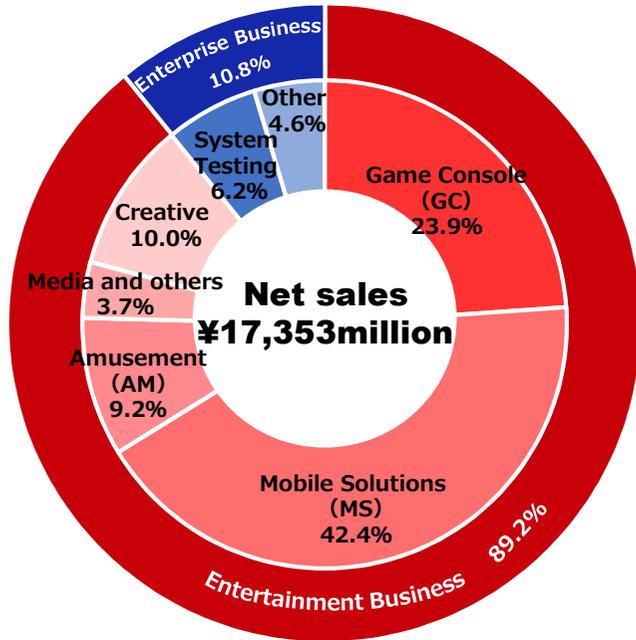


(As of September 30, 2018)

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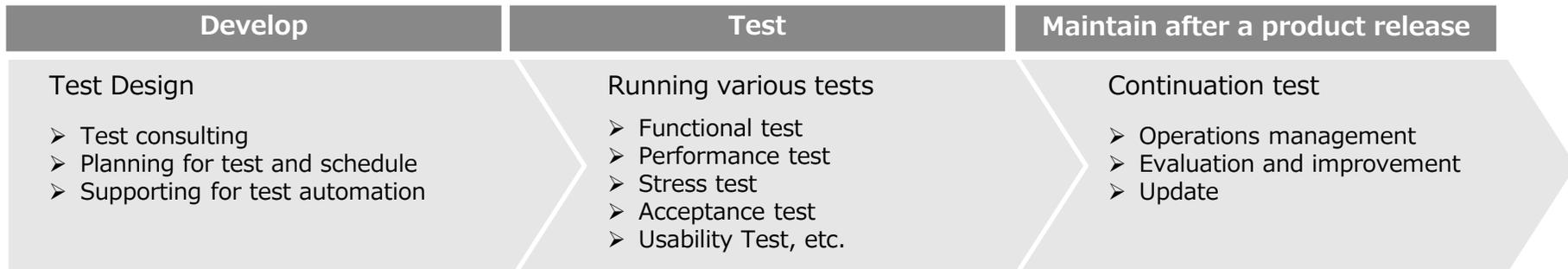
## Sales breakdown by segment (FY2017)

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

Business Segment	Sub-segment	Percentage	Description
Entertainment Business	Debugging	23.9%	<b>Game Console (GC)</b> Debugging for console games, online games, and arcade games
		42.4%	<b>Mobile Solutions (MS)</b> Debugging for mobile games
		9.2%	<b>Amusement (AM)</b> Debugging for pachinko/slot machines
		3.7%	Managing one of Japan's largest gaming information site "4Gamer.net", and expansion into game music and game events.
	10.0%	Game development and CG content development	
Enterprise Business	System Testing	6.2%	Testing for enterprise system and Automobile driving test
	IT service / Security	4.6%	System development, IT support, Customer support, Security, etc.

# Outline of Debugging and System Testing

## Our Services



## Outline of Services

Service	Description	Main client	Barriers to entry	Outsourced Projects Ratio
<b>Debugging</b>	Detection of bugs in games from a player's perspective.	– Game makers	<p>High</p> <p>↑ A license for purchasing dedicated equipment for debugging is required.</p> <p>↑ Knowledge and expertise on human resource management to accommodate changeable development schedules are required.</p>	High
<b>System Testing</b>	Detection of bugs in enterprise systems from a test-engineers' knowledge.	<ul style="list-style-type: none"> <li>– SIers</li> <li>– Development vendors</li> <li>– Core system enterprises</li> </ul>	<p>Middle</p> <p>↑ Human resource shortage in IT Industry</p>	Low

# Summary of Earnings by Segment

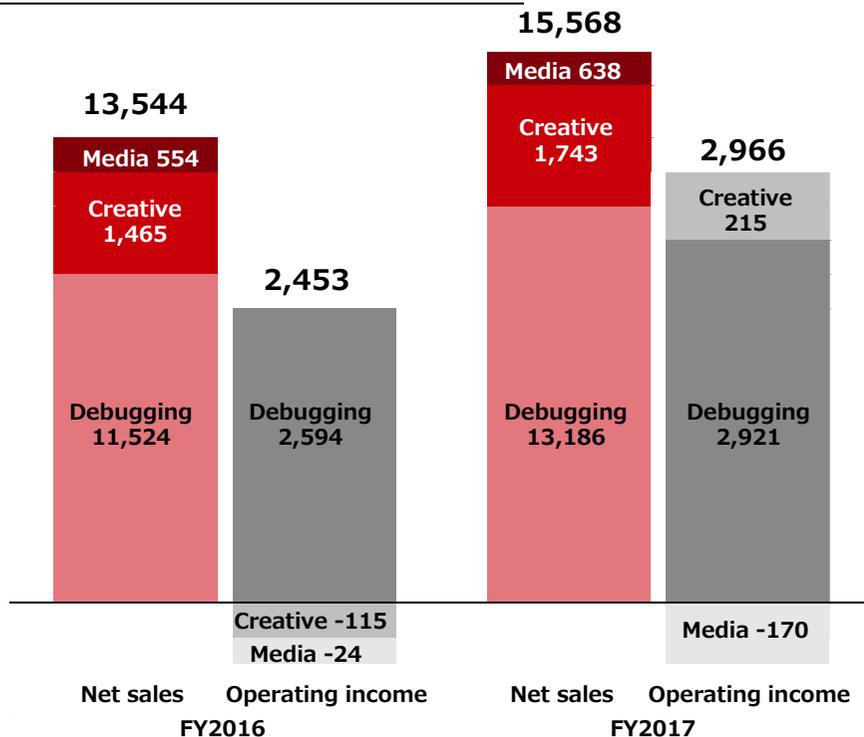
## Entertainment Business

- ◆ Stable growth of debugging div. and developing new services such as customer support
- Continue to expand business, aim sales of 25 billion yen by 2022

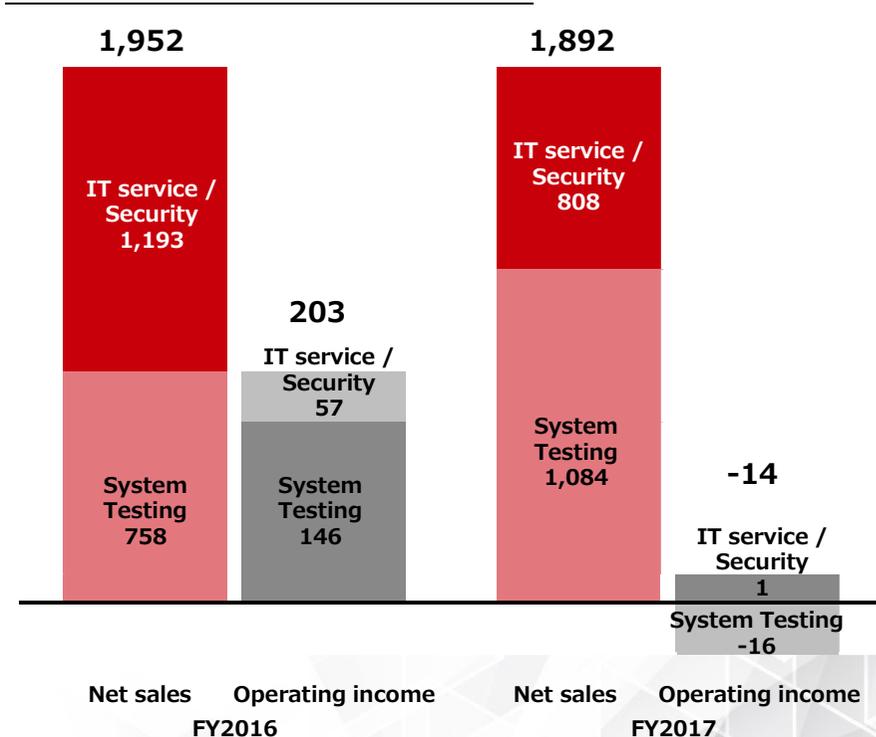
## Enterprise Business

- ◆ Accelerate investments in human capital and technologies for further business expansion
- Positioned as growth driver to aim for gross sales of 20 billion yen by 2022

Net sales / Segment income (Mln yen)



Net sales / Segment income (Mln yen)



# Summary of Earnings by Segment



(Mln yen)		FY2013	FY2014	FY2015	FY2016	FY2017
<b>Entertainment Business</b>	<b>Net sales</b>	<b>9,360</b>	<b>11,609</b>	<b>12,696</b>	<b>13,544</b>	<b>15,568</b>
	<b>Segment income</b>	<b>No retroactive</b>	<b>1,915</b>	<b>2,379</b>	<b>2,453</b>	<b>2,966</b>
Debugging	Net sales	8,435	9,430	10,455	11,524	13,186
	Game Console (GC)	3,392	3,604	3,449	3,483	4,174
	Mobile Solutions (MS)	2,655	3,554	4,994	6,262	7,399
	Amusement (AM)	2,388	2,272	2,012	1,778	1,612
	Media	483	504	512	554	638
Creative	442	1,675	1,729	1,465	1,743	
<b>Enterprise Business</b>	<b>Net sales</b>	<b>798</b>	<b>1,713</b>	<b>2,382</b>	<b>1,952</b>	<b>1,892</b>
	<b>Segment income</b>	<b>No retroactive</b>	<b>50</b>	<b>71</b>	<b>203</b>	<b>-14</b>
System Testing	Net sales	360	380	681	758	1,084
IT service / Security	Net sales	438	1,333	1,701	1,193	808
Inter-segments adjustments	Net sales	-24	-39	-70	-52	-108
	Segment income	-353	-447	-486	-750	-1,215
Consolidated total	Net sales	10,137	13,285	15,011	15,444	17,353
	Operating income	1,780	1,517	1,963	1,906	1,735

# Financing Via the Target Issue Program



## <Outline>

## <Objectives>

	4 <sup>th</sup> Issuance of Stock Options	5 <sup>th</sup> Issuance of Stock Options	6 <sup>th</sup> Issuance of Stock Options
Method of issue	Third-party allocation to London Branch of Deutsche Bank		
Planned amount of funds to be procured	¥11.02 billion <sup>(a)</sup>		
Estimated amount of net proceeds	¥11.02 billion <sup>(b)</sup>		
Number of stock options to be issued	20,000	14,000	6,800
Number of potential shares resulting from this issue	2,000,000	1,400,000	680,000
Exercise price	¥2,100	¥3,000	¥3,850
Revision of exercise price	None		
Dilution ratio	17.1% <sup>(c)</sup>		
Period for exercise of stock options	3 years		
Terms & conditions for halting exercise of stock options	Yes		

HR and technology-related investments aimed at expanding system testing and security business operations in the enterprise field		
Internal Investments	¥1.00bn	Recruitment of engineers and other external specialists, training and development of internal human resources
	¥2.50bn	Development of AI and test automation tools, acquisition of licenses
Securing External Resources	¥7.52bn	M&A and capital / business partnerships aimed at securing professional human resources, related technologies and knowhow in areas such as software testing and security

(a) The planned amount of funds to be procured is the total amount of equity assets to be credited when the stock options are exercised. Depending on fluctuations in share prices during the exercise period, in some cases, there is a possibility that stock options may not be exercised, or that the amount of funds procured may decrease due to retirement.

(b) The estimated amount of net proceeds is the planned amount of funds to be procured, plus the sum total issue price of stock options issued, minus issuance costs.

(c) Regarding the exercise of 4th issuance stock options, the Company plans to prioritize the allotment of treasury shares, in which case the dilution ratio is 8.7%. The dilution ratio value displayed in the table above is the hypothetical dilution value, in the event that all new shares are issued in response to all stock options being exercised.



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