DIGITAL HEARTS HLDGS.

April 24, 2020

Company name:	DIGITAL HEARTS HOLDINGS Co., Ltd.
Name of representative:	President and CEO Genichi Tamatsuka (Code number: 3676, First Section of the Tokyo Stock Exchange)
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Notice Regarding Revision of Financial Forecast for the Fiscal Year Ending March 31, 2020

DIGITAL HEARTS HOLDINGS Co., Ltd. (hereinafter referred to as the "Company") announces that a meeting of its board of directors held today resolved that, given the trends of its recent business performance, the Company has revised its financial forecast for the fiscal year ending March 31, 2020 which was announced on May 10, 2019.

The details are as follows:

1. Revision of consolidated financial forecast for the fiscal year ending March 31, 2020
(from April 1, 2019 to March 31, 2020)

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent	Net income per share
	Million yen	Million yen	Million yen	Million yen	yen
Previous forecast (A)	23,000	1,800	1,830	1,250	57.14
Revised forecast (B)	21,100	1,400	1,380	800	36.67
Change (B – A)	-1,900	-400	-450	-450	
% Change	-8.3	-22.2	-24.6	-36.0	
Actual amount for the previous fiscal year (fiscal year ended March 31, 2019)	19,254	1,605	1,651	1,575	72.13

2. Reason for revision

(1) Revision of Net sales, Operating income, and Ordinary income

With FY2019 as the third year of its 'Second Founding' period, we have been working on businesses in an effort to increase sales and improve profits, focusing mainly on Enterprise Business. Sales of Enterprise Business have kept increasing significantly, and in the second and following quarters, its quarterly segment profit returned to the black.

However, in Entertainment Business as our mainstay, sales declined from the original forecast in March as a result of delay and other changes of game titles development at client companies in line with the spread of the new coronavirus "COVID-19". And in our growing Enterprise Business, though we have acquired successfully new projects and made a strong growth of sales comparing with the previous year, it has not reached to the initial sales target. As a result of them, it has revised down forecasts for the consolidated salses FY2019.

In terms of profits and losses, due to the worsening of the gross profit margin caused by the consolidated weaker sales and due to, in Entertainment Business, the worsening of profits of foreign businesses mainly for Asian markets and the continued slump in the Creative divisions, it has revised consolidated operating income and consolidated ordinary income to fall below the initial forecasts

(2) Posting of Extraordinary loss

In March, the expansion of the new coronavirus “COVID-19” infection had a significant impact on business performance. In light of the long-term sluggish economic risks and changes in working styles brought about by this incident, we started early structural reforms, such as optimizing the operating balance of test centers located nationwide in Japan. As a result, the Company decided to close Shinjuku Lab., one of its three test centers in Tokyo, and accordingly we expect to record an extraordinary loss of approximately ¥40 million. In addition, we decided to have some businesses restructuring at group companies, such as the consolidation of our bases in Vietnam, and we expect to record an extraordinary loss of approximately ¥70 million in the fourth quarter,

For these reasons, the forecast for net income attributable to shareholder of the parent company has been revised as described above.

* The above forecasts are based on information currently available and actual results may differ from these forecasts due to a variety of factors.