

# **Presentation Material**

**for the Fiscal Year Ended March 31, 2020**

**May 19, 2020**

# Summary of Business Results

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As its 'Second Founding' period, the company focused to develop the business basement of its expanding Enterprise Business, which has been becoming the profit growth driver.

## Net sales of Enterprise Business

Achieved net sales growth of  
higher than **150%** YoY  
for two consecutive fiscal years

## Segment income of Enterprise Business

Achieved profit of  
**100 MIn yen**  
in the 4th quarter (Three months)

### Topics1

Acquired LogiGear  
with 25-year history in the US



Own automated  
testing tool



Abundant  
test engineers

### Topics2

Established JV  
with LAC Co., Ltd.  
to expand the security business



Red Team  
Technologies

### Topics3

Started new service for  
SAP's integrated ERP  
system

in collaboration with  
Pasona Tech, Inc.





## Record-high in net sales

Net sales

**21,138** Mln yen  
(YoY 109.8%)

- Growth for the **16 consecutive years** in the sales of the mainstay Entertainment Business
- Grew **over 1.5 times** as the previous year in the sales of the newly developing Enterprise Business

## The impact of COVID-19 occurred

Operating income

**1,394** Mln yen  
(YoY 86.8%)

- The profit of Entertainment Business kept **96% YoY** even with the weak result of Creative div. and the impact of COVID-19
- Enterprise Business **improved its profitability significantly** by making profit in three consecutive quarters since Q2
- **Temporary expenses** such as M&A-related expenses

## Posting of extraordinary loss

Profit attributable to  
owners of parent

**792** Mln yen  
(YoY 50.3%)

- Extraordinary losses of **¥75 Mln**, as the cost including related restructuring test center network, to optimize its operation reacting to COVID-19
- Excluding the extraordinary gain of ¥733 Mln recorded in FY2018 and the extraordinary loss in FY2019, net income remained **almost the same as FY2018**

# Summary of Business Results for FY2019

Net sales reached a record high.

Profit attributable to owners parent of FY2019 has decreased from FY2018 with the large amount of extraordinary income.

(Mln Yen)	FY2018	FY2019	YoY Change	
Net sales	19,254	21,138	1,883	109.8%
Cost of sales	13,791	15,566	1,775	112.9%
Cost of sales (%)	71.6%	73.6%		+2.0 points
Gross profit	5,463	5,571	108	102.0%
SG&A	3,857	4,177	320	108.3%
Operating income	1,605	1,394	-211	86.8%
Operating income margin	8.3%	6.6%		-1.7 points
Ordinary income	1,651	1,372	-278	83.1%
Profit attributable to owners of parent	1,575	792	-783	50.3%

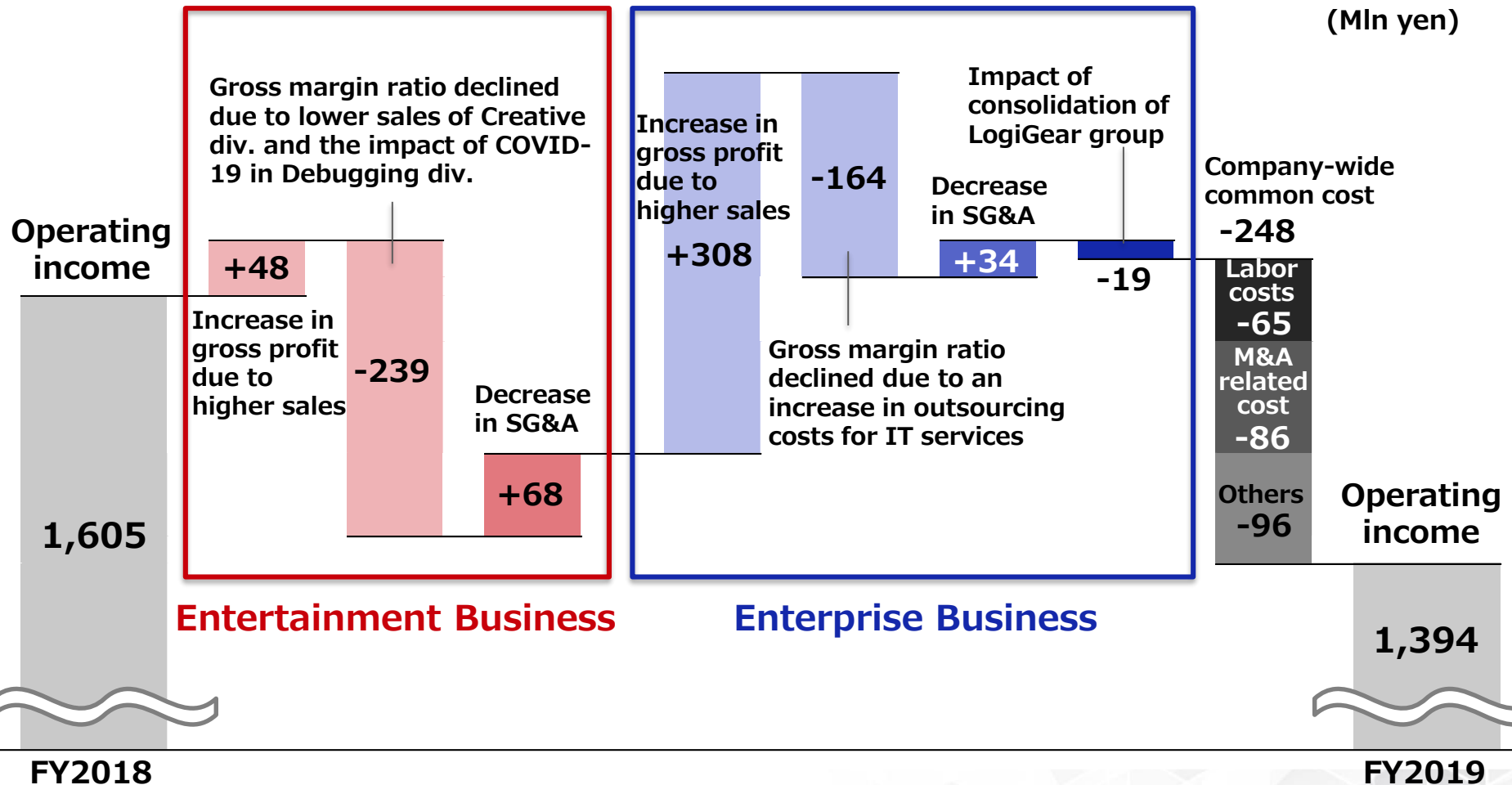
# Analysis of YoY Changes in Operating Income

## - Compared with the full year FY2018 -



DIGITAL HEARTS HLDGS.

Enterprise Business achieved a significant improvement of profitability, but consolidated operating income decreased due to the impact of weaker results of Creative div. and HQ's higher M&A-related expenses.



FY2018

FY2019

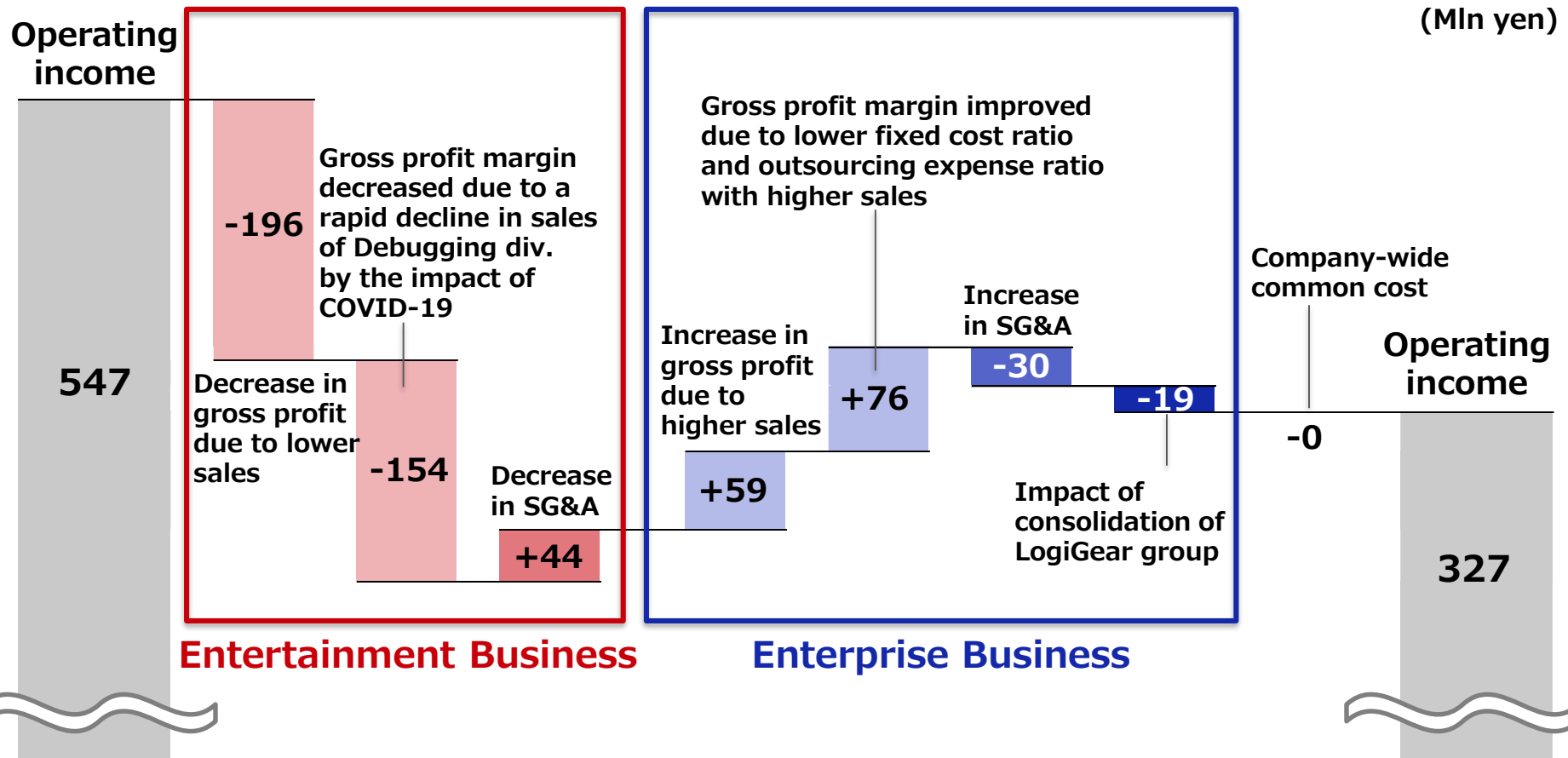
# Analysis of QoQ Changes in Operating Income

## - Compared with the Q3 of FY2019 -



DIGITAL HEARTS HLDGS.

Enterprise Business recorded an increase in profits with higher sales, but Entertainment Business decreased its profits mainly due to the impact of COVID-19.



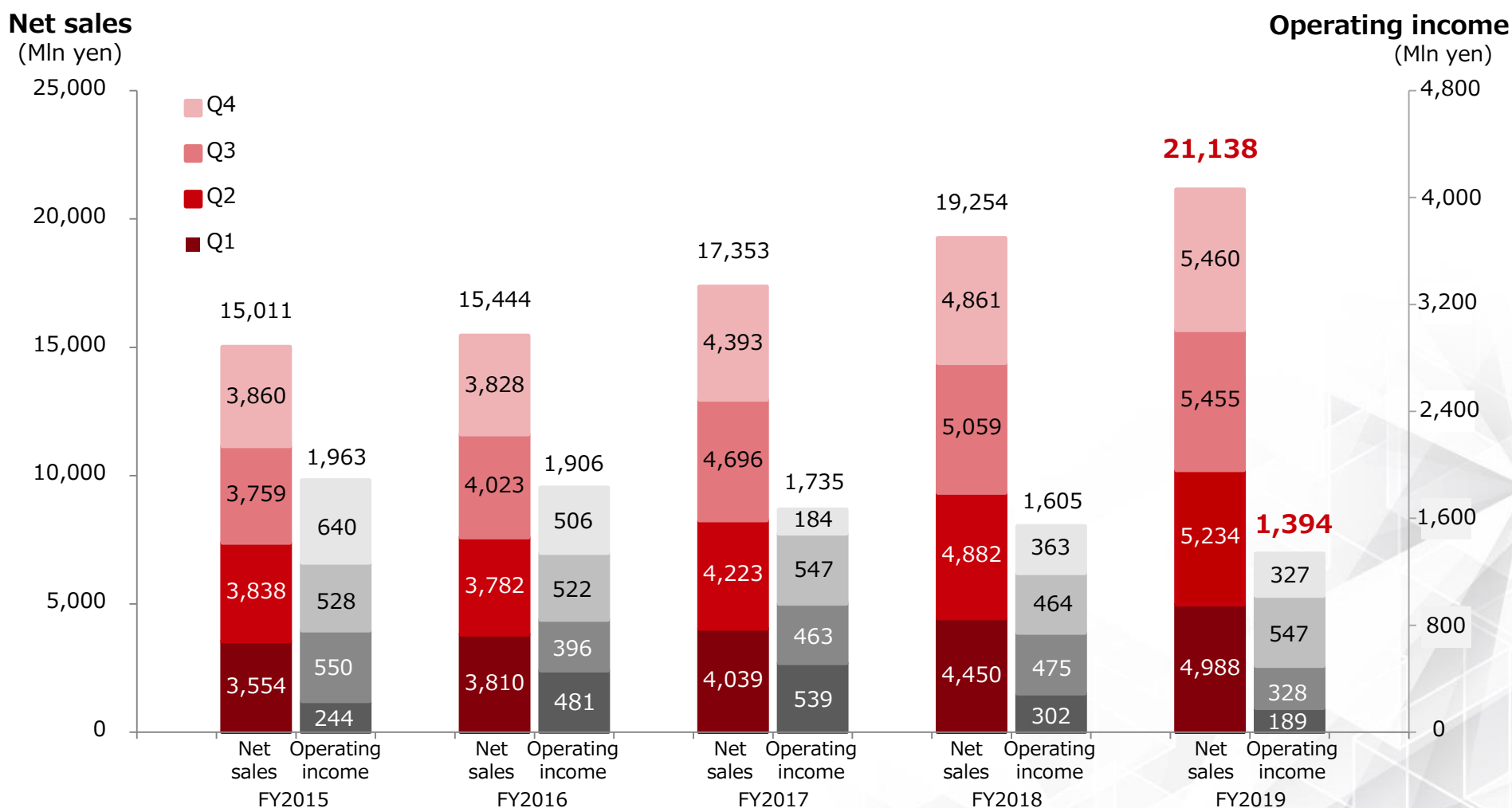
Q3 FY2019

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Q4 FY2019

# Trend in Net Sales and Operating Income

**The impact of COVID-19 occurred in Q4 FY2019.  
Q4 Sales of Entertainment Business with higher margin shrank sharply.**





# Consolidated Balance Sheets



DIGITAL HEARTS HLDGS.

(Mln Yen)	Q4 FY2018 (As of March 31, 2019)	Q4 FY2019 (As of March 31, 2020)	YoY Change
<b>Total assets</b>	<b>9,832</b>	<b>10,637</b>	<b>804</b>
Current assets	7,403	7,453	49
Cash and deposits	4,197	3,739	-458
Notes and accounts receivable-trade	2,724	2,985	260
Noncurrent assets	2,428	3,183	755
Property, plant and equipment	558	579	21
Intangible assets	763	1,379	615
Investments and other assets	1,107	1,225	118
<b>Total liabilities</b>	<b>4,819</b>	<b>5,198</b>	<b>378</b>
Current liabilities	4,192	5,134	942
Short-term loans	1,704	2,546	841
Noncurrent liabilities	627	63	-563
Convertible bond-type bonds with subscription rights to shares	508	—	-508
<b>Total net assets</b>	<b>5,012</b>	<b>5,438</b>	<b>425</b>
Shareholders' equity	4,763	4,898	134
Accumulated other comprehensive income	28	24	-3
Subscription rights to shares	13	13	—
Non-controlling interests	207	502	295
<b>Total liabilities and net assets</b>	<b>9,832</b>	<b>10,637</b>	<b>804</b>

# Consolidated Statements of Cash Flows



DIGITAL HEARTS HLDGS.

(Mln Yen)	FY2018	FY2019	YoY Change
<b>Net cash provided by operating activities</b>	<b>889</b>	<b>1,086</b>	<b>197</b>
(*Cash flows before income taxes paid)	<b>1,415</b>	<b>1,706</b>	<b>291</b>
<b>Net cash provided by (used in) investing activities</b>	<b>62</b>	<b>-1,018</b>	<b>-1,080</b>
<b>Net cash used in financing activities</b>	<b>-693</b>	<b>-515</b>	<b>178</b>
Effect of exchange rate change on cash and cash equivalents	<b>0</b>	<b>-11</b>	<b>-11</b>
<b>Net increase in cash and cash equivalents</b>	<b>258</b>	<b>-458</b>	<b>-716</b>
<b>Cash and cash equivalents at the beginning of period</b>	<b>3,894</b>	<b>4,162</b>	<b>268</b>
<b>Increase in cash and cash equivalents from newly consolidated subsidiary</b>	<b>9</b>	<b>—</b>	<b>-9</b>
<b>Cash and cash equivalents at the end of period</b>	<b>4,162</b>	<b>3,704</b>	<b>-458</b>

# FY2019 Financial Results by Segment and Forecast of FY2020

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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.
- Segments changed from Q1 FY2018. For this reason, the figures for FY2017 and earlier by segment are reclassified to reflect the change in segments, and comparisons are made.

# Summary of Financial Results by Segment

(Mln Yen)	FY2018	FY2019	YoY Change
<b>Net sales</b>	<b>19,254</b>	<b>21,138</b>	<b>109.8%</b>
Entertainment	15,951	16,115	101.0%
Enterprise	3,302	5,022	152.1%
Adjustments	-0	—	—
<b>Operating income</b>	<b>1,605</b>	<b>1,394</b>	<b>86.8%</b>
Entertainment	3,086	2,964	96.0%
Enterprise	-226	-67	—
Adjustments	-1,254	-1,503	—
<b>Operating income margin</b>	<b>8.3%</b>	<b>6.6%</b>	<b>-1.7 Points</b>

# Financial Results of Entertainment Business



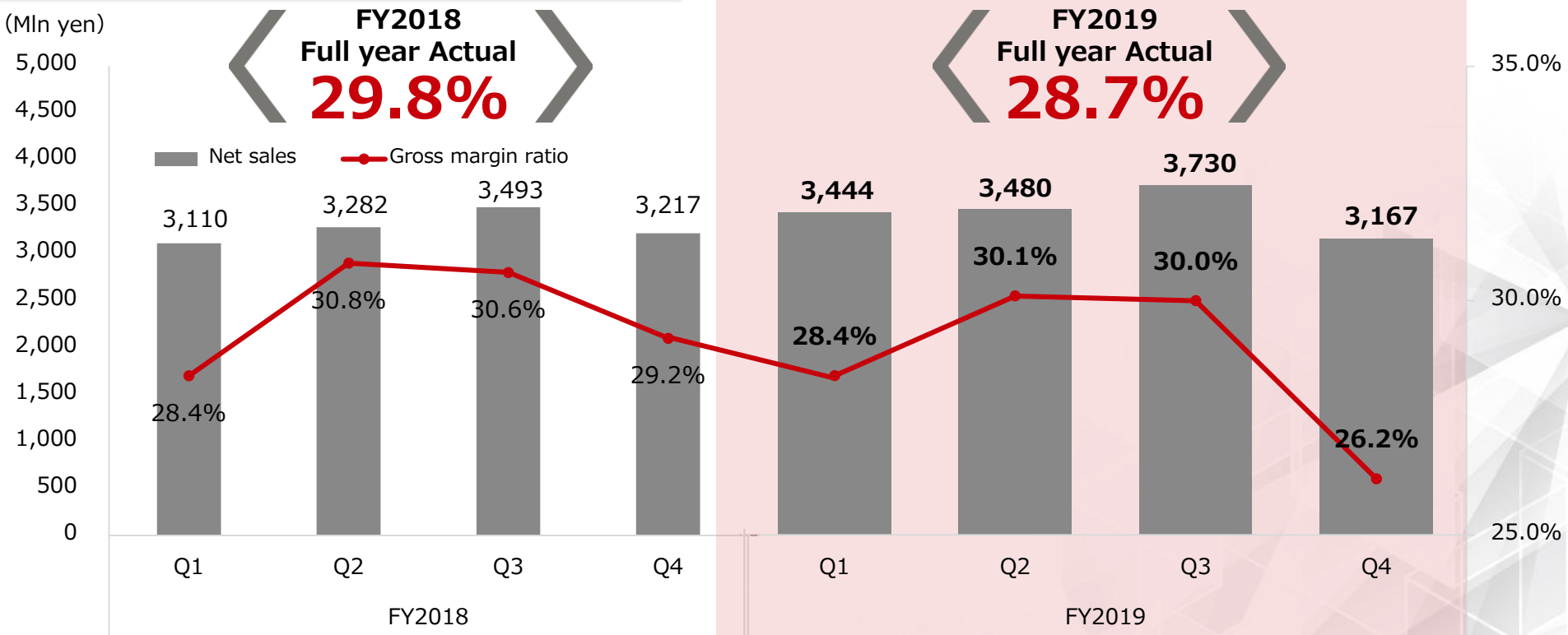
DIGITAL HEARTS HLDGS.

- Net sales of Entertainment Business increased even under the tough market environment and with the impact of COVID-19.
- Although Segment income declined mainly due to weak sales of Creative div., the mainstay Debugging div. improved both sales and profits.

(Mln Yen)	FY2018	FY2019	YoY Change
<b>Net sales</b>	<b>15,951</b>	<b>16,115</b>	<b>101.0%</b>
<b>Debugging</b>	<b>13,103</b>	<b>13,823</b>	<b>105.5%</b>
<b>Game Console (GC)</b>	<b>4,156</b>	<b>4,709</b>	<b>113.3%</b>
<b>Mobile Solutions (MS)</b>	<b>8,172</b>	<b>8,173</b>	<b>100.0%</b>
<b>Amusement (AM)</b>	<b>775</b>	<b>939</b>	<b>121.2%</b>
<b>Creative</b>	<b>1,891</b>	<b>1,226</b>	<b>64.8%</b>
<b>Media and others</b>	<b>956</b>	<b>1,066</b>	<b>111.5%</b>
<b>Segment income</b>	<b>3,086</b>	<b>2,964</b>	<b>96.0%</b>

- Sales in Q1 - Q3 of FY2019 grew steadily mainly by strong trend of GC dept.
- Q4 saw a rapid drop of sales particularly in MS dept., by the impact of COVID-19.
- Despite the operational reforms at Lab., the sharp decline in Q4 sales made its annual gross margin ratio lower.

## Quarterly results of Debugging div.



## ■ Game Console dept. (GC)

Achieved a record high in sales by significant increase with several large-scale titles.

## ■ Mobile Solutions dept. (MS)

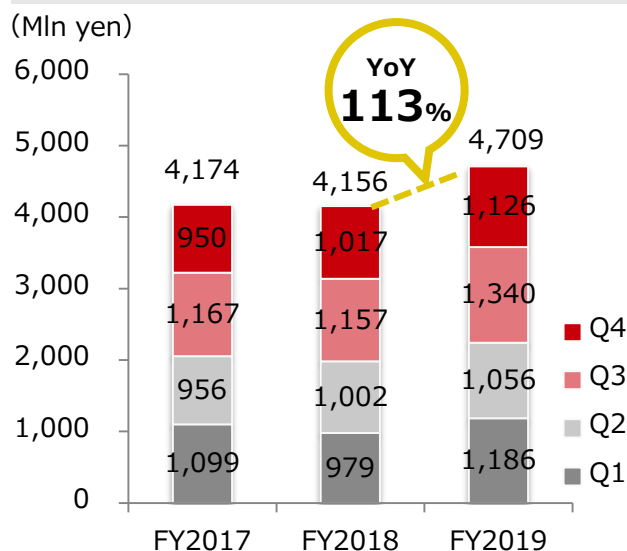
Full year sales remained at the same level as FY2018, though Q4 sales decreased due to the impact of COVID-19.

## ■ Amusement dept. (AM)

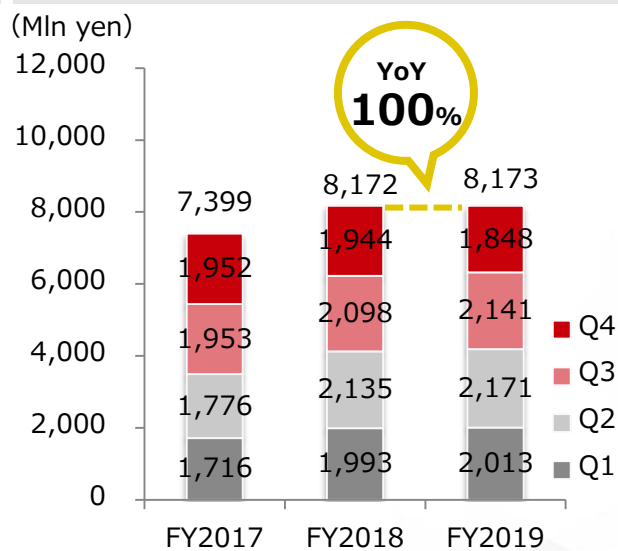
Recovering from the weaker sales by regulatory changes, but still in the unstable market.

### Quarterly sales

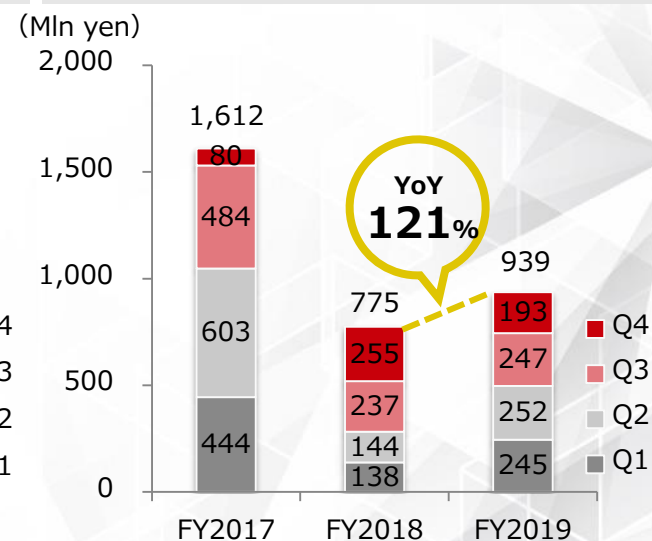
#### Game Console dept. (GC)



#### Mobile Solutions dept. (MS)



#### Amusement dept. (AM)





## ■ Creative

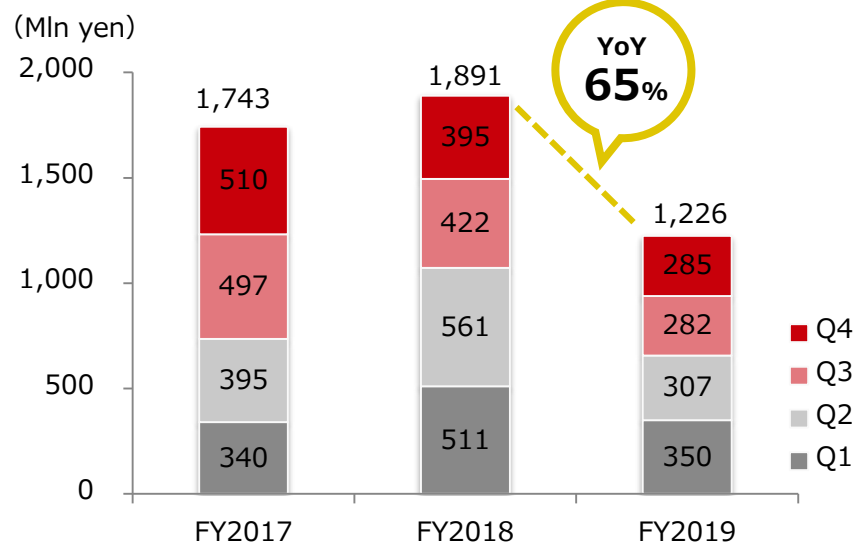
While 2D/3D graphics performed steadily, development of game software declined sharply. Keep strengthening promotion initiatives to get new projects.

## ■ Media and others

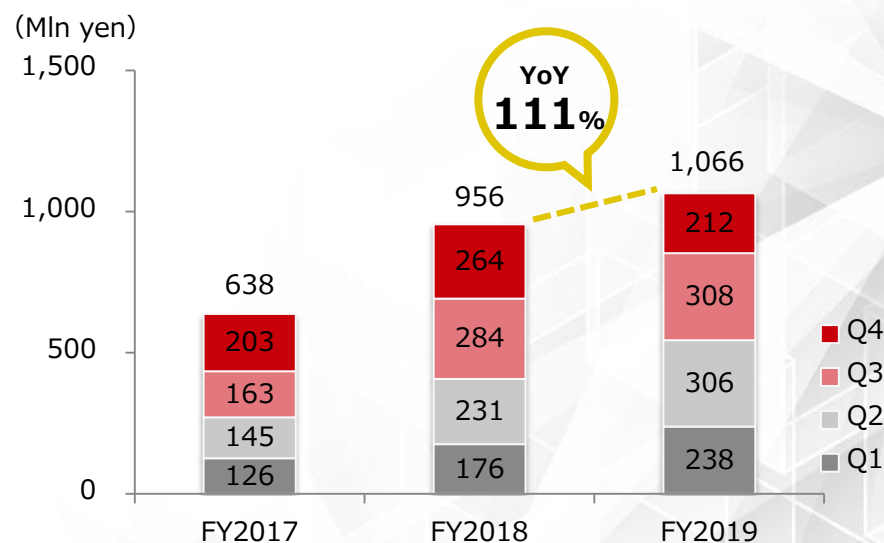
Higher sales in both “4Gamer.net” business and customer support services as well.

### Quarterly sales

#### Creative



#### Media and others



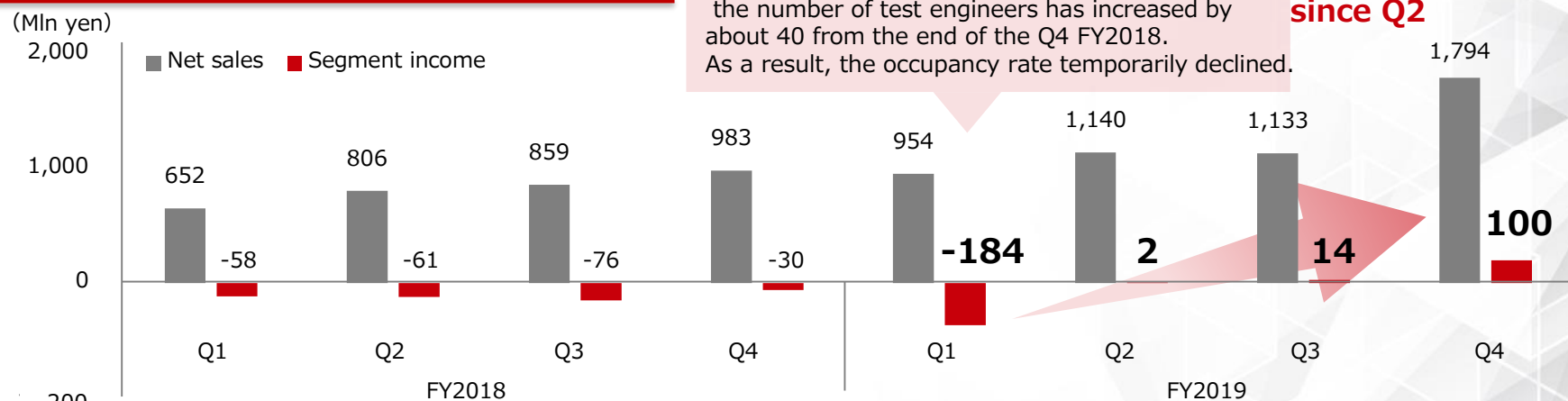


# Financial Result of Enterprise Business

- Keep profitable since Q2 of FY2019, and continuing to focus on stabilizing profitability to achieve the break even as full year base in FY2020.

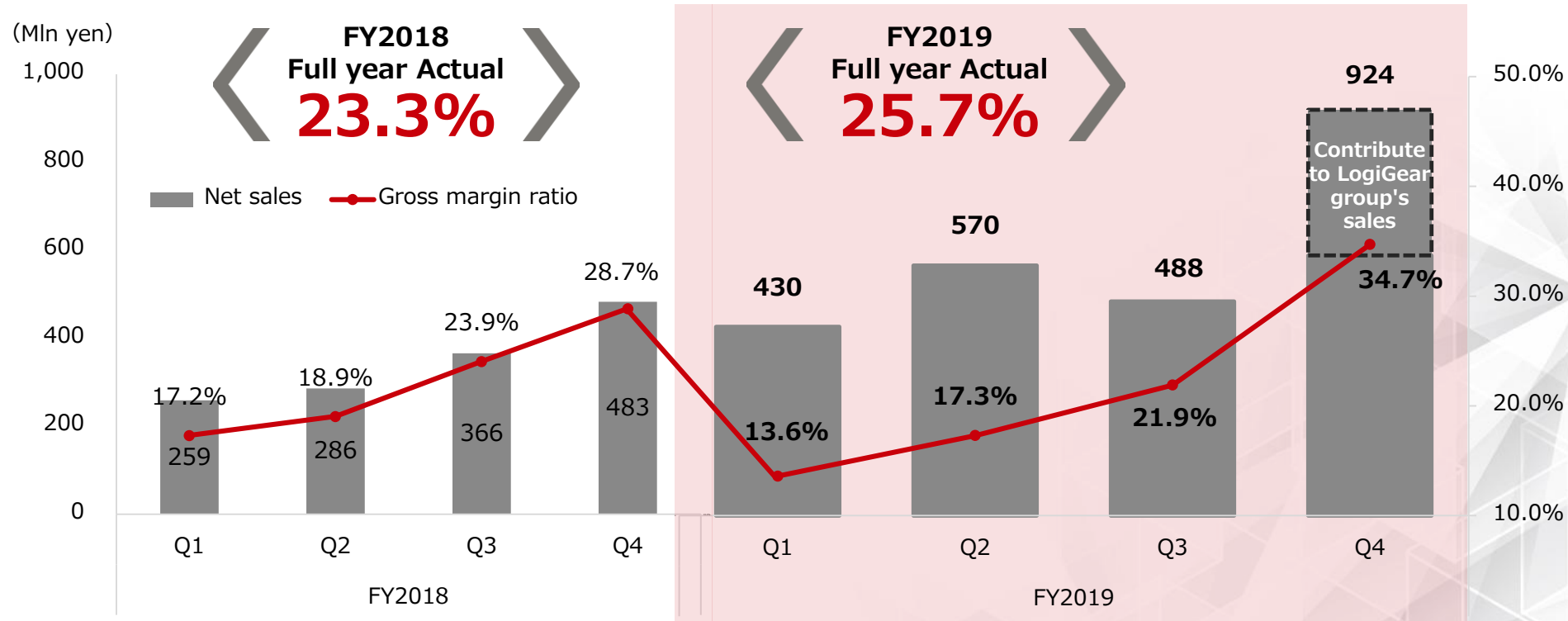
(Mln Yen)	FY2018	FY2019	YoY Change
<b>Net sales</b>	<b>3,302</b>	<b>5,022</b>	<b>152.1%</b>
System Testing	1,395	2,414	173.0%
IT service / Security	1,907	2,608	136.7%
<b>Segment income</b>	<b>-226</b>	<b>-67</b>	<b>—</b>

## Quarterly results of Enterprise Biz



- LogiGear group, acquired in August 2019, has become consolidated from Q4.
- Gross margin ratio of Q4 improved significantly due to the consolidation of LogiGear group and the decrease in outsourcing costs for existing projects.

## Quarterly results of System Testing div.



## ■ System Testing

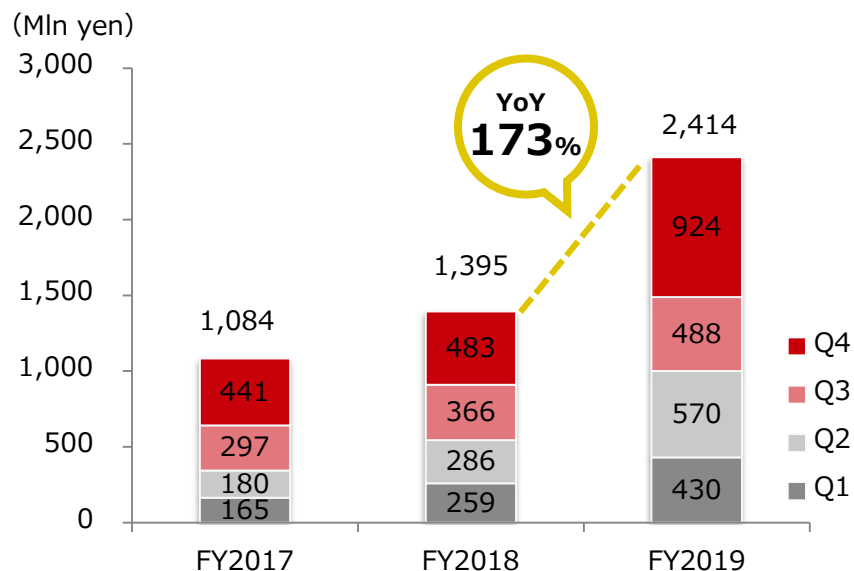
Achieving organic growth of about 150% YoY excluding the impact of M&A by developing new clients and growing transaction size per company.

## ■ IT service / Security

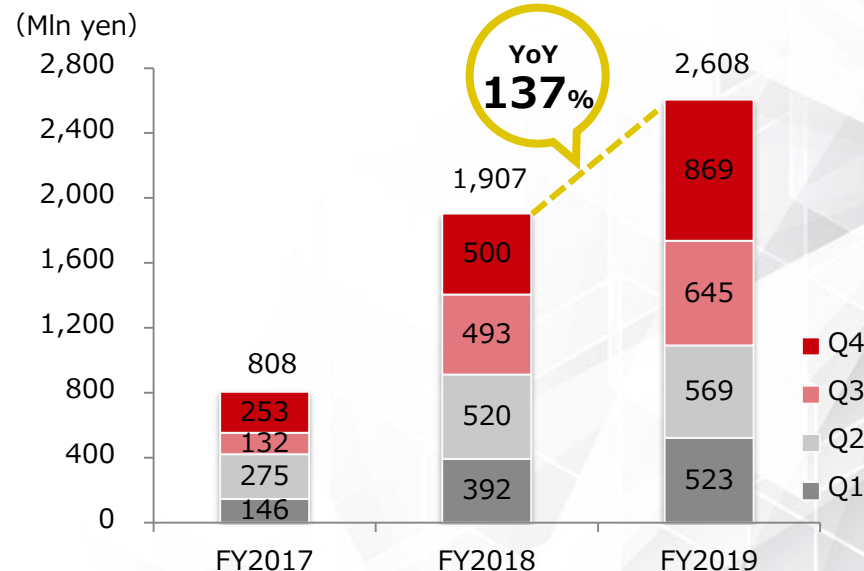
Strong performance in both system development and security services.  
Contribution of new JV with major security service provider, LAC Co., Ltd. since Q3.

### Quarterly sales

#### System Testing



#### IT service / Security





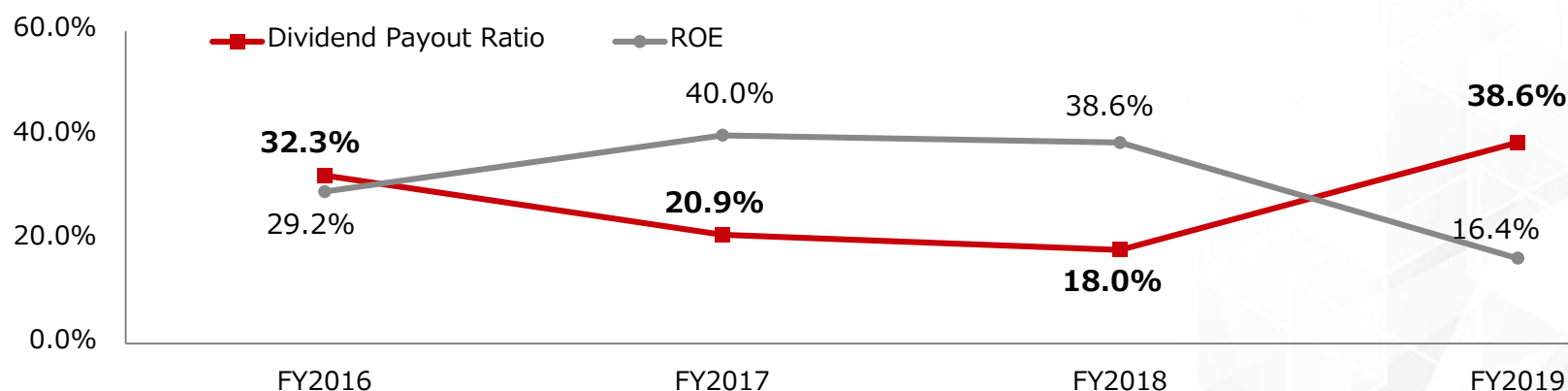
## ■ Financial Forecast

FY2020 forecasts are not disclosed at this juncture, given the difficulty of making reasonable estimate on our financial result due to the COVID-19 outbreak.

## ■ Dividends Forecast

The total dividend of FY2020 is expected to be ¥14.0, the same level as FY2019.

(yen)	FY2016	FY2017	FY2018	FY2019	FY2020 (Forecast)
<b>Annual dividends</b>	<b>11.5</b>	<b>11.5</b>	<b>13.0</b>	<b>14.0</b>	<b>14.0</b>
<b>(Interim dividends)</b>	<b>5.5</b>	<b>5.5</b>	<b>6.5</b>	<b>7.0</b>	<b>7.0</b>
<b>(Year-end dividends)</b>	<b>6.0</b>	<b>6.0</b>	<b>6.5</b>	<b>7.0</b>	<b>7.0</b>



\*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.

# Business Strategy for FY2020

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While preventing infection of COVID-19 to our employees by several measures including spreading right information to all employees, maintaining the system to ensure the quality of our stable services.

## Measures to prevent infection

### Teleworking / Work-from-home

- Appx. 80% of head office employees, mainly back office departments, have shifted to teleworking/work-from-home style.
- Launched new "Remote debugging" service. (cf. P.29)
- Shifting meetings to utilize web conferences as much as possible.

### Flexible working shift and others

- Reducing the number of employees working at the office by allowing flexible working time or multiple time shift.
- Recommend staggered working hours and shortened working hours

### Other Measures

- Granting all employees special leave in case they need to care children due to close of schools or infections are suspected.
- Restraint employees from business trips, dinner with clients, etc.
- Prepared alcohol disinfection solution and 100 thousand masks to be distributed mainly to test centers in nationwide.

## Diversifying test service operations

### Changes

Real → Digital

Contact → Non-contact

Money → Human capital

### Current

**Human Capital**

×

**Contract**

×

**Location**

×

**Time**

×

**Operation**



- Gamer
- Engineers



- Full-time employees
- Contract employees
- part-time employees



- Lab. (Test Centers)
- Client's office



- Eight hours as a fixed standard



- Debugging
- System Testing
- Cyber Security



### After changes

- Freelance engineers
- Homemakers
- Seniors

Hiring diverse human capital and increasing the workforce

- Self-employed
- Dispatch workers
- Business Alliance

Enhance recruitment with optimized cost through the provision of diverse contracts

- Telework/ Work-from-home

Improve efficiency by assignments not limited to the number of Lab.'s seats

- Flexible from 1hour
- Piece work system
- Staggered hours

Increase overall occupancy rate (human resources and equipment)

- New businesses utilizing human capital

Maximize the use of human capital and expand service menus

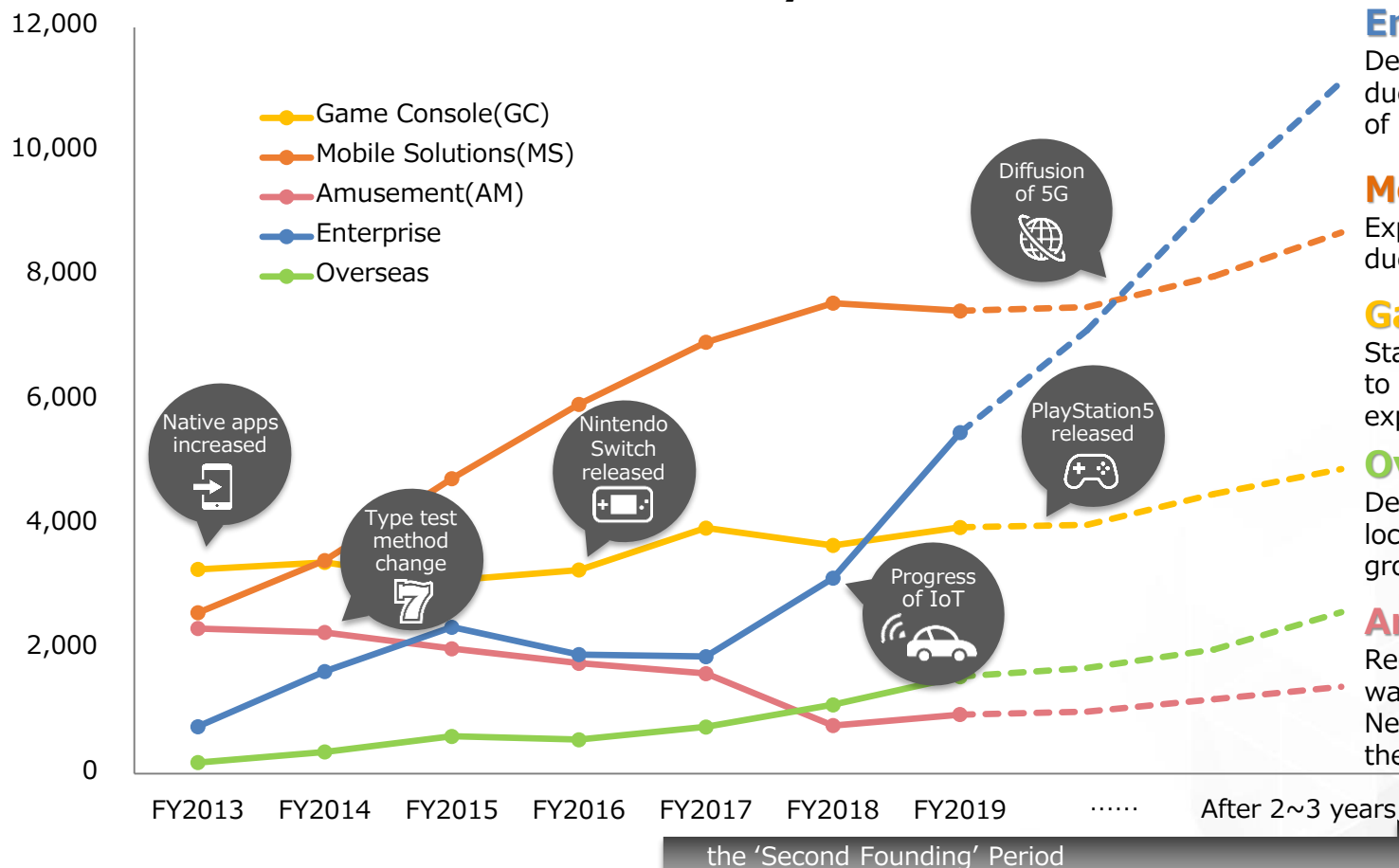
# Progress of the 'Second Founding' Period

Keep rapid growth in the Enterprise Business by focusing investment as the 'Second Founding' period.

Stable growth in the Debugging div. as our mainstay business.

## Net sales by Service

(Mln yen)



## Future Outlook

### Enterprise

Demand will continue to expand due to the progress of IoT and accelerated DX.

### Mobile Solutions

Expansion of new demand due to progress in 5G

### Game Console

Stable demand growth thanks to launch of new hardware and expansion of cloud gaming

### Overseas

Demand for translation and localization of games will keep growing

### Amusement

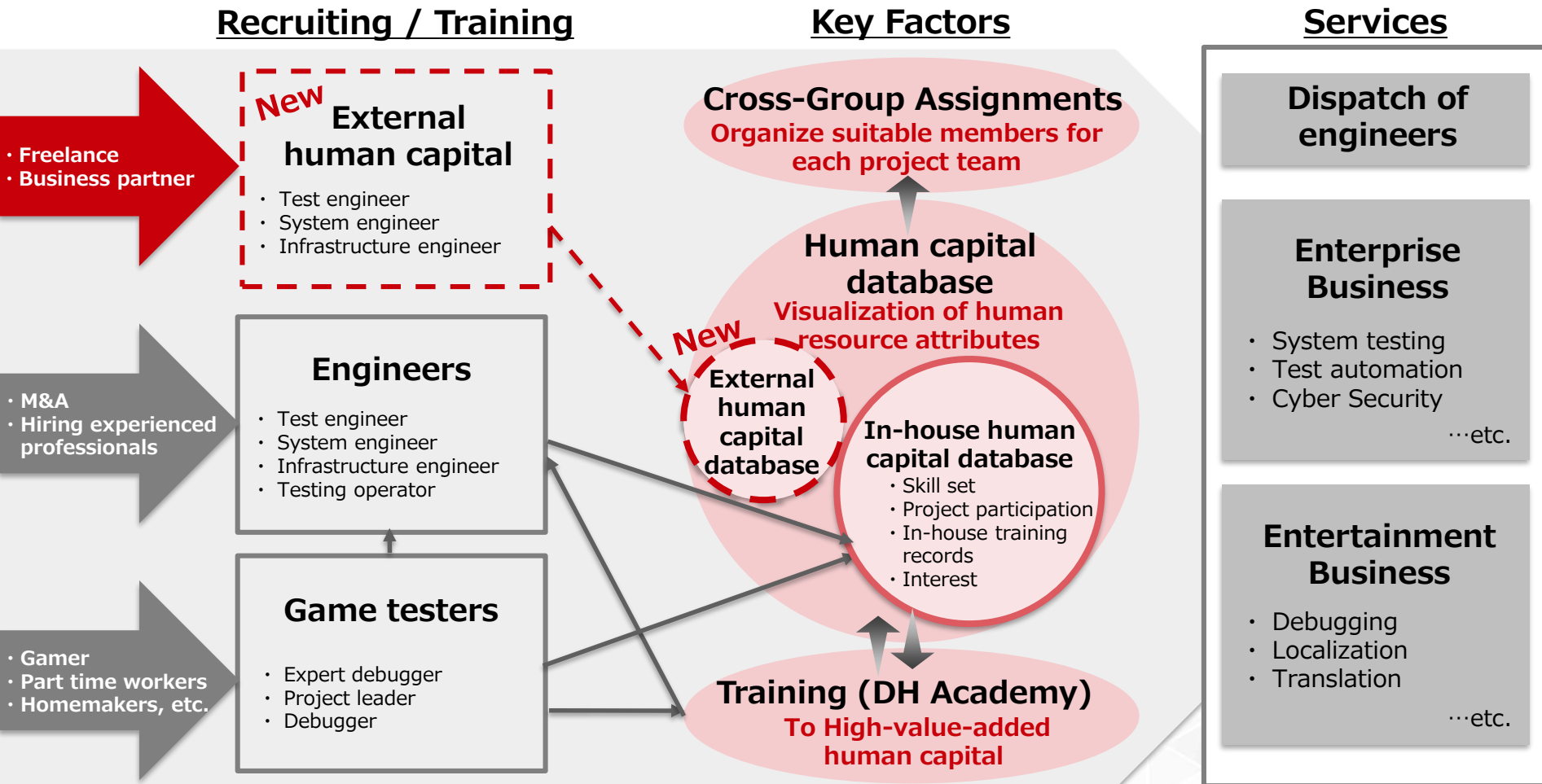
Regulatory trends need to be watched closely  
New demand growth, such as the attraction of casinos



# Model for the development and utilization of diverse human capital

Utilize external resources in addition to conventional internal resources enhancement.

Establish a supply system responding to rapidly growing demand in the market.



## Shift to high-value-added human capital by providing suitable trainings to potential game debuggers.

### Training details

### Actual

### Cases of carrier shift

#### 1. Test engineer training

Training system supported by VALTES CO., LTD., our alliance partner.  
After On-the-job training, employees will be assigned to client's projects.

Attendants of the training Graduate  
**40** people **»** **21** people

Console game tester  
↓  
Validation of the payment system in the retail industry  
**Hourly rate**  
**3,200 yen UP**

#### 2. Support program for JSTQB(\*) qualification

Implementation of in-house training programs specializing to obtain JSTQB

\* JSTQB: Qualifications for software testing engineers in Japan

Number of people who acquired a qualification  
**316** people

Mobile game tester  
↓  
Design the system testing of a remote monitoring system  
**Hourly rate**  
**2,000 yen UP**

#### 3. DH Cyber Boot Camp

Outside lecturers are invited to learn the knowledge of networks and method of attack mainly for two weeks. After in-house testing and OJT, employees will be assigned to projects.

Attendants of the training Graduate  
**74** people **»** **56** people

Console game tester  
↓  
Vulnerability diagnosis of EC sites and LMS/CMS (\*) for major companies  
**Hourly rate**  
**1,545 yen UP**

# To be the Asia's No.1 Comprehensive Testing Solution Provider

## Human Capital × Technology



## Debugging



### Theme

**Maximizing the capacity to generate cash**

### Key Measures

1. Improve gross margin ratio
2. Launch new “Remote debugging” service

## System Testing



### Theme

**Establish a supply system responding to rapidly growing demand in the market**

### Key Measures

1. Utilize external resources
2. Testing service by Vietnam offshore bases

## Cyber Security



### Theme

**Grow to be the third pillar of the business**

### Key Measures

1. Full-scale operation of White hacker service by Red Team Technologies Co., Ltd.
2. Expanding security monitoring services

## 1. Improve gross margin ratio

Expand  
high-priced services



**Increase in  
unit price**



- ✓ Enhancing the quality of services by improving the testing skills of "Game-like debuggers".
- ✓ Expanding upstream services such as planning, tuning, and script-writing of game software.
- ✓ Developing the new pricing standard in accordance with testers' skill.

Promote optimization of  
nationwide Lab. network



**Improve  
marginal profit**



- ✓ Established the Operation Division to manage the total optimization of nationwide test center (Lab.) network.
- ✓ Closing Shinjuku Lab. in Tokyo to increase capacity utilization at other test centers in local areas and to take total balance.
- ✓ Aiming to shift from a cost center to a profit center, reforming awareness of profit maximization.

Increase efficiency of  
back-office functions



**Reduce  
indirect costs**

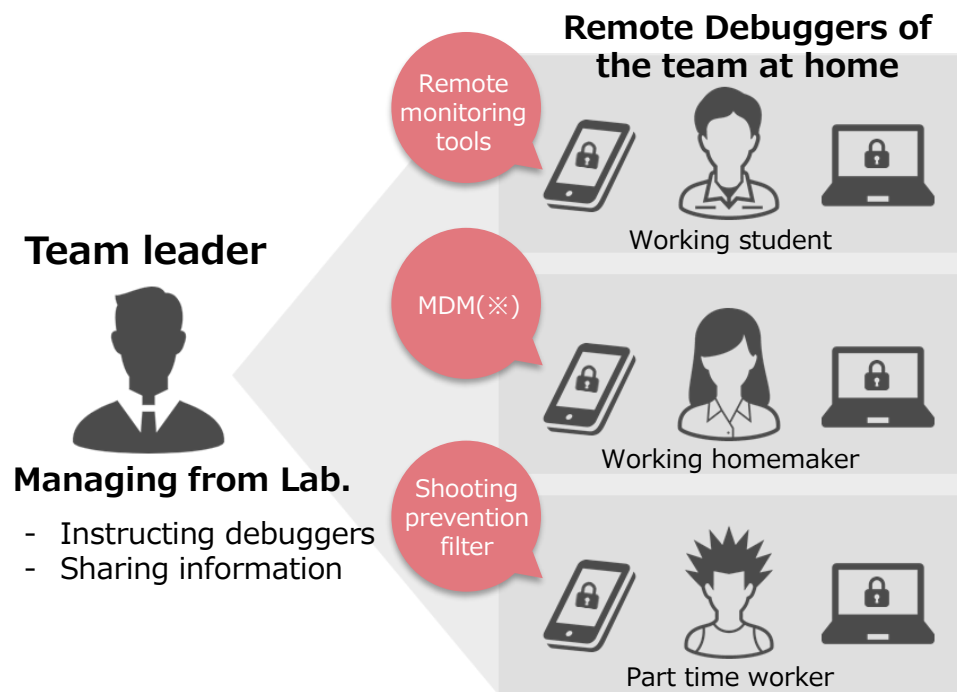


- ✓ Automation of Lab. operation such as selection of candidate debuggers and registration of their assignments.
- ✓ Developing the new ERP system.
- ✓ Promotion of the utilization of RPA.

## 2. Launch new “Remote Debugging” service

### Operation scheme

Improve the quality of information security aspects, previously considered hard to overcome under the condition at home.  
Already started some testing projects of several major clients.



Aiming to expand the size of this new operation to **500 debuggers** by the end of FY2020

### Purpose

#### 1. Develop suitable environments for diverse debuggers

- ✓ Respond flexibly to diversifying work styles
- ✓ Develop an environment from long-term view of debuggers
- ✓ Improve the sustainability of the business

#### 2. With much diverse human capital than ever before

- ✓ Candidates in areas without any our Lab.
- ✓ People with disabilities and withdrawal

#### 3. Prepare to provide services stably in the event of an emergency

- ✓ Provide stable services even under the continuing spread of COVID-19
- ✓ Maintain a certain degree of employment in the event of an emergency

## Debugging



### Theme

**Maximizing the capacity to generate cash**

### Key Measures

1. Improve gross margin ratio
2. Launch new “Remote debugging” service

## System Testing



### Theme

**Establish a supply system responding to rapidly growing demand in the market**

### Key Measures

1. Utilize external resources
2. Testing service by Vietnam offshore bases

## Cyber Security



### Theme

**Grow to be the third pillar of the business**

### Key Measures

1. Full-scale operation of White hacker service by Red Team Technologies Co., Ltd.
2. Expanding security monitoring services



## 1. Utilize external resources

Establish a supply system responding to rapidly growing demand in the market by developing the business model to provide diverse IT human resources including freelance engineers

### Internal resources

**Utilize in-house engineers and train debuggers of Lab.**



- ✓ Focus on new graduates and mid-career recruitment as before
- ✓ Develop training systems and aim to shift from game debuggers to engineers



### External resource

**Utilize Freelance engineers and Business Partners**



- ✓ Started the engineer management of external human resource at DIGITAL HEARTS NETWORKS Co., Ltd.
- ✓ Established new contract forms suitable for human resources such as freelance engineers

### Topic

## Launched new “Remote work engineering” services

Respond to diverse working styles of “after COVID-19”  
Provide suitable skillful engineers with security monitoring and project management systems for remote engineering environments such as homes



## 2. Testing service by Vietnam offshore bases

Accelerating the utilization of abundant test engineers of LOGIGEAR VIETNAM, which were acquired in FY2019, to our enterprise business in Japan

### Establishing professional sales team



Strengthen the sales structure by forming a team to consult and promote offshore business

### Recruiting and training “Bridge engineers”



Recruiting and training Vietnamese engineers to Japan and Japanese to Vietnam

### Strengthening business alliances



Started collaboration with Pasona Tech, Inc. to promote new business to support SAP projects

Aiming to have **100 engineers** of our Vietnam base working for global enterprises in Japan

## Debugging



### Theme

**Maximizing the capacity to generate cash**

### Key Measures

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## System Testing



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## Cyber Security



### Theme

**Grow to be the third pillar of the business**

### Key Measures

1. Full-scale operation of White hacker service by Red Team Technologies Co., Ltd.
2. Expanding security monitoring services

## 1. Full-scale operation of White hacker service

### Overview of Red Team Technologies, Inc.



A joint venture established in November 2019 with LAC Co., Ltd, a major cyber security service provider in Japan. Provides penetration tests provided by U.S. Security Venture Synack, which has a proven track record in providing services to Pentagon.

### Actual business result of FY2019

Annual sales of FY2019 grew to **over ¥80 million(\*)** by providing services to enterprises in a variety of industries



Mobile Game  
Makers



Cashless  
Settlement operators



Travel  
Agencies



E-Commerce  
Operating company

※ Total sales of this service by both DIGITAL HEARTS Co., Ltd. and Red Team Technologies, Inc.

## 2. Expanding security monitoring services

### Strengthening MDR/EDR services by DH-SOC

Respond to increasing demand for MDR and EDR, including Work-From-Home environments, DH-SOC, an in-house monitoring team, provides services to meet diverse cyber security needs.

- MDR... Managed Detection and Response, which means the managed services that quickly detect threats that enter your network and provide quick response to isolation, elimination, and recovery.
- EDR... Endpoint Detection and Response, which means the endpoint security used to detect and respond to cyber attacks caused by targeted attacks and ransomware.

### Actual results of Security Monitoring Services

Monitoring **appx. 150,000 devices** at present



Manufacturing  
industry

Appx. **107,000** vehicles



Wholesaler/  
retailer

Appx. **15,200** vehicles



Information and  
communications

Appx. **15,000** vehicles



Service  
industry

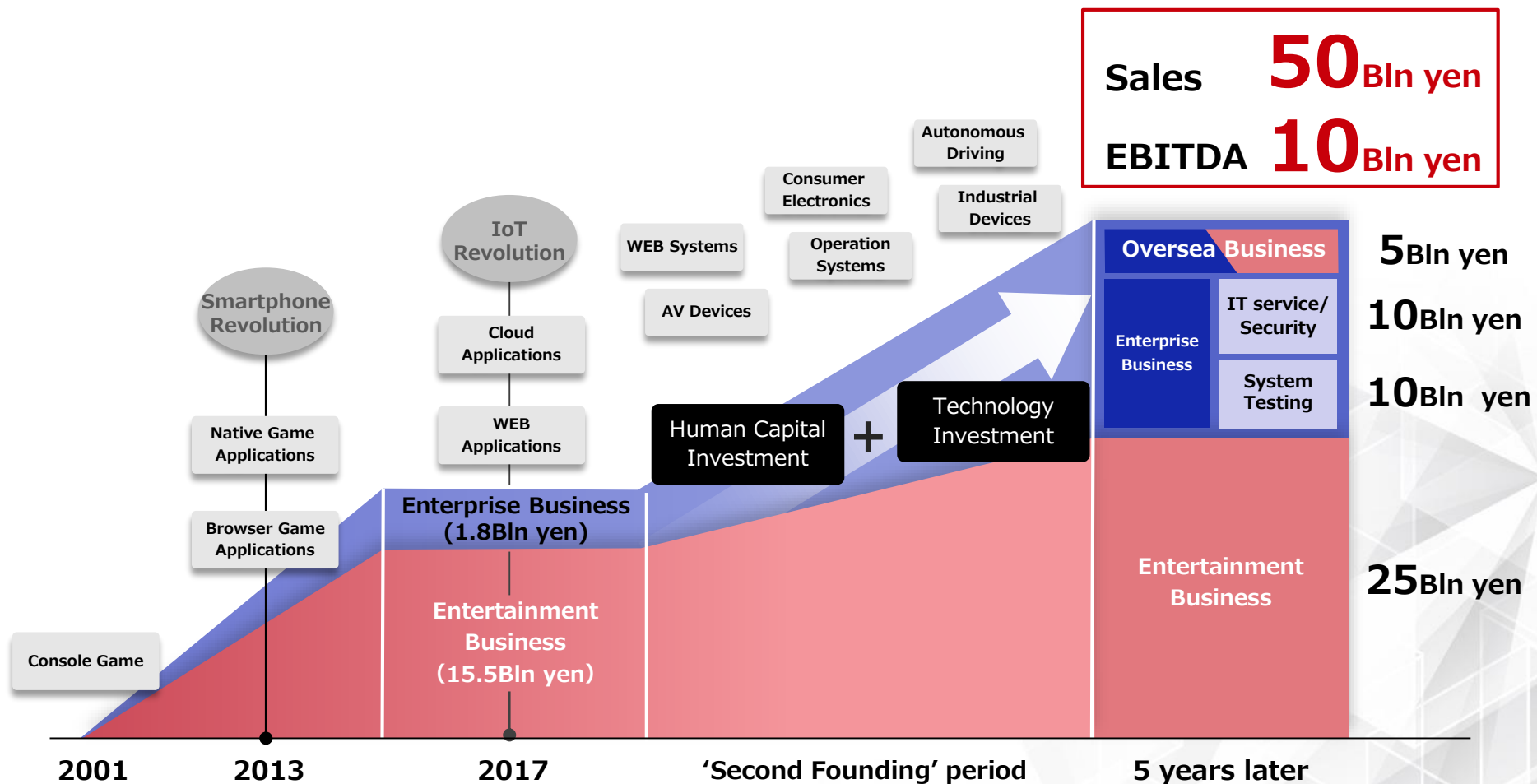
Appx. **4,200** vehicles



Finance and  
insurance

Appx. **1,000** vehicles

## To achieve net sales of 50 billion yen and EBITDA of 10 billion yen.



# Appendix

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# Why You Should Invest in DIGITAL HEARTS



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



Ratio of  
external officers of  
**40.0%**



One of the few  
testing focusing companies  
in Japan



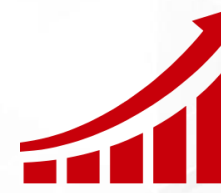
Business that supports  
**Digital security**



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



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



\*Data on the growth rate of the market of software testing services for 2019 to 2023  
(References) Websites related to "Global Software Testing Services Market 2019-2023"

Market environment

Growth of game console market

Growth of mobile game market

Expansion of IoT

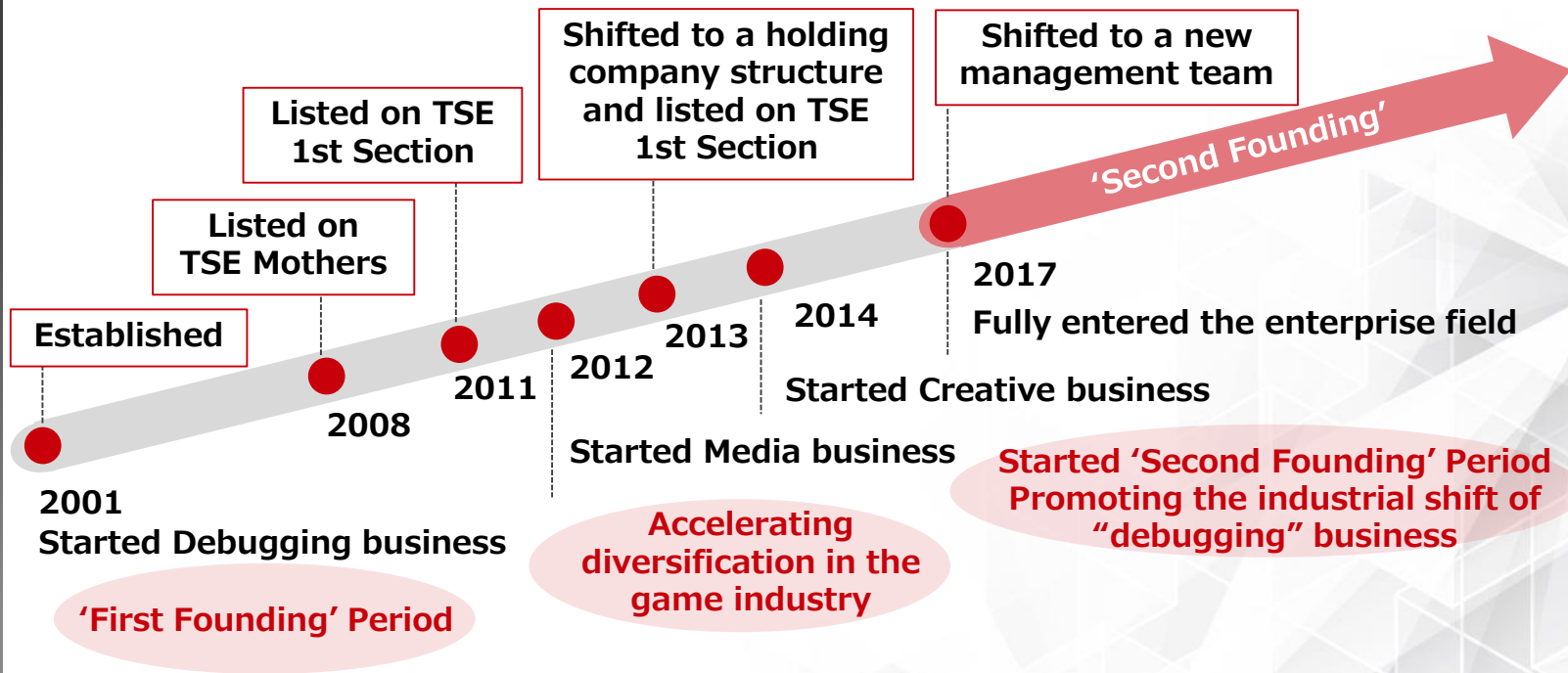
Shift to 5G

Our vision

To be the Japanese No.1 Game Debugging Provider

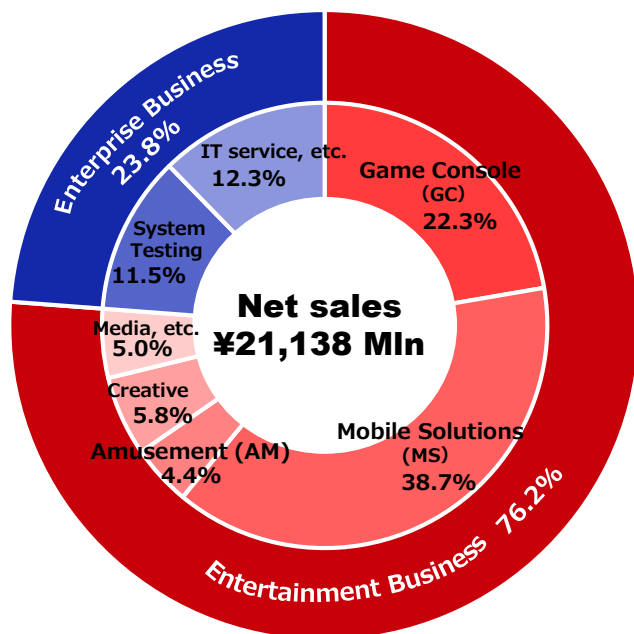
To be the Asia's No.1 Comprehensive Testing Solution Provider

History





## Debugging and System Testing are our core business



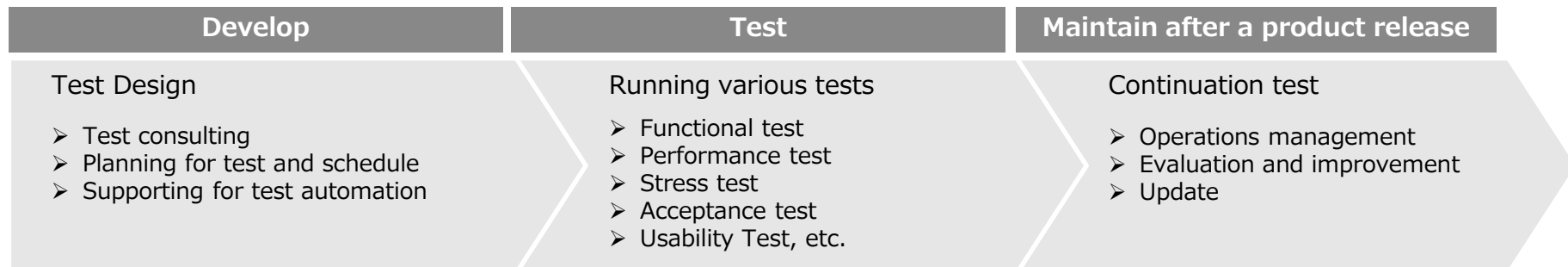
### Sales breakdown by segment (FY2019)

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

Entertainment Business	Debugging	22.3%	<b>Game Console (GC)</b> Debugging for console games, online games, and arcade games
		38.7%	<b>Mobile Solutions (MS)</b> Debugging for mobile games
		4.4%	<b>Amusement (AM)</b> Debugging for pachinko/slot machines
		5.8%	Game development and CG content development
	Media and others	5.0%	Managing one of Japan's largest game information site "4Gamer.net", customer support, etc.
Enterprise Business	System Testing	11.5%	Testing for enterprise system and Automobile driving test
	IT service / Security	12.3%	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.	– SIers – Development vendors – Core system enterprises	<p>Middle</p> <p>↑ Human resource shortage in IT Industry</p>	Low

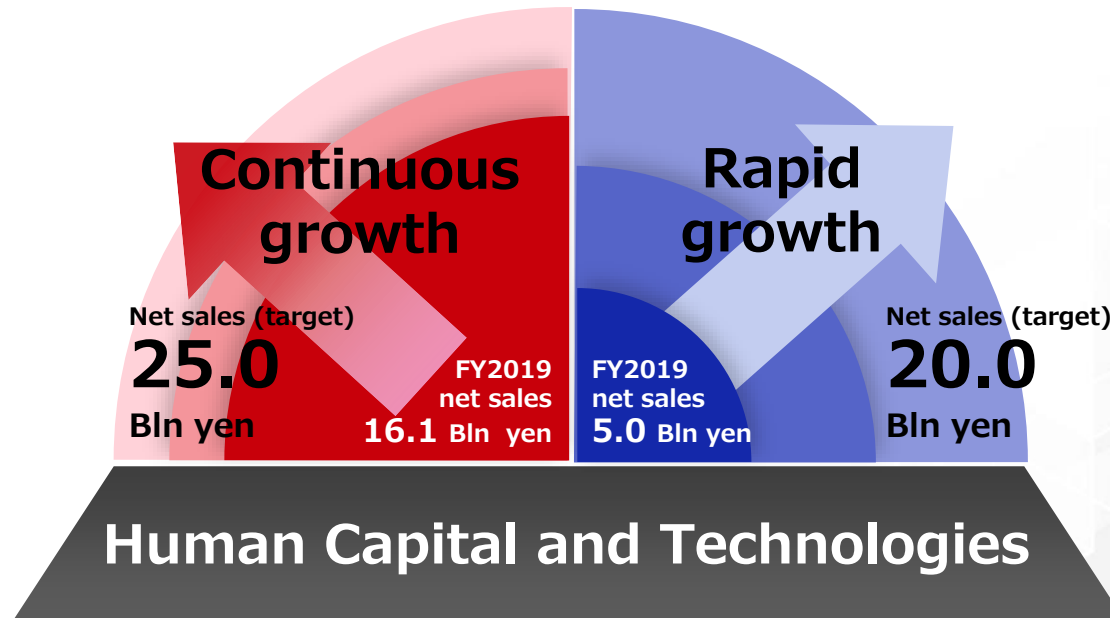
## Pursue the growth of the mainstay Entertainment Business and make the Enterprise Business another primary source of revenue

### Entertainment Business

- The game market is growing steadily
- ◆ Strengthen collaboration within the Group to provide comprehensive support for game development, including not only debugging but also the development of outsourced services and localization
- ◆ Continue expanding the business, targeting net sales of 25.0 billion yen

### Enterprise Business

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





## Major risks

## Countermeasures

### **1. Leakage of confidential information**

- Prohibiting staff members from bringing personal items into the test room
- Physical security measures including access control with fingerprint authentication and the installation of security cameras
- Introduction of a personal reference system that applies to all registered testers

### **2. Obsolescence of existing services by technological innovation**

- Focusing on the application of the latest technologies, including a test automation project
- Focusing on the development of new services to improve added value

### **3. Reduction of productive population in Japan**

- Developing internal training programs that will enable the active participation of members with diverse generational, racial, and other backgrounds
- Securing human resources strategically by using overseas offices as well

### **4. Expansion of corporate acquisition and new businesses**

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

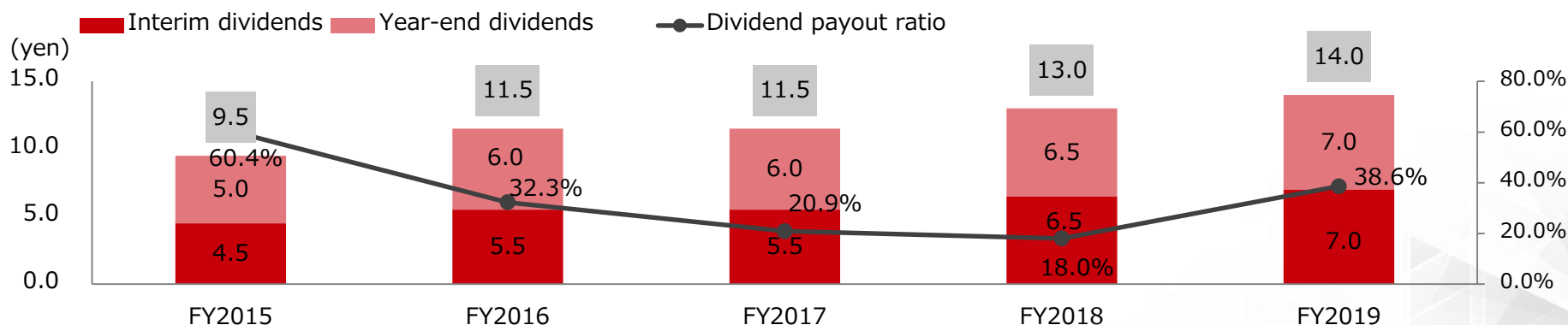
# Summary of Earnings by Segment

(Mln yen)		FY2015	FY2016	FY2017	FY2018	FY2019		
Entertainment Business	Net sales	12,696	13,544	15,568	15,951	16,115		
	Segment income	2,379	2,453	2,966	3,086	2,964		
	Debugging	Net sales	10,455	11,524	13,186	13,103	13,823	
		Game Console (GC)	Net sales	3,449	3,483	4,174	4,156	4,709
		Mobile Solutions (MS)	Net sales	4,994	6,262	7,399	8,172	8,173
		Amusement (AM)	Net sales	2,012	1,778	1,612	775	939
	Creative	Net sales	1,729	1,465	1,743	1,891	1,226	
	Media and others	Net sales	512	554	638	956	1,066	
Enterprise Business	Net sales	2,382	1,952	1,892	3,302	5,022		
	Segment income	71	203	-14	-226	-67		
	System Testing	Net sales	681	758	1,084	1,395	2,414	
	IT service / Security	Net sales	1,701	1,193	808	1,907	2,608	
	Inter-segments adjustments	Net sales	-70	-52	-108	-0	—	
		Segment income	-486	-750	-1,215	-1,254	-1,503	
	Consolidated total	Net sales	15,011	15,444	17,353	19,254	21,138	
		Operating income	1,963	1,906	1,735	1,605	1,394	

## Basic Policy to Return Profits to Shareholders

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

## Changes in dividends



## Recent treasury stock acquisition

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

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

(As of March 31, 2020)

## DIGITAL HEARTS Co., Ltd.

Entertainment Business

Enterprise Business

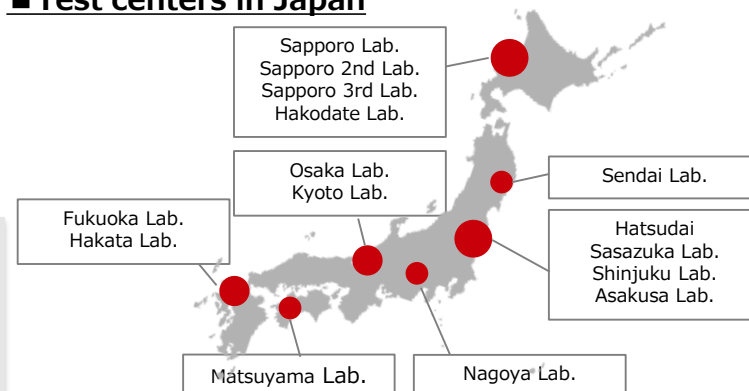


Business Activities : Game debugging, Localization, System testing, System development, Security, etc.

### [Strengths]

- **Over 8,000** registered testers
- **Over 1.5 million** bug data
- **15** test centers (Lab.)
- **Over 4,000** equipment for testing

### ■ Test centers in Japan



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

Entertainment Business



Business Activities : Game debugging, Localization, etc.

## Orgosoft Co., Ltd.

Entertainment Business



Business Activities : Game debugging, Localization, etc.

## ANET Corporation

Enterprise Business



Business Activities : System testing, System development, etc.

## LOGIGEAR CORPORATION

Enterprise Business



Business Activities : System Testing, Test Automation Support

## LOGIGEAR VIETNAM CO., LTD.

Enterprise Business



Business Activities : System Testing, Test Automation Support

## FLAME Hearts Co., Ltd.

Entertainment Business



Business Activities : Game development and CG content development

## Aetas, Inc.

Entertainment Business



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

## Red Team Technologies Co., Ltd.

Enterprise Business



Business Activities : White hacker service and technical support

## ZEG Inc.

(Affiliated company)

Enterprise Business



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



DIGITAL HEARTS HLDGS.

**<Contact>**

**Investor and Public Relations Division**

**Phone : +81-3-3373-0081**

**Email : [ir\\_info@digitalhearts.com](mailto:ir_info@digitalhearts.com)**

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

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