



Company name: DIGITAL HEARTS HOLDINGS Co., Ltd.
 Name of representative: President and CEO Yasumasa Ninomiya
 (Code number: 3676, First Section of the Tokyo Stock Exchange)
 Executive Vice President and CFO, Director Toshiya Tsukushi
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Notice of the Group Reorganization (Absorption-type Company Split and Dividend in Kind), Aiming to Accelerate the Growth of Enterprise Business

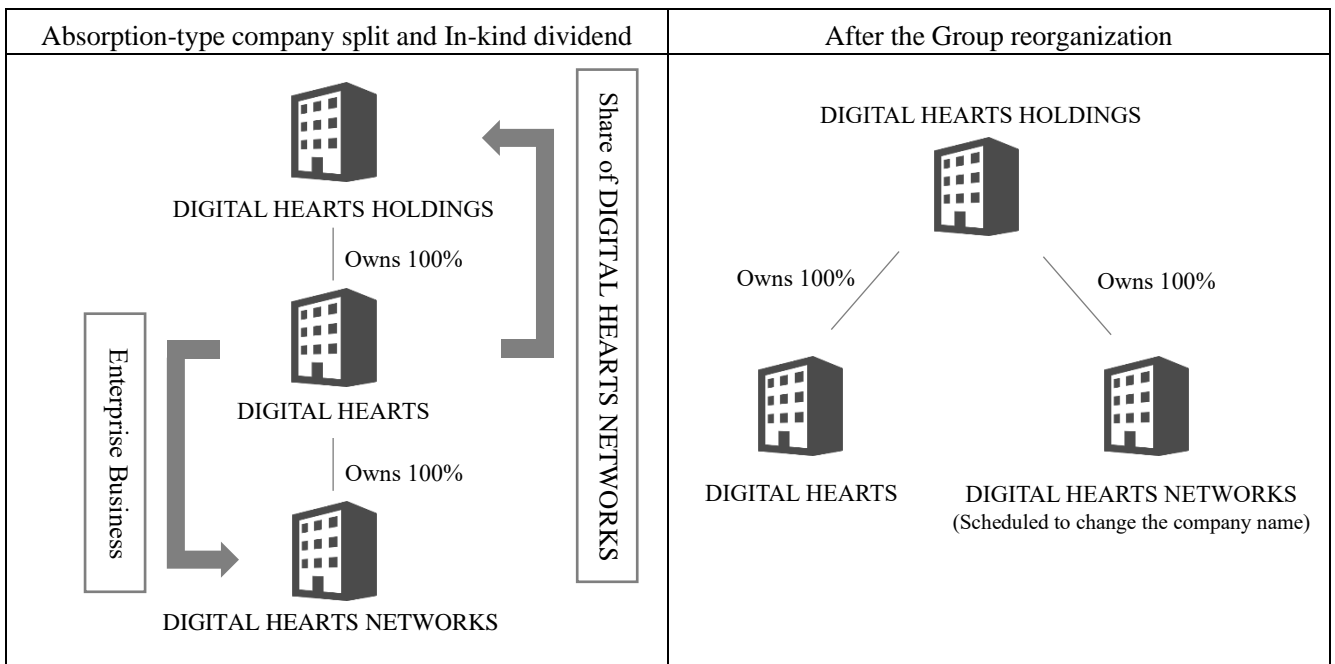
DIGITAL HEARTS HOLDINGS Co., Ltd. (hereinafter referred to as the “Company” or “DIGITAL HEARTS HOLDINGS”) announces that it passed a resolution at its Board of Directors’ Meeting held today to implement a group reorganization ("Group reorganization") among the Company and its wholly owned subsidiaries. This Group reorganization is aim to accelerating the growth of Enterprise Business.

Since this case is an organizational restructuring in which the Company and its wholly owned subsidiaries, some of the disclosures have been omitted.

The details are as follows.

1. Overview of Group Reorganization

On April 1, 2022, the Company will execute an absorption-type company split ("Absorption-type company split") in which Enterprise Business of our wholly-owned subsidiary, DIGITAL HEARTS Co., Ltd. ("DIGITAL HEARTS"), will be succeeded to by our wholly-owned subsidiary, DIGITAL HEARTS NETWORKS Co., Ltd. ("DIGITAL HEARTS NETWORKS"). On the same date, the Company will distribute all shares of DIGITAL HEARTS's DIGITAL HEARTS NETWORKS in kind (“In-kind dividend”).



2. Purpose of the Group Reorganization

Our group is currently focusing on expanding our Enterprise Business including System Testing, as a second pillar of earnings following our mainstay Entertainment Business. By striving to build the foundation for Enterprise Business through the enhancement of human resources, the expansion of services, and the establishment of an operating system, we achieved rapid growth by capturing growing demand against the backdrop of chronic shortages of IT personnel.

At the same time, the environment of clients' software development has been changing in recent years due to the acceleration of DX, and their expectations from service providers like us have expanded and become more sophisticated, from simple software testing to Quality Assurance ("QA") services by utilizing technology such as testing automation and consulting from the development upstream process as a QA expert. Under these circumstances, we have decided to reorganize the Group in order to seize the expanding business opportunities by improving our QA expertise and technological capabilities, and we are aiming to evolve our Enterprise business into "Next-Generation QA" model.

In this Group reorganization, we will spin out Enterprise Business Department from DIGITAL HEARTS to form "Next-Generation QA company" (currently: DIGITAL HEARTS NETWORKS), which will be a core unit to drive the entire Enterprise Business of our group. This "Next-Generation QA company" will establish a new brand image different from the color of "entertainment" that our Group has developed in the game industry, and is aiming to be an attractive group in which leading-edge quality technology engineers gather naturally. Furthermore, in order to develop and provide innovative QA solution services, we will strive to research cutting-edge technologies and foster QA engineers responding to these new technologies, in collaboration with industry experts, universities and research institutes in Japan and overseas.

Additionally, through the Group reorganization, we will change the president of "Next-Generation QA company" to Yasumasa NINOMIYA, who serves as the Company's president and CEO, and the president of DIGITAL HEARTS to Toshiya TSUKUSHI, who serves as the Company's executive vice president. In this way, we will pursue further growth while maintaining an optimal balance between the independence of Enterprise and Entertainment Business and the cohesiveness of the Group as a whole.

Through these initiatives, with our Group mission of "SAVE the DIGITAL WORLD," we are aiming to evolve into an indispensable presence in the digital society.

3. Schedule

Date of the Board of Directors' resolution	:	November 9, 2021	(DIGITAL HEARTS HOLDINGS)
Date of the Board of Directors' resolution of the Absorption-type company split agreement	:	December 19, 2021 (Scheduled)	(DIGITAL HEARTS and DIGITAL HEARTS NETWORKS)
Date of conclusion of the Absorption-type company split agreement	:	December 19, 2021 (Scheduled)	(DIGITAL HEARTS and DIGITAL HEARTS NETWORKS)
Date of resolution at the extraordinary shareholders meeting	:	March 25, 2022 (Scheduled)	(DIGITAL HEARTS)
Effective date of Absorption-type company split	:	April 1, 2022 (Scheduled)	
Effective date of In-kind dividend	:	April 1, 2022 (Scheduled)	

*In case of DIGITAL HEARTS NETWORKS as the succeeding company, the absorption-type company split is scheduled to be implemented without an approval by a resolution of the shareholders meeting, since it falls under the short form absorption-type company split stipulated in Paragraph 1 of Article 796 of the Corporate Law.

4. Overview of Absorption-type Company Split

(1) A summary of the Absorption-type company split

(i) Method of Absorption-type company split

This is the case with DIGITAL HEARTS as the splitting company in the Absorption-type company split and DIGITAL HEARTS NETWORKS as the succeeding company in the Absorption-type company split.

(ii) The contents of the allotment pertaining to the Absorption-type company split

Since the Absorption-type company split will be conducted between the wholly owned subsidiary, no shares shall be allotted or any consideration shall be delivered.

(iii) Handling of stock acquisition rights and bonds with stock acquisition rights in connection with the Absorption-type company split

Not applicable.

(iv) Paid-in capital to be increased or decreased by the company split

Not applicable.

(v) Rights and obligations to be succeeded by the succeeding company

DIGITAL HEARTS NETWORKS shall succeed to the assets, liabilities, contracts, and other rights and obligations of Enterprise Business of DIGITAL HEARTS to the extent stipulated in the Absorption-type company split agreement.

(vi) Prospects of paying debt obligations

We have determined that there is no problem in the prospect of performance with respect to the obligations to be borne by DIGITAL HEARTS NETWORKS after the effective date of this Absorption-type company split.

(2) Outline of the company involved in the Absorption-type company split.

	Succeeding Company	Splitting Company
(1) Company name	DIGITAL HEARTS NETWORKS Co., Ltd.	DIGITAL HEARTS Co., Ltd.
(2) Location	3-20-2 Nishi-Shinjuku, Shinjuku-ku, Tokyo , Japan	3-20-2 Nishi-Shinjuku, Shinjuku-ku, Tokyo , Japan
(3) Position and name of representative	President Ken HASEGAWA	President Yasumasa NINOMIYA
(4) Business activities	Internet communication related business and security business	Debugging business, Software testing business and Security business, etc.
(5) Share capital	30 million yen	276 million yen
(6) Date established	February 28, 2018	April 19, 2001
(7) Number of outstanding shares	3,000 shares	11,862,600 shares
(8) Fiscal year	March 31	March 31
(9) Major shareholders and shareholding ratios	DIGITAL HEARTS Co., Ltd. 100.0%	DIGITAL HEARTS HOLDINGS Co., Ltd. 100.0%

(3) A summary of the inherited businesses

(i) A summary of the inherited businesses

Enterprise Business including System Testing and Security business.

(ii) The business results of the succeeding businesses

Net sales 5,361 million yen (FY 2020)

(4) Situation after the Absorption-type company split (as of April 1, 2022)

*Underlined to changed parts

(1) Company name	DIGITAL HEARTS NETWORKS Co., Ltd. (* Scheduled to change the company name)	DIGITAL HEARTS Co., Ltd.
(2) Location	3-20-2 Nishi-Shinjuku, Shinjuku-ku, Tokyo, Japan	3-20-2 Nishi-Shinjuku, Shinjuku-ku, Tokyo, Japan
(3) Position and name of representative	President <u>Yasumasa NINOMIYA</u>	President <u>Toshiya TSUKUSHI</u>
(4) Business activities	<u>Software Testing, security, maintenance and operation services, etc.</u>	<u>Debugging services, etc.</u>
(5) Share capital	30 million yen	276 million yen
(6) Number of outstanding shares	3,000 shares	11,862,600 shares
(7) Fiscal year	March 31	March 31
(8) Major shareholders and shareholding ratios	DIGITAL HEARTS Co., Ltd. 100.0% (*)	DIGITAL HEARTS HOLDINGS Co., Ltd. 100.0%

*After the Absorption-type company split, DIGITAL HEARTS plans to distribute all shares of DIGITAL HEARTS NETWORKS to us in kind.

5. Future Prospects

We anticipate that the impact on our consolidated and non-consolidated results for the year ending March 2022 will be minor, but we will promptly notify you of the necessity to revise the performance forecast and any issues that should be published in the future.