



March 8, 2021

Company name:	DIGITAL HEARTS HOLDINGS Co., Ltd. President and CEO Genichi Tamatsuka
Name of representative:	(Code number: 3676, First Section of the Tokyo Stock Exchange)
Contact:	Director and CFO Toshiya Tsukushi (TEL. +81-3-3373-0081)

Notice Regarding the Stock Acquisition of Metaps Entertainment Limited (Conversion into a Consolidated Subsidiary)

DIGITAL HEARTS HOLDINGS Co., Ltd. (hereinafter referred to as the “Company”) announces that it passed a resolution at its Board of Directors’ Meeting held today to convert Metaps Entertainment Limited (hereinafter referred to as “ME”) to a subsidiary through the acquisition of shares of ME. As a result, ME and all group companies of ME (hereinafter referred to as the “ME Group”, total eight companies including ME itself, its subsidiary Metaps Pte. Ltd., and others) will also become the Company’s subsidiaries. Details are as follows:

1. Reason for stock acquisition

The Company’s group, considering that it is in the ‘Second Founding’ period since the fiscal year ended March 31, 2018, is working on expanding the Enterprise Business to create its second pillar of profit in addition to the mainstay Entertainment Business. In the Enterprise Business, we worked aggressively to strengthen human resources and technologies and expand services. As a result, the Enterprise Business has grown rapidly and reached to the enough sales seize which makes stable profit and the company has started to see its next target of this segment as ¥10 billion. In this way, we have established a business foundation that served as a second pillar of earnings. On the other hands, as for the mainstay Entertainment Business, the global market continues to expand including the worldwide popularity of battle royale games originated in the Asian market. In particular, Chinese-made games have grown rapidly, with a five-year CAGR of outside-China sales exceeding 20% (*1). For this reason, the Company’s group have strengthened its business operation in China and established bases in Korea and Taiwan as well. Through these efforts, we have grown our overseas business to approximately ¥1.5 billion at present by strengthening various services that our clients, global game makers, need when expanding their game titles to overseas markets, such as translation and LQA(*2) services to provide suitable image of the worldview for each game title, 2D/3D graphics production, audio recording, and other cultural characterization services tailored to local needs.

Meanwhile, ME Group provides marketing support when Chinese game makers expand their game titles to overseas markets. It utilizes diverse media resources, such as online advertising, TV commercials, and influencer marketing using SNS, to provide services tailored to the lifecycle of clients’ game titles. ME Group has bases in Tokyo, Shanghai, Taiwan, Hong Kong, and Singapore. The ME Group has been supporting the promotion of some top game titles in China with the advantage that local staff who are familiar with local culture and business practices can propose optimal strategy and promotion plan to each local market. In FY2020, ME Group had approximately ¥2.0 billion in sales.

Now, the Company’s group has decided to acquire ME Group because it will enable us to provide one-stop comprehensive localization services that are indispensable when game makers launch their titles to overseas markets. This is due to the collaboration of our group, which has strengths in culturalization, such as translating, LQA, and 2D/3D graphics and video material creation, and ME Group, which has strengths

in marketing support for Chinese game clients for entering to other Asian markets.

Going forward, we will leverage the knowledge and customer base of both groups' strong business domains and will support the overseas expansion of client companies in the digital entertainment industry in Asia, including global game makers in China. We aim to become a group of specialists in comprehensive localization.

(*1) CAGR for 2015-2020 (According to research by 4Gamer.net based on "the 2020 Chinese Game Industry Report" of GPC.)

(*2) LQA...An abbreviation for Linguistic Quality Assurance that identifies translated texts and configurations

2. Overview of the companies to be acquired as subsidiaries

(Metaps Entertainment Limited)

(1) Company name	Metaps Entertainment Limited	
(2) Location	P.O.Box905, Quastisky Building, Road Town, Tortola, British Virgin Islands	
(3) Position and name of representative	CEO Shuo ZHANG	
(4) Business activities	Marketing business (Holding company)	
(5) Share capital	USD 13,490 thousand (JPY 1,433 million)	
(6) Date established	November 30, 2018	
(7) Major shareholder and its shareholding ratio	Metaps Inc.	100.0%
(8) Relationship between the listed company and the said company	Capital ties	There are no notable capital ties between the Company and the said company. There are no notable capital ties between related parties/affiliates of the Company and related parties/affiliates of the said company.
	Personnel relations	There are no notable personnel relations between the Company and the said company. There are no notable personnel relations between related parties/affiliates of the Company and related parties/affiliates of the said company.
	Business relations	There are no notable business relations between the Company and the said company. There are no notable business relations between related parties/affiliates of the Company and related parties/affiliates of the said company.
(9) Operating results and financial position of the said company for the past two years		
Fiscal year	Fiscal year ended December 2019 (*1)	Fiscal year ended December 2020
Net assets	USD 13,680 thousand (JPY 1,453 million)	USD 13,659 thousand (JPY 1,451 million)
Total assets	USD 13,689 thousand (JPY 1,454 million)	USD 15,488 thousand (JPY 1,645 million)
Net assets per share	USD 10 thousand (JPY 1 million)	USD 10 thousand (JPY 1 million)
Net sales	USD 0 thousand (JPY 0 million)	USD 0 thousand (JPY 0 million)
Operating income	USD -3 thousand (JPY -0 million)	USD -1 thousand (JPY -0 million)

Net income	USD 190 thousand (JPY 20 million)	USD -20 thousand (JPY -2 million)
Net income per share	USD 141.13 (JPY 14 thousand)	USD -15.44 (JPY -1 thousand)

(Metaps Pte. Ltd.)

(1) Company name	Metaps Pte. Ltd.		
(2) Location	2 Marina Boulevard #38-01 The Sail @ Marina Bay, Singapore		
(3) Position and name of representative	CEO Shuo ZHANG		
(4) Business activities	Marketing business		
(5) Share capital	USD 4,102 thousand (JPY 435 million)		
(6) Date established	June 10, 2011		
(7) Major shareholder and its shareholding ratio	Metaps Entertainment Limited		100.0%
(8) Relationship between the listed company and the said company	Capital ties	There are no notable capital ties between the Company and the said company. There are no notable capital ties between related parties/affiliates of the Company and related parties/affiliates of the said company.	
	Personnel relations	There are no notable personnel relations between the Company and the said company. There are no notable personnel relations between related parties/affiliates of the Company and related parties/affiliates of the said company.	
	Business relations	There are no notable business relations between the Company and the said company. There are no notable business relations between related parties/affiliates of the Company and related parties/affiliates of the said company.	
(9) Operating results and financial position of the said company for the past three years			
Fiscal year	Fiscal year ended August 2018	Fiscal year ended December 2019 (*1)	Fiscal year ended December 2020
Net assets	USD 1,382 thousand (JPY 146 million)	USD 1,191 thousand (JPY 126 million)	USD 1,254 thousand (JPY 133 million)
Total assets	USD 5,167 thousand (JPY 548 million)	USD 4,482 thousand (JPY 476 million)	USD 4,178 thousand (JPY 443 million)
Net assets per share	USD 0.30 (JPY 32.65)	USD 0.26 (JPY 28.12)	USD 0.27 (JPY 29.60)
Net sales	USD 9,538 thousand (JPY 1,013 million)	USD 12,364 thousand (JPY 1,313 million)	USD 6,032 thousand (JPY 640 million)
Operating income	USD 145 thousand (JPY 15 million)	USD -187 thousand (JPY -19 million)	USD 109 thousand (JPY 11 million)
Net income	USD 144 thousand (JPY 15 million)	USD -191 thousand (JPY -20 million)	USD 62 thousand (JPY 6 million)
Net income per share	USD 0.03 (JPY 3.41)	USD -0.04 (JPY -4.52)	USD 0.01 (JPY 1.48)

(Metaps Shanghai Co., Ltd.)

(1) Company name	Metaps Shanghai Co., Ltd.		
(2) Location	Room 402-403, Building 1, Dongshuo Business Center, No.505 Zhaohua Road, Changning District, Shanghai, China		
(3) Position and name of representative	CEO Yuichiro YAMAZAKI		
(4) Business activities	Marketing business		
(5) Share capital	CNY 25,160 thousand (JPY 411 million)		
(6) Date established	December 29, 2013		
(7) Major shareholder and its shareholding ratio	Metaps Entertainment Hong Kong Limited		100.0%
(8) Relationship between the listed company and the said company	Capital ties	There are no notable capital ties between the Company and the said company. There are no notable capital ties between related parties/affiliates of the Company and related parties/affiliates of the said company.	
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(9) Operating results and financial position of the said company for the past three years			
Fiscal year	Fiscal year ended December 2018	Fiscal year ended December 2019	Fiscal year ended December 2020
Net assets	CNY -1,767 thousand (JPY -28 million)	CNY -3,934 thousand (JPY -64 million)	CNY 6,755 thousand (JPY 110 million)
Total assets	CNY 4,976 thousand (JPY 81 million)	CNY 10,561 thousand (JPY 172 million)	CNY 9,812 thousand (JPY 160 million)
Net sales	CNY 5,903 thousand (JPY 96 million)	CNY 8,059 thousand (JPY 131 million)	CNY 3,291 thousand (JPY 53 million)
Operating income	CNY -4,810 thousand (JPY -78 million)	CNY -2,254 thousand (JPY -36 million)	CNY -741 thousand (JPY -12 million)
Net income	CNY -5,201 thousand (JPY -85 million)	CNY -2,166 thousand (JPY -35 million)	CNY -3,230 thousand (JPY -52 million)

(Metaps Entertainment Hong Kong Limited)

(1) Company name	Metaps Entertainment Hong Kong Limited
(2) Location	27/F Neich Tower 128 Gloucester Rd Wanchai, Hong Kong
(3) Position and name of representative	CEO Shuo ZHANG
(4) Business activities	Marketing business (Intermediate holding company)
(5) Share capital	USD 3,370 thousand (JPY 358 million)

(6) Date established	December 20, 2018	
(7) Major shareholder and its shareholding ratio	Metaps Entertainment Limited 100.0%	
(8) Relationship between the listed company and the said company	Capital ties	There are no notable capital ties between the Company and the said company. There are no notable capital ties between related parties/affiliates of the Company and related parties/affiliates of the said company.
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(9) Operating results and financial position of the said company for the past two years		
Fiscal year	Fiscal year ended December 2019 (*1)	Fiscal year ended December 2020
Net assets	USD 1,388 thousand (JPY 147 million)	USD 3,361 thousand (JPY 357 million)
Total assets	USD 1,399 thousand (JPY 148 million)	USD 3,374 thousand (JPY 358 million)
Net assets per share	USD 4,107 (JPY 436 thousand)	USD 9,946 (JPY 1,056 thousand)
Net sales	USD 0 thousand (JPY 0 million)	USD 0 thousand (JPY 0 million)
Operating income	USD -1 thousand (JPY -0 million)	USD -6 thousand (JPY -0 million)
Net income	USD -1 thousand (JPY -0 million)	USD -6 thousand (JPY -0 million)
Net income per share	USD -5.23 (JPY -556)	USD -18.60 (JPY -1,976)

(Metaps & Luminous Media International Corporation)

(1) Company name	Metaps & Luminous Media International Corporation	
(2) Location	Vistra Corporate Services Centre, Wickhams Cay I I , Road Town, Tortola, VG1110, British Virgin Islands	
(3) Position and name of representative	CEO Chia-Hung TSOU	
(4) Business activities	Marketing business	
(5) Share capital	USD 1,300 thousand (JPY 138 million)	
(6) Date established	May 17, 2017	
(7) Major shareholder and its shareholding ratio	Metaps Entertainment Limited 51.0%	

(8) Relationship between the listed company and the said company	Capital ties	There are no notable capital ties between the Company and the said company. There are no notable capital ties between related parties/affiliates of the Company and related parties/affiliates of the said company.	
	Personnel relations	There are no notable personnel relations between the Company and the said company. There are no notable personnel relations between related parties/affiliates of the Company and related parties/affiliates of the said company.	
	Business relations	There are no notable business relations between the Company and the said company. There are no notable business relations between related parties/affiliates of the Company and related parties/affiliates of the said company.	
(9) Operating results and financial position of the said company for the past three years			
Fiscal year	Fiscal year ended December 2018 (*3)	Fiscal year ended December 2019	Fiscal year ended December 2020
Net assets	—	USD 2,036 thousand (JPY 216 million)	USD 2,432 thousand (JPY 258 million)
Total assets	—	USD 2,481 thousand (JPY 263 million)	USD 3,376 thousand (JPY 358 million)
Net assets per share	—	USD 40.73 (JPY 4,327)	USD 48.64 (JPY 5,168)
Net sales	—	USD 1,026 thousand (JPY 109 million)	USD 2,413 thousand (JPY 256 million)
Operating income	—	USD 647 thousand (JPY 68 million)	USD 525 thousand (JPY 55 million)
Net income	—	USD 1,121 thousand (JPY 119 million)	USD 395 thousand (JPY 42 million)
Net income per share	—	USD 22.43 (JPY 2,383)	USD 7.91 (JPY 840)

(KOL Media Limited)

(1) Company name	KOL Media Limited	
(2) Location	Unit 212 2/F Mirror Tower, 61 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong	
(3) Position and name of representative	CEO Yaoxian SHEN	
(4) Business activities	Marketing business	
(5) Share capital	USD 1 thousand (JPY 138 thousand)	
(6) Date established	May 23, 2016	
(7) Major shareholder and its shareholding ratio	Metaps Entertainment Limited 100.0%	
(8) Relationship between the listed company and the said company	Capital ties	There are no notable capital ties between the Company and the said company. There are no notable capital ties between related parties/affiliates of the Company and related parties/affiliates of the said company.

	Personnel relations	There are no notable personnel relations between the Company and the said company. There are no notable personnel relations between related parties/affiliates of the Company and related parties/affiliates of the said company.
	Business relations	There is a business relationship in the media business between the said company and Aetas, Inc. which is one of subsidiaries of the Company. The amount of transactions between them is negligible.

(9) Operating results and financial position of the said company for the past three years

Fiscal year	Fiscal year ended March 2018	Fiscal year ended March 2019	Fiscal year ended March 2020
Net assets	USD 175 thousand (JPY 18 million)	USD 1,099 thousand (JPY 116 million)	USD 1,983 thousand (JPY 210 million)
Total assets	USD 2,197 thousand (JPY 233 million)	USD 2,530 thousand (JPY 268 million)	USD 2,589 thousand (JPY 275 million)
Net assets per share	USD 17.57 (JPY 1 thousand)	USD 109.98 (JPY 11 thousand)	USD 198.38 (JPY 21 thousand)
Net sales	USD 5,532 thousand (JPY 587 million)	USD 7,237 thousand (JPY 769 million)	USD 11,790 thousand (JPY 1,252 million)
Operating income	USD 171 thousand (JPY 18 million)	USD 1,080 thousand (JPY 114 million)	USD 1,023 thousand (JPY 108 million)
Net income	USD 146 thousand (JPY 15 million)	USD 924 thousand (JPY 98 million)	USD 883 thousand (JPY 93 million)
Net income per share	USD 14.66 (JPY 1 thousand)	USD 92.41 (JPY 9 thousand)	USD 88.39 (JPY 9 thousand)

*1 The applicable fiscal year ended December 31, 2019 is an irregular fiscal period due to a change in the fiscal year end, etc.

*2 Results shown in Japanese yen are based on conversion at the rate of 106.25 yen for one US dollar and 16.35 yen for one Chinese yuan.

*3 The company did not engage in any business activities in 2018 and has not audited any figures; therefore, this information is omitted.

*4 The Company prepares its financial statements based on each company's local accounting standards, and there are no items that correspond to ordinary income. Therefore, this information is omitted.

3. Overview of the counterparty to the stock acquisition

(1) Name	Metaps Inc.
(2) Location	1-4-1 Mita, Minato-ku, Tokyo, Japan
(3) Position and name of representative	CEO Yuichiro YAMAZAKI
(4) Business activities	Finance, Marketing, and DX support businesses
(5) Share capital	JPY 5,444 million
(6) Date established	September 3, 2007
(7) Net assets and total assets for the most recent fiscal year	<u>Fiscal year ended December 2020</u> Equity attributable to owners of the parent: JPY 5,662 million Total assets: JPY 21,921 million

(8) Major shareholders and their shareholding ratios	Katsuaki SATO		20.39%
	SBI SECURITIES Co., Ltd.		11.06%
	NIPPON GAS CO., LTD.		3.21%
	Yuichiro YAMAZAKI		2.99%
	au Kabucom Securities Co., Ltd.		2.28%
	Japan Trustee Services Bank, Ltd. (Trust Account)		1.87%
	Rakuten Securities, Inc.		1.43%
	BBH FOR GLOBAL X FINTECH ETF		0.95%
	STATE STREET BANK AND TRUST COMPANY 505223		0.81%
Takeo NAKAGAWA		0.74%	
(9) Relationship between the listed company and the said company	Capital ties	There are no notable capital ties between the Company and the said company. There are no notable capital ties between related parties/affiliates of the Company and related parties/affiliates of the said company.	
	Personnel relations	There are no notable personnel relations between the Company and the said company. There are no notable personnel relations between related parties/affiliates of the Company and related parties/affiliates of the said company.	
	Business relations	There is a business relationship in the media business between the said company and Aetas, Inc. which is one of subsidiaries of the Company. The amount of transactions between them is negligible.	

4. Number of stock to be acquired, acquisition cost and status of stock ownership before and after acquisition

(1) Number of stock owned before transfer	Zero (Number of voting rights: Zero) (Ownership percentage of voting rights: 0%)
(2) Number of stock to be acquired	1,350 shares (Number of voting rights: 1,350) (The acquisition cost: JPY 2,165 million)
(3) Number of stock owned after transfer	1,350 shares (Number of voting rights: 1,350) (Ownership percentage of voting rights: 100%)

5. Schedule

- (1) Date of the Board of Directors' resolution : March 8, 2021
(2) Date of conclusion of the stock purchase agreement : March 8, 2021
(3) Date of the stock acquisition : March 29, 2021 (Scheduled)

6. Future prospects

We expect the stock acquisition to have a minor effect on our business results for the fiscal year ending March 31, 2021. However, we will promptly make an announcement if it is necessary to revise our results forecast or if any matter requiring disclosure is generated in the future.

(Reference) Consolidated earnings forecasts for the current period and consolidated operating performance for the previous period

(in million yen)

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent	Net income per share
Consolidated earnings forecasts for the current period (Fiscal year ending March 2021)	23,080	1,600	1,600	1,100	yen 51.09
Consolidated operating performance for the previous period (Fiscal year ended March 2020)	21,138	1,394	1,372	792	yen 36.31