



November 19, 2021

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| 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) |
| Contact: | Executive Vice President and CFO, Director | Toshiya Tsukushi (TEL: +81-3-3373-0081) |

Notice of Conclusion of Absorption-type Company Split Agreement and Business Alliance Agreement of DIGITAL HEARTS Co., Ltd., Our Consolidated Subsidiary, and Drecom Co., Ltd.

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 that DIGITAL HEARTS Co., Ltd. (“DIGITAL HEARTS”), which is a consolidated subsidiary of the Company, conclude an absorption-type company split agreement (“Absorption-type company split”) to succeed the rights and obligations of the QC division of Drecom Co., Ltd. (“Drecom”) and a business alliance agreement (“Business alliance”).

Since this Absorption-type company split and Business alliance fall under the minor criteria of timely disclosure stipulated by the Tokyo Stock Exchange, some of the disclosure items have been omitted.

1. Purpose of the Absorption-type Company Split and Business Alliance

DIGITAL HEARTS has developed a Debugging businesses that detect game bugs or defects, and has established a solid position as a quality-control partner for game makers and other client companies, with the know-how cultivated since their founding and the human capital of approximately 8,000 registered testers. In recent years, DIGITAL HEARTS have been focusing on the industrial shift and expansion from the game industry to the non-game enterprise domain. In order to expand the System Testing business in the enterprise domain, DIGITAL HEARTS is working to improve its expertise and technical capabilities as a company specializing in software testing by strengthening the recruitment and training of testing engineers and utilizing cutting-edge technologies such as test automation.

Meanwhile, Drecom aims to grow through the expansion of its mainstay game businesses, and is focusing on developing and providing appealing and attractive content, expanding the business regions, and diversifying the content offered.

In recent years, with a wide variety of digital contents flooded, in addition to the appeal of contents themselves, factors such as cyber security, quality without defect and high usability have become much important in order to establish a competitive advantage. For this reason, DIGITAL HEARTS and Drecom have decided to enter into an Absorption-type company split agreement and a Business alliance agreement to divide the QC division in charge of Drecom quality control operations and succeeded by DIGITAL HEARTS with the aim of building a system that will optimize the resources of both companies and maximize their respective expertise and develop more competitive content than ever before.

This Absorption-type company split and Business alliance will enable DIGITAL HEARTS to establish and strengthen its system to support the quality control related to Drecom gaming development. This will enable Drecom to concentrate its management resources on development that requires creativity. Employees currently in Drecom's QC division can also select new career paths in DIGITAL HEARTS, such as engineers and security analysts in the enterprise area.

Going forward, DIGITAL HEARTS and Drecom will continue to intensify their focus on the strategical areas of each business and aim to become leading companies in their respective areas.

2. Overview of Absorption-type Company Split and Business Alliance

(1) Schedule

| | | | |
|---|---|------------------------------|-----------------------------|
| Date of the Board of Directors' resolution | : | November 19, 2021 | (DIGITAL HEARTS and Drecom) |
| Date of conclusion of the Absorption-type company split agreement | : | November 19, 2021 | |
| Date of conclusion of Business alliance agreement | : | November 19, 2021 | |
| Effective date of Absorption-type company split | : | February 1, 2022 (Scheduled) | |

*In case of DIGITAL HEARTS as the succeeding company, the Absorption-type company split falls under a simplified demerger stipulated in Paragraph 2 of Article 796 of the Corporate Law, and in case of Drecom as the splitting company, the Absorption-type company split falls under a simplified demerger stipulated in Paragraph 2 of Article 784 of the Corporate Law. Therefore, both companies plan to implement the Absorption-type company split without an approval by a resolution of the shareholders meeting.

(2) Method of Absorption-type company split

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

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

In this Absorption-type company split, DIGITAL HEARTS plans to deliver 100 million yen to Drecom.

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

Not applicable.

(5) Paid-in capital to be increased or decreased by the Absorption-type company split

Not applicable.

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

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

(7) 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 after the effective date of this Absorption-type company split.

3. The Grounds, etc. for the Allotment Pertaining to this Absorption-type Company Split

The calculation of the amount to be delivered by DIGITAL HEARTS in the Absorption-type company split was determined after consultation and negotiation with Drecom based on the value calculation results of the relevant division to be inherited.

4. Outline of the Company Involved in the Absorption-type Company Split and Business Alliance

| | Succeeding Company | Splitting Company |
|---|---|---|
| (1) Company name | DIGITAL HEARTS Co., Ltd. | Drecom Co., Ltd. |
| (2) Location | 3-20-2 Nishi-Shinjuku, Shinjuku-ku, Tokyo, Japan | 2-1-1 Osaki, Shinagawa-ku, Tokyo, Japan (*) |
| (3) Position and name of representative | President Yasumasa NINOMIYA | President & CEO Yuki NAITO |
| (4) Business activities | Debugging business, Software testing business and Security business, etc. | Game business and Media business |

| | | | |
|----------------------|--|---|---|
| (5) | Share capital | 276 million yen | 1,761 million yen |
| (6) | Date established | April 19, 2001 | November 13, 2001 |
| (7) | Number of outstanding shares | 11,862,600 shares | 28,976,700 shares |
| (8) | Fiscal year | March 31 | March 31 |
| (9) | Major shareholders and shareholding ratios | DIGITAL HEARTS HOLDINGS Co., Ltd. 100.0% | Yuki Naito 34.3% BANDAI NAMCO Holdings Inc. 19.1% Rakuten Securities, Inc. 2.5% Norikazu Yamaguchi 1.7% SBI SECURITIES Co., Ltd. 1.6% |
| (10) | Operating results and financial position | | |
| | | DIGITAL HEARTS (Non-consolidated) | Drecom (Consolidated) |
| Fiscal year | | Fiscal year ended March 2021 (in million yen except for net assets per share and net income per share) | Fiscal year ended March 2021 (in million yen except for net assets per share and net income per share) |
| Net assets | | 4,657 | 3,855 |
| Total assets | | 7,091 | 9,610 |
| Net assets per share | | 392.62 yen | 132.91 yen |
| Net sales | | 18,443 | 11,840 |
| Operating income | | 1,797 | 2,052 |
| Ordinary income | | 1,855 | 2,019 |
| Net income | | 1,032 | 1,624 |
| Net income per share | | 87.02 yen | 57.00 yen |

*The location of Drecom is based on the information as of November 19, 2021.

5. A summary of the Inherited Businesses

(1) A summary of the inherited division

Quality assurance services for game apps developed and operated by Drecom.

(2) The business results of the succeeding businesses

There is no applicable item because the service is provided within the company of Drecom.

(3) Items and amounts of assets and liabilities to be succeeded

There are no assets or liabilities to be succeeded in the Absorption-type company split.

6. Situation after the Absorption-type Company Split

There are no plans to change the company name, location, position and name of the representative, business activities, share capital, or fiscal year-end after the Absorption-type company split for both the succeeding company and the splitting company.

7. Future Prospects

We anticipate that the impact on our business 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.