



June 13, 2022

Company name:	DIGITAL HEARTS HOLDINGS Co., Ltd.	
Name of representative:	President and CEO	Yasumasa Ninomiya (Code number: 3676, Prime, Tokyo Stock Exchange)
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Notice of Conclusion of Absorption-type Company Split Agreement and Business Alliance  
Agreement of AGEST, Inc., Our Consolidated Subsidiary, and Sobal Corporation

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 AGEST, Inc. (“AGEST”), 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 Quality Assurance business that provide valuation and verification services for software, which is part of the engineering business of Sobal Corporation (“Sobal”) and also a business alliance agreement (“Business alliance”) as well.

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

In addition to the chronic shortage of IT human resources in Japan in recent years, with increasing complexity of software due to the advancement of IoT and DX, clients’ needs has become stronger especially to the expertise of software testing to ensure the quality and security of products. As a result, outsourcing of testing processes at client companies has accelerated. Under these circumstances, underpinned by our highly profitable businesses of Entertainment Business, we are currently focusing on the growth strategy of Enterprise Business including software testing, which is experiencing rapid growth in demand. On April 1, 2022, we formed AGEST as the core company of Enterprise Business through a group-wide reorganization. By promoting R&D aimed at utilizing cutting-edge quality technologies and improving engineer resource for these technologies with recruiting and training initiatives, we aim to provide unconventional QA (Quality Assurance) solutions. In particular, in the training of engineers, we established “AGEST Academy”, which provides training programs that concentrate on the authoritative knowledge of software testing both in and outside of Japan, and have established a system that can enhance QA technology and our higher skills as a "QA engineer" such as security testing and AI testing.

Sobal has developed an engineering businesses that provides services related to software and hardware development. These services includes software testing service for prototypes being developed, evaluation and validation of spec errors as program level, and others to evaluate the quality of pre-production products. However, since Sobal is currently promoting the expansion of businesses in software development or in new technologies such as AI related businesses, they have decided to divide the Quality Assurance business that provides software testing services and to concentrate management resources in their strong businesses areas by entering into an absorption-type company split agreement and a businesses alliance agreement with AGEST.

AGEST has responded to a wide range of client enterprise quality issues, from upstream quality consultations to test planning, design, and implementation to agile testing, test automation, and vulnerability testing. By adding more than 130 engineers with extensive knowledge and experience in testing a variety of products and systems, such as major manufacturers, business systems, and web applications, from Sobal to AGEST, we can improve the capabilities of both quality and quantities and support a system where clients can focus more thier own services or operations. In addition, engineers who newly join to AGEST can improve their engineer careers and their skills as "QA engineers" through “AGEST Academy” training programs

as unique system of AGEST.

Through this businesses alliance, AGEST will support the development of new projects as a QA partner of Sobal for their engineering businesses. Going forward, both companies will specialize in each of strengths and also will build mutually complementary relations. In this way, we will aim to grow our businesses and client base more than ever before.

As a software testing specialized companies, we will continue to improve our technological capabilities and expertise, while focusing on the development of QA engineers, with the aim of realizing our corporate mission of becoming a "SAVE the DIGITAL WORLD."

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

### (1) Schedule

Date of the Board of Directors' resolution	: June 13, 2022
Date of conclusion of the Absorption-type company split agreement and Business alliance agreement	: June 13, 2022
Effective date of Business alliance	: June 13, 2022
Effective date of Absorption-type company split	: August 1, 2022 (Scheduled)

\*In case of AGEST 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 Sobal 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 Sobal as the splitting company and AGEST 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, AGEST plans to deliver 380 million yen to Sobal.

### (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

AGEST shall succeed to the assets, liabilities, contracts, and other rights and obligations of Quality Assurance business of Sobal 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 AGEST 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 AGEST in the Absorption-type company split was determined after consultation and negotiation with Sobal 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	AGEST, Inc.	Sobal Corporation
(2) Location	3-20-2 Nishi-Shinjuku, Shinjuku-ku, Tokyo, Japan	5-9-11 Kita-Shinagawa, Shinagawa-ku, Tokyo, Japan
(3) Position and name of representative	Representative Director and President Yasumasa NINOMIYA	President Director Chief Executive Officer & Representative Director Atsushi SHIIZU
(4) Business activities	Providing Software testing Service, Cyber-security service, etc.	Engineering business
(5) Share capital	30 million yen	214 million yen
(6) Date established	February 28, 2018	January 21, 1983
(7) Number of outstanding shares	3,000 shares	8,167,498 shares
(8) Fiscal year	March 31	End of February
(9) Major shareholders and shareholding ratios	DIGITAL HEARTS HOLDINGS Co., Ltd. 100.0%	EverCore Ltd. 44.2% Sobal employee stock ownership 10.8% Nana KAWASHITA 4.8% Atsushi SHIIZU 4.8% Takashi MARUTA 1.4%
(10) Operating results and financial position		
	AGEST (Non-consolidated)	Sobal (Consolidated)
Fiscal year	Fiscal year ended March 2022 (in million yen except for net assets per share and net income per share)	Fiscal year ended February 2022 (in million yen except for net assets per share and net income per share)
Net assets	24	3,433
Total assets	34	4,649
Net assets per share	8,140.92	434.55
Net sales	217	8,163
Operating income	-4	603
Ordinary income	-4	637
Net income	-4	447
Net income per share	—	56.84

\* On April 1, 2022, AGEST, Inc. took over Enterprise Business of DIGITAL HEARTS Co., Ltd. through an absorption-type company split. The results of Enterprise Business (6,751 million yen on sales for the year ending March 2022) that was inherited are not included in achievements or result for the year ending March 2022 described in this table.

5. A summary of the Inherited Businesses

(1) A summary of the inherited division

Software quality assurance services

(2) The business results of the succeeding businesses

Net sales 926,585 thousand yen (Fiscal year ended February 2022)

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

Current assets 6,069 thousand yen

※ There are no assets or liabilities other than the above.

※ Since the above amount is calculated based on the balance sheet as of February 28, 2022, the actual amount inherited

is the amount obtained by adding or subtracting the above amount from the increase or decrease up to the day before the effective date.

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 2023 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.