



March 17, 2023

Company name: DIGITAL HEARTS HOLDINGS Co., Ltd.
 Name of representative: President and CEO Yasumasa Ninomiya
 (Code number: 3676, Prime, Tokyo Stock Exchange)
 Executive Vice President Toshiya Tsukushi
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Notice of the Stock Acquisition of GPC K.K (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 GPC K.K (“GPC”) to a subsidiary through the acquisition of all shares of GPC.

Details are as follows:

1. Reason for stock acquisition

We are currently expanding our businesses in ERP as one of the focusing areas to make a rapid growth of the Enterprise Business centered on software testing. Especially in SAP, against the backdrop of "the 2027 issue" in which the existing SAP ERP standard maintenance period ends at the end of 2027, the demand is surging for the transition to SAP S/4HANA® as a successor product. To this end, our Group has endeavored to build a system that can provide integrated SAP support including introduction, testing, and maintenance. We have increased the number of SAP engineers while utilizing M&A, and established high-value-added comprehensive test solutions for SAP with tools specializing in SAP, such as Panaya as an impact analysis tool and Worksoft as a test automation tool. As part of our efforts to strengthen our businesses base in SAP field, we have decided to acquire the SAP introduction support service provider, GPC.

Since its establishment in 2006, GPC has accumulated a wealth of achievements in SAP introduction support for clients in a variety of industries, including major system integrators, electronics manufacturers, and trading companies, then it possesses specialist knowledge and experiences of SAP in the logistics field and others. GPC has high-skill engineers who are well-versed in SAP and can play an active role as a core member within the project. In addition, one of the GPC’s greatest strengths is that they can flexibly provide the optimal engineers for the project as a team by leveraging their strong human network with freelance engineers and business partners. They provide a wide range of one-stop services, from defining SAP requirements to developing, full-scale operation, and maintenance support.

Through this stock acquisition, we will expand our capabilities in SAP areas and further improve our expertise. By strengthening our ability to provide SAP related solutions, we will contribute to support our client companies facing “the 2027 issue.”

2. Overview of the company to be acquired as a subsidiary

(1) Company name	GPC K.K
(2) Location	1-5-6 Kudanminami, Chiyoda-ku, Tokyo, Japan
(3) Position and name of representative	Representative Director, Takaaki AOTA
(4) Business activities	SAP/ERP implementation support, System development, etc.

(5) Share capital	30 million yen		
(6) Date established	October 16, 2006		
(7) Major shareholder and its shareholding ratio	Takaaki AOTA 100.0%		
(8) Relationship between the listed company and the said company	Capital ties	None	
	Personnel relations	Representative Director of the company is the Representative Director and President of CEGB Co., Ltd., our consolidated subsidiary.	
	Business relations	There are business relationships under business consignment agreements between GPC and our consolidated subsidiaries, which are CEGB Co., Ltd. and AGEST, Inc.	
(9) Operating results and financial position of GPC for the past three years			
Fiscal year	Fiscal year ended July 2020	Fiscal year ended July 2021	Fiscal year ended July 2022
Net assets (million yen)	134	132	180
Total assets (million yen)	239	340	261
Net assets per share (thousand yen)	445	438	600
Net sales (million yen)	852	1,198	856
Operating income (million yen)	60	118	74
Ordinary income (million yen)	60	103	73
Net income (million yen)	39	-1	48
Net income per share (thousand yen)	132	-	162
Dividend per share (yen)	-	-	-

3. Overview of the counterparty to the stock acquisition

(1) Name	Takaaki AOTA
(2) Location	Tokyo, Japan
(3) Relationship between the listed company and the counterparty	He is the Representative Director and President of CEGB Co., Ltd., our consolidated subsidiary.

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

(1) Number of shares owned before transfer	Zero (Number of voting rights: Zero) (Ownership percentage of voting rights: 0.0%)
(2) Number of shares to be acquired	301 shares (Number of voting rights: 301)
(3) The acquisition cost	We have decided to refrain from disclosing the acquisition cost, due to confidentiality obligations with the counterparty. We have obtained the cost amount calculated by a fair method with reference to due diligence by a third-party organization.
(4) Number of shares owned after transfer	301 shares (Number of voting rights: 301) (Ownership percentage of voting rights: 100.0%)

5. Schedule

- (1) Date of the Board of Directors' resolution : March 17, 2023
- (2) Date of conclusion of the share transfer agreement : March 17, 2023 (Scheduled)
- (3) Date of the stock acquisition : April 3, 2023 (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, 2023. 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 2023)	35,500	3,290	3,290	2,250	104.02 yen
Consolidated operating performance for the previous period (Fiscal year ended March 2022)	29,178	2,701	2,778	1,780	82.35 yen