



May 11, 2023

Company name: DIGITAL HEARTS HOLDINGS Co., Ltd.  
Name of representative: President and CEO Yasumasa Ninomiya  
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Notice of Commencement of Preparations for the Share-Distribution-Type Spin-Off and  
Commencement of Preparations for Listing the Shares of AGEEST, Inc., Our 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 commence the preparations of the distribution of all shares of our wholly-owned subsidiary, AGEEST, Inc. ("AGEEST"), to the Company's shareholders through in-kind dividends ("Spin-Off"), and to commence the preparations for listing the shares of AGEEST. The Company also announces that, with this preparation for the Spin-Off, it is planning to reorganize its group companies in the Enterprise Business to be subsidiaries of AGEEST ("Spin-Off Listing", including all of the Spin-Off, the listing of AGEEST shares, and the group reorganization).

1. Purpose and reason for the Spin-Off Listing

Since 2017, we have focused on expanding our Enterprise Business as the second earnings pillar of the Company, underpinned by stable growth in the Entertainment Business, our founding business. Until now, in the Enterprise Business, we have invested aggressively in increasing the number of engineers, expanding services, and actively utilizing M&A. In April 2022, we newly formed AGEEST as a core company in the Enterprise Business, and have been working to develop the brand awareness of AGEEST as a Tech company and the technology to sustain the strong QA (Quality Assurance) services. As a result, sales in this segment expanded rapidly close to the size of 20 billion yen, with a certain level of stable profitability even after continuous investments. In this way, we have almost developed the business foundation of Enterprise Business as the second earnings pillar of the Company. In the meantime, the business environment and the software development system have been changing in recent years partly due to the expansion and spread of agile development. These have made our client's expectations expanded and become more sophisticated, ranging from simple implementing testing service to higher sophisticated services such as utilizing advanced technologies including test automation and providing comprehensive consultations from the upstream process of software development as a QA specialist. Under these circumstances, aiming to become a leading QA solution provider in the global market, it has become essential for the Company to execute initiatives for the growth with a greater sense of speed than ever, such as continuously investing in human capital including "Next-generation QA engineers" who possess both knowledge of software development and advanced testing know-how, in technology reacting to rapid change of the software technologies, and in aggressive M&As to accelerate initiatives for strengthening human capital and technological capabilities.

The Entertainment Business, which has maintained stable growth, is also facing some major changes with huge opportunity in the market. These changes include the latest trend that it is becoming popular to have a simultaneous worldwide new game title release, the expansion of new entertainment content such as video distribution and webtoon, and the recent technological innovations such as ChatGPT. These are showing an expansion of the opportunity for the stable Entertainment Business to return to the growth stage of the business. In order to seize these huge opportunities, it is essential for the Entertainment Business as well to actively evolve existing businesses in line with changes in the market environment, to expand global businesses with a view not only in Asia but also in Europe and the United States, and to take on the challenge of new business

opportunities.

In order to achieve sustainable growth in each Enterprise Business and Entertainment Business, which require different business models and different specialized expertise, it is extremely important for each of them to make prompt management decisions, as an independent public listed company, for utilizing each own management resources to build business foundation, to strengthen corporate brands, to develop technological capabilities, and to execute other initiatives specializing in their respective fields. Accordingly, the Company has decided to commence preparations for the Spin-Off Listing.

The Spin-Off will use a share-distribution-type spin-off that has been created in accordance with the 2017 tax reform, with tax exemption measures for the gains and losses on the transfer of the company implementing the stock distribution and on dividends which shareholders receive as the distribution, as well as measures to defer taxes on the gains and losses on the transfer of the shareholders, and the shares of AGESE, the Company's consolidated subsidiary, will be delivered to the Company's shareholders as dividends in kind. From various perspectives, including enhancing the corporate value and the opportunity of raising capital for AGESE, and ensuring the shareholders' opportunities to purchase and sell the shares, the Company will conduct this Spin-Off under the assumption that AGESE's shares will be listed on the Tokyo Stock Exchange, Inc. ("TSE"). Accordingly, the Company considers to submit an initial listing application to TSE before conducting the Spin-Off, and the Spin-Off is subject to receiving listing approval from TSE and other conditions. On the other hand, the listing of the Company's shares on TSE will be maintained even after the Spin-Off. Therefore, the Company's shareholders will hold two listed shares, the Company's shares and AGESE's shares, as a result of the Spin-Off. In addition, in conjunction with the Spin-Off, the Company is planning to have a group reorganization to make consolidated subsidiaries of Enterprise Business including LOGIGEAR CORPORATION to be owned by AGESE. As a result of the Spin-Off Listing, AGESE and other group companies of Enterprise Business will become independent group companies with listed AGESE that will have no capital relationship with the Company.

## 2. Overview of AGESE (as of March 31, 2023)

(1) Company name	AGESE, Inc.
(2) Location	20-2, Nishi-Shinjuku 3-chome, Shinjuku-ku, Tokyo
(3) Position and name of representative	Representative Director and President, Yasumasa Ninomiya
(4) Business activities	Software testing, security services, outsourced system development, etc.
(5) Share capital	100 million yen
(6) Date established	February 28, 2018
(7) Number of shares outstanding	57,000 Shares
(8) Major shareholder and its shareholding ratio	DIGITAL HEARTS HOLDINGS Co., Ltd. 100%

## 3. Future prospects

Details, including the timing of the Spin-Off Listing, have not been determined, and depending on the outcome of the considerations in the preparation process, the Company may decide not to conduct the Spin-Off Listing.

We will promptly make an announcement, if it is necessary to revise our result forecast or if any matter requiring disclosure related to the Spin-Off is generated in the future.