



January 30, 2024

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Notice Regarding Execution of Memorandum of Understanding on Capital and Business Alliance with CIRCULATION Co, Ltd. and Acquisition of Its Shares (to Make It an Equity-Method Associate)

Simplex Holdings, Inc. (Head Office: Minato-ku, Tokyo; Representative Director, President and CEO: Hideki Kaneko; hereinafter “Simplex Holdings” or the “Company”) hereby announces that Simplex Holdings has resolved at the Board of Directors meeting held today to enter into the memorandum of understanding on capital and business alliance (hereinafter the “Capital and Business Alliance”) with CIRCULATION Co., Ltd. (Head Office: Shibuya-ku, Tokyo; President and Representative Director: Yu Fukuda; Securities code: 7379; hereinafter “CIRCULATION”) (hereinafter, the “MOU”).

Simplex Holdings also hereby announces that, based on the MOU, the Company will acquire part of shares in CIRCULATION to make it an equity-method associate.

1. Purpose of and Reasons for the Capital and Business Alliance

The Simplex Group has operated business as a technology partner for Japan’s leading financial institutions mainly through the Group’s core business, Simplex Inc. (hereinafter “Simplex”). And now, the Group provides DX support services to client companies in a broader range of industries, drawing on its wealth of expertise cultivated in the financial sector. Based on the conviction that human resources are at the very core of its business operations, the Group has focused, since its foundation in 1997, on hiring and retaining outstanding talents well versed in both business and technology as one of its most important corporate strategies, and accordingly strives to build a process for developing and evaluating engineers and consultants.

Meanwhile, with “Creating a society in which experiences and knowledge around the world circulate” as its vision, CIRCULATION has operated the “Pro-Sharing business,” a novel human resources model, which is characterized by utilizing experience and knowledge of highly specialized *external* professionals, rather than regular or temporary employees, on a project-by-project basis, so they can solve client companies’ business challenges. Among others, with FLEXY, a matching service for freelance engineers and designers provided since 2015, CIRCULATION has helped client companies solve their IT related business issues through DX. Specifically, the service connects highly specialized professionals who had served as CTO, engineers, and designers, and yet prefer diverse work styles independent of any organizational structure, with companies wanting to promote management reform with the assistance of specialized external professionals.

Under these circumstances, Simplex Holdings and CIRCULATION have agreed to enter into the MOU for the purpose of working together to further enhance their corporate value in the DX market, which is expected to grow even further going forward. To this end, the both parties intend to fuse their strengths, such as the business know-how they have accumulated so far and the process for developing and evaluating engineers and consultants, as well as each other’s customer base.

2. Details of the Capital and Business Alliance

(1) Details of the business alliance

At present, to start the business alliance with CIRCULATION, Simplex Holdings now plans to intensively discuss the following matters. Specific policies and details of the business alliance will be determined through consultations between the both parties. Then after completing the Second Transfer (as defined in Item (2) below), the both parties will aim to conclude the final agreement on the Capital and Business Alliance during March 2024.

(i) Expand business foundation by unlocking the value of specialized professionals

Simplex, which is specialized in the development and operation of systems, will promote collaboration with CIRCULATION, which provides FLEXY, a matching service for freelance engineers and designers. Under the business alliance, highly skilled professionals who had served as CTO, engineers, and designers, and yet prefer diverse work styles independent of any organization structure and have signed up for FLEXY can unleash their value in a variety of projects organized by the system development division of Simplex. This will lead to generating synergy by expanding the business foundations of the two companies.

(ii) Develop an evaluation and certification program for specialized professionals

Simplex aims to develop an evaluation and certification program for highly skilled professionals who had served as CTO, engineers, and designers, based on their track records and achievements established during their assignment to Simplex projects for a certain period of time. By developing an evaluation and certification program for specialized professionals, Simplex will reduce mismatches between specialized professionals and companies wanting to newly hire and leverage specialized external professionals, and at the same time will contribute to improving the pay and working conditions of those who had served as CTO, engineers, designers, and other positions in the systems industry.

(iii) Expand the client base by strengthening DX support

Simplex and CIRCULATION will deliver DX support services to more client companies by building a collaborative relationship, while leveraging each other's client base.

(2) Details of capital alliance

Simplex Holdings plans to acquire (i) 1,668,600 shares of common stock of CIRCULATION (Voting rights ratio: 19.99% (Note 1)) from Mr. Masatoshi Kubota, who is the largest shareholder and previously served as Director and President of CIRCULATION (the "First Transfer"), through off-market OTC trading on January 30, 2024, and then plans to acquire (ii) additional 431,400 shares of common stock of CIRCULATION (Voting rights ratio: 5.17% (Note 1)) from Mr. Masatoshi Kubota after a notification has been filed with and received by the Japan Fair Trade Commission under Article 10, Paragraph 2 of the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade (Act No. 54 of 1947, as amended); the statutory waiting period has passed; and the commission has given notice to the effect that it will not issue a cease and desist order as a result of its investigation (the "Second Transfer").

As the Acquisition will result in the Company obtaining not less than 5% of the voting rights, and therefore, constitutes "a buying up specified by Cabinet Order as an act equivalent to a tender offer" under Article 167, Paragraph 1 of the Financial Instrument and Exchange Act and Article 31 of the Order for Enforcement of the Financial Instrument and Exchange Act, the Company hereby discloses the details as below.

Mr. Masatoshi Kubota has no notable capital, personal, or business relationships with the Company, nor is he a related party of the Company.

(Note 1) Representing the voting rights ratios (rounded down to two decimal places) for the total number of shares calculated by adding 43,000 shares of common stock issued to CIRCULATION's directors and executive officers as restricted stock compensation on November 24, 2023 to 8,306,000 shares of common stock issued (excluding treasury shares) as of October 31, 2023

3. Shareholding before and after share transfer

(1) First Transfer

| | |
|----------------------------------------------|---------------------------------------------------------|
| Number of shares held before the acquisition | 0 shares (Voting rights ratio: 0% (Note 1)) |
| Number of shares to be acquired | 1,668,600 shares |
| Acquisition cost | 1,382 million yen |
| Number of shares held after the acquisition | 1,668,600 shares (Voting rights ratio: 19.99% (Note 1)) |

(2) Second Transfer (plan)

| | |
|----------------------------------------------|---------------------------------------------------------|
| Number of shares held before the acquisition | 1,668,600 shares (Voting rights ratio: 19.99% (Note 1)) |
| Number of shares to be acquired | 431,400 shares |
| Acquisition cost | 357 million yen |
| Number of shares held after the acquisition | 2,100,000 shares (Voting rights ratio: 25.17% (Note 1)) |

4. Overview of Capital and Business Alliance Partner

| | | |
|----------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|
| (i) Name | CIRCULATION Co., Ltd. | |
| (ii) Description of business | Provision of services such as the “Pro-sharing” service that shares the knowledge of specialized external professionals in the DX and other fields with client companies | |
| (iii) Establishment | January 6, 2014 | |
| (iv) Head office | 3-21-5 Jingumae, Shibuya-ku, Tokyo | |
| (v) Representative | Yu Fukuda, President and Representative Director | |
| (vi) URL | https://circu.co.jp/ (Japanese version ONLY) | |
| (vii) Share capital | 871 million yen (as of July 31, 2023) | |
| (viii) Major shareholders and their shareholding ratios (as of July 31, 2023) (Note 2) | Masatoshi Kubota | 32.75% |
| | New Identity Creation Co., Ltd. | 29.50% |
| | BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC) | 5.69% |
| | GOLDMAN SACHS INTERNATIONAL | 4.94% |
| | Takahiro Yamaguchi | 2.56% |
| | The Nomura Trust and Banking Co., Ltd. (Trust Account) | 0.93% |
| | Custody Bank of Japan, Ltd. (Trust Account) | 0.88% |
| | Masato Yamaguchi | 0.83% |
| | NOMURA PB NOMINEES LIMITED OMNIBUS-MARGIN (CASHPB) | 0.82% |
| | Yu Fukuda | 0.79% |
| (ix) Relationship between Simplex Holdings and CIRCULATION | | |
| Capital relationship | Not applicable | |
| Personal relationship | Not applicable | |
| Business relationship | Not applicable | |
| Applicability to related parties | Not applicable | |

| (x) Operating results and financial position of CIRCULATION for the last three years | | | |
|--------------------------------------------------------------------------------------|---------------|---------------|---------------|
| (Millions of yen, unless otherwise stated) | | | |
| Fiscal years ended | July 31, 2021 | July 31, 2022 | July 31, 2023 |
| Net assets | 2,060 | 2,319 | 2,705 |
| Total assets | 3,911 | 3,344 | 3,747 |
| Net assets per share (yen) | 252.74 | 282.15 | 325.60 |
| Net sales | 5,506 | 7,104 | 8,146 |
| Operating income | 484 | 530 | 569 |
| Ordinary income | 454 | 528 | 569 |
| Net income | 294 | 346 | 368 |
| Basic earnings per share (yen) | 41.20 | 42.02 | 44.53 |
| Dividend per share (yen) | - | - | - |

(Note 2) Shareholding ratios represent the percentages of shares held by the major shareholders to the total number of shares issued, excluding treasury shares.

5. Timetable

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|--------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Date of resolution at the Board of Directors meeting regarding execution of the MOU | January 30, 2024 |
| Date of execution of the MOU | January 30, 2024 |
| Date of share acquisition (First Transfer) | January 30, 2024 |
| Date book-entry transfer of share (First Transfer) (plan) | February 1, 2024 |
| Date of share acquisition (Second Transfer) (plan) | After a notification has been filed with and received by the Japan Fair Trade Commission under Article 10, Paragraph 2 of the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade (Act No. 54 of 1947, as amended); the statutory waiting period has passed; and the commission has given notice to the effect that it will not issue a cease and desist order as a result of its investigation |
| Date of execution of the final agreement on the Capital and Business Alliance (plan) | During March 2024 |

6. Outlook

Through execution of the First and Second Transfers, CIRCULATION will be an equity-method associate of Simplex Holdings. The impact of the Capital and Business Alliance and CIRCULATION becoming an equity-method associate on the Company's consolidated operating results for the fiscal year ending March 31, 2024 will be minor. A further announcement will immediately be made if any matters to be disclosed arise in the future.