Notice Regarding Conclusion of a Contract with VALTES CO., LTD. on Business Alliance

DIGITAL HEARTS HOLDINGS Co., Ltd. (hereinafter referred to as the "Company") announces that a meeting of the Board of Directors held today resolved to undertake a business alliance with VALTES CO., LTD. (hereinafter referred to as "VALTES"). The Company also concluded an agreement on the alliance with VALTES today.

1. Reason for the Business Alliance

    As announced in the "Notice Regarding Conclusion of a Basic Agreement with VALTES CO., LTD. on Capital and Business Alliance" dated May 11, 2018, the Company concluded a basic agreement with VALTES. The Company has been negotiating the details of the alliance with VALTES. Because the two companies could not reach agreement on some points of the capital alliance in the negotiations, the decision was made to conclude an agreement on a business alliance, instead of one encompassing a capital and business alliance, with the aim of early developing of training programs and combining the complementary resources and technologies of both companies.

    Since the conclusion of the basic agreement, the Company has been negotiating with VALTES the details of the alliance, aiming to achieve a stable supply of high value-added testing services by developing testing engineers and receive orders for large joint projects with VALTES. During the negotiations, the companies launched an initiative of training testing staffs for game and amusement equipment (hereinafter referred to as "testers") from DIGITAL HEARTS Co., Ltd. (hereinafter referred to as "DIGITAL HEARTS"), a subsidiary of the Company, as testing engineers for enterprise systems on a trial basis, prior to the conclusion of the business alliance agreement. VALTES provided training to more than ten testers over a period of approximately two months. In addition, the two companies made preparations for the alliance, including the establishment of a system for sharing information to receive orders for joint projects.

    In this preparation process, the companies confirmed the possibility to receive orders for joint projects by developing testing engineers rapidly and combining the complementary resources and technologies of both companies. Accordingly, the two companies decided to conclude the contract on business alliance, aiming to develop even more markets by combining their strengths while also continuing to promote the abovementioned initiatives as partners.

2. Details of the Business Alliance

    Through the business alliance, the Company and VALTES will maximize the strength of each company; that is, extensive human resources for testers of DIGITAL HEARTS and high-quality training programs of VALTES. As the first measure for training testing engineers, candidates will be selected from among more than 8,000 testers from DIGITAL HEARTS, and VALTES will conduct training programs for them, including training given by making use of

the knowledge possessed by VALTES and practical training given in actual projects. In this way, testing engineers capable of designing tests and project managers who can oversee an overall test will be developed rapidly and efficiently.

The Company and VALTES will also approach diverse industries by making use of each other's client network, aiming to receive orders for joint projects, including large-scale system testing projects involving the process from the design to the implementation of tests, and highly specialized, complex testing projects.

3. Future prospects

The conclusion of the contract on the business alliance is expected to have only a minor impact on the Company's business performance for the fiscal year ending March 31, 2019. The Company will immediately announce any revisions to the performance forecast that need to be made and any other information that should be disclosed.