



November 11, 2019

Company name:	DIGITAL HEARTS HOLDINGS Co., Ltd.
Name of representative:	President and CEO Genichi Tamatsuka (Code number: 3676, First Section of the Tokyo Stock Exchange)
Contact:	Director and CFO Toshiya Tsukushi (TEL. +81-3-3373-0081)

## Notice Regarding Establishment of Joint Venture Company with LAC Co., Ltd.

We hereby notify that at the meeting of the Board of Directors held today, we resolved to establish a joint venture company with LAC Co., Ltd. (hereinafter referred to as "LAC").

Since the amount of stated capital of the Joint Venture corresponds to 10/100 or more of the amount of our stated capital, the Joint Venture will fall under the category of a specified subsidiary of us.

### 1. Purpose of Incorporation of Joint Venture Company

In recent years, cyber attack methods have become increasingly sophisticated, and it is necessary to develop robust security systems even in Japan, with serious damage reported by a virtual currency exchange and a major retail company. For this reason, financial institutions, online distributors, and others are increasingly concerned about security measures to protect secure transactions, and demand for advanced security services is increasing.

Under these circumstances, as part of our mainstay system testing services, we are also focusing on providing vulnerability diagnostics and endpoint security. In 2018, we launched the Cyber Boot Camp, an educational program aimed at fostering security personnel from among our group's testers. We also began collaborating with Synack, which has a track record of providing services to the U.S. Department of Defense and the U.S. Tax Bureau, to promote the expansion of our advanced security business.

As part of these efforts, we decided to establish a joint venture with one of the leading security companies, LAC, to further strengthen our business infrastructure.

Red Team Technologies Co., Ltd., a jointly founded by both companies, provides Synack Crowdsourced Penetration Testing(\*1), empowered by over a thousand of world class of hackers(\*2) conducting deep investigation of cybersecurity, for online trading, banking systems, and e-commerce systems at large financial institutions, large retail companies, payment operators, and other companies that view security risks as management issues. In addition, the joint venture company is going to develop advanced security services such as Red Team Service to impersonate spyware and phishing emails and attempt to penetrate sensitive systems from outside the company.

Red Team Technologies here to launch best of breed white hacker service based on integrated by two strings of benefit such as profound insight and mature experience over 20 years of cyber security for LAC with large number of potential Human Resources coming from 8000 of resource pool in testing field of Digital Hearts.

(\*1) Crowdsourced Penetration Testing: The people who perform security inspection from the attacker's point of view and can take effective measures against the attack are extremely rare, and it is a big problem for the enterprise which urgently develops advanced security. Crowdsourced penetration testing is the secure and effective inspection method executed only by those people with high security technology who have passed assessment and background checks. Crowdsourced cybersecurity researchers executes complex attacks, finds serious vulnerabilities, and advises specific measures.

(\*2) Hacker: This refers to expert personnel who have technologies and methods to penetrate the target system from the attacker's point of view but are not exploited, but are involved in security investigations based on ethics and professional awareness that extract and lead effective measures for critical data defense, such as corporate security and privacy protection of citizens.

## 2. Overview of the joint venture company

(1) Company name	Red Team Technologies Co., Ltd.
(2) Location	3-20-2 Nishi-Shinjuku, Shinjuku-ku, Tokyo
(3) Position and name of representative	Representative Director, Takuya Okada
(4) Business activities	White hacker service and technical support
(5) Share capital	80 million yen (Including capital reserve of 40 million yen)
(6) Date established	November 2019 (Scheduled)
(7) Investment ratio	DIGITAL HEARTS HOLDINGS Co., Ltd. :60% LAC Co., Ltd. :40%

## 3. Overview of the joint venture partner

(1)	Company name	LAC Co., Ltd.		
(2)	Location	2-16-1, Hirakawacho, Chiyoda-ku, Tokyo		
(3)	Position and name of representative	President & Representative Director, Itsuro Nishimoto		
(4)	Business activities	Security solutions services / System integration services / Sales and servicing of information system related products		
(5)	Share capital	1 billion yen		
(6)	Date established	October 1, 2007		
(7)	Relationship between the listed company and the said company	Capital ties	None	
		Personnel relations	None	
		Business relations	None	
(8)	Operating results and financial position of the said company for the past three years			
	Fiscal year	Fiscal year ended March 2017	Fiscal year ended March 2018	Fiscal year ended March 2019
	Net assets (million yen)	9,639	10,092	11,305
	Total assets (million yen)	18,722	19,909	22,613
	Net assets per share (yen)	379.86	397.57	442.13
	Net sales (million yen)	37,109	38,432	38,719
	Operating income (million yen)	2,446	2,224	2,366
	Ordinary income (million yen)	2,464	2,349	2,411
	Net income (million yen)	1,491	1,252	1,547
	Net income per share (yen)	58.78	49.39	60.54
	Dividend per share (yen)	20.00	30.00	22.00

## 4. Schedule

- (1) Date of the Board of Directors' resolution : November 11, 2019
- (2) Date of establishment of joint venture company : November 2019 (Scheduled)
- (3) The date of commencement of business : December 2019 (Scheduled)

## 5. Future prospects

We expect establishment of the joint venture company to have a minor effect on our business results for the fiscal year ending March 31, 2020. 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.