



July 29, 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 the Stock Acquisition and Subscription of Third-Party Allocation of Shares of LOGIGEAR CORPORATION (Conversion into a Consolidated Subsidiary) etc.

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 US-based LOGIGEAR CORPORATION (hereinafter referred to as “LogiGear”) to a subsidiary through the acquisition of shares of LogiGear and by underwriting a third-party allocation of shares implemented by the company. As a result, all group companies of LogiGear (hereinafter referred to as the “LogiGear Group”), including LOGIGEAR VIETNAM CO., LTD., which is the company’s operation base in Vietnam, will also become the Company’s subsidiaries. Details are as follows:

### 1. Reason for stock acquisition and subscription of a third party allocation of shares

The Company’s group, considering that it is in the middle of its second startup period, is working on expanding the Enterprise Business to create its second source of revenue in addition to the mainstay Entertainment Business. Particularly to promote its system testing services in the Enterprise Business, it has been striving to secure and develop test engineers as indispensable resources for winning orders for projects. Through these human resources of expert engineers and the flexible placement of approximately 8,000 registered testers within the Company’s group, it has been steadily addressing demand for the outsourcing of test processes from companies suffering from a shortage of IT-related personnel.

Meanwhile, with respect to software development, progress is being made in efforts to shorten development periods, mainly reflecting the popularization of agile method software development and an increase in the number of cloud services. In addition, greater emphasis is being placed on operation through continuous quality improvements such as function enhancements and updates. Against this background, the scope of demand for the outsourcing of test processes is being extended to cover not only the simple implementation of software testing but also the capability to carry out software testing projects that require a high level of accuracy, a short testing period and low costs as well. In response to this trend, the Company has decided to acquire the LogiGear Group, which has the technologies and expertise for software testing to deal with such change in the scope of demand.

The LogiGear Group, which was incorporated in 1996 by Mr. Hung Q. Nguyen, an authority in the software testing industry, is a leading US-based company in the area of software testing and test automation solutions. By utilizing its original test automation tool, TestArchitect, that combines leading-edge Silicon Valley technologies and its approximately 500 test automated engineers based in an offshore facility in Vietnam, the LogiGear Group has been continuously providing test services to a range of companies including Halliburton, the world’s largest-scale energy-related company, and T-Mobile USA, a US-based major telecommunications company. As a result of such initiatives, the company’s technological capabilities are garnering favorable evaluations.

By acquitting the LogiGear Group, the Company will be able to fully utilize its own sales capabilities and the LogiGear Group’s high-level technological capabilities as well as its extensive knowledge of automated testing to facilitate business in Japanese market where automated testing is not yet widely carried out. In doing so, it will work to win orders for highly automation-oriented, large-scale and continuous software testing projects such as those for e-commerce or the automobile industry, accelerate the growth of the Company’s system testing business exponentially, and aim to become Asia’s No.1 company for comprehensive testing solutions as soon as possible.

## 2. Method of acquisition

Effective August 1, 2019, the Company will acquire 1,445,250 shares of LogiGear from an existing shareholder among the 4,817,500 outstanding shares. The Company will subscribe to 2,064,770 shares in allocation of new shares to a third party executed by LogiGear as of the said date. Through these transactions, the Company will acquire 3,510,020 LogiGear shares (51.0%) among the 6,882,270 outstanding shares at the end, and will convert companies of LogiGear Group to its consolidated subsidiaries.

## 3. Overview of the company to be acquired as a subsidiary

### (LOGIGEAR CORPORATION)

(1)	Company name	LOGIGEAR CORPORATION		
(2)	Location	1730 S. Amphlett Blvd. Suite 110, San Mateo, CA 94402, USA		
(3)	Position and name of representative	CEO, Hung Q. Nguyen		
(4)	Business activities	System testing, Test automation support, System development, etc.		
(5)	Share capital	\$1,072 thousand (¥115 million)		
(6)	Date established	February 5, 1996		
(7)	Major shareholders and their shareholding ratios	Hung Q. Nguyen 83.0%		
(8)	Relationship between the listed company and the said company	Capital ties	There are no notable capital ties between the Company and the said company. There are no notable capital ties between related parties/affiliates of the Company and related parties/affiliates of the said company.	
		Personnel relations	There are no notable personnel relations between the Company and the said company. There are no notable personnel relations between related parties/affiliates of the Company and related parties/affiliates of the said company.	
		Business relations	There are no notable business relations between the Company and the said company. There are no notable business relations between related parties/affiliates of the Company and related parties/affiliates of the said company.	
(9) Operating results and financial position of the said company for the past three years				
	Fiscal year	Fiscal year ended December 2016	Fiscal year ended December 2017	Fiscal year ended December 2018
	Net assets	\$137 thousand (¥14 million)	\$252 thousand (¥27 million)	\$275 thousand (¥29 million)
	Total assets	\$2,967 thousand (¥320 million)	\$2,983 thousand (¥322 million)	\$3,613 thousand (¥390 million)
	Net sales	\$10,684 thousand (¥1,153 million)	\$11,630 thousand (¥1,256 million)	\$11,974 thousand (¥1,293 million)
	EBITDA	\$-550 thousand (¥-59 million)	\$153 thousand (¥16 million)	\$111 thousand (¥11 million)
	Net income	\$-583 thousand (¥-63 million)	\$133 thousand (¥14 million)	\$109 thousand (¥11 million)

\*Results shown in Japanese yen are based on conversion at the rate of 108.00 yen for one US dollar.

## (LOGIGEAR VIETNAM CO., LTD.)

(1) Company name	LOGIGEAR VIETNAM CO., LTD.	
(2) Location	No. 66 Nguyen Cong Hoan, ward 7, Phu Nhuan district, Ho Chi Minh city, Vietnam	
(3) Position and name of representative	Chairman, Denny Khoa Quoc Nguyen	
(4) Business activities	System testing, Test automation support, System development, etc.	
(5) Share capital	3,000 million VND (¥14 million)	
(6) Date established	November 29, 2013	
(7) Major shareholders and their shareholding ratios	LOGIGEAR CORPORATION 100%	
(8) Relationship between the listed company and the said company	Capital ties	There are no notable capital ties between the Company and the said company. There are no notable capital ties between related parties/affiliates of the Company and related parties/affiliates of the said company.
	Personnel relations	There are no notable personnel relations between the Company and the said company. There are no notable personnel relations between related parties/affiliates of the Company and related parties/affiliates of the said company.
	Business relations	There are no notable business relations between the Company and the said company. There are no notable business relations between related parties/affiliates of the Company and related parties/affiliates of the said company.
(9) Operating results and financial position of the said company for the past two years		
Fiscal year	Fiscal year ended December 2017	Fiscal year ended December 2018
Net assets	\$206 thousand (¥22 million)	\$177 thousand (¥19 million)
Total assets	\$625 thousand (¥67 million)	\$1,398 thousand (¥150 million)
Net sales	\$2,729 thousand (¥294 million)	\$6,863 thousand (¥741 million)
EBITDA	\$161 thousand (¥17 million)	\$-38 thousand (¥-4 million)
Net income	\$164 thousand (¥17 million)	\$-16 thousand (¥-1 million)

\*1. Results shown in Japanese yen are based on conversion at the rate of 108.00 yen for one US dollar and 0.0047 yen for one Vietnamese dong.

\*2. As LOGIGEAR VIETNAM CO., LTD. commenced operation in the fiscal year ended December 31, 2017, only two years' operating results are presented here.

## 4. Overview of the counterparty to the stock acquisition

(1) Name	Hung Q. Nguyen
(2) Location	USA
(3) Relationship between the listed company and the said individual	None

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

(1)	Number of stock owned before transfer	Zero (Number of voting rights: Zero) (Ownership percentage of voting rights: 0%)
(2)	Number of stock to be purchased from an existing shareholder	1,445,250 shares (Number of voting rights: 1,445,250) (The acquisition cost : \$3,309 thousand (¥357 million))
(3)	Number of stock to be acquired through the third-party allocation	2,064,770 shares (Number of voting rights: 2,064,770) (The acquisition cost : \$4,728 thousand (¥510 million))
(4)	Number of stock owned after transfer	3,510,020 shares (Number of voting rights: 3,510,020) (Ownership percentage of voting rights: 51.0%)

\*Results shown in Japanese yen are based on conversion at the rate of 108.00 yen for one US dollar.

6. Schedule

- (1) Date of the Board of Directors' resolution : July 29, 2019
- (2) Date of conclusion of the stock purchase agreement : July 29, 2019
- (3) Date of the stock acquisition : August 1, 2019 (Plan)

7. Future prospects

We expect the stock acquisition 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.

(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 2020)	23,000	1,800	1,830	1,250	yen 57.14
Consolidated operating performance for the previous period (Fiscal year ended March 2019)	19,254	1,605	1,651	1,575	yen 72.13