Digital Hearts Hldgs.

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August 6, 2026

To whom it may concern

Company name:	DIGITAL HEARTS HOLDINGS Co., Ltd.
Name of representative:	President and CEO Toshiya Tsukushi (Code number: 3676, Prime, Tokyo Stock Exchange)
Contact:	Executive Officer and CFO Hideto Itami (TEL: +81-3-3373-0081)

Notice of Implementation of MBO and Recommendation for Tendering Shares (Summary)

DIGITAL HEARTS HOLDINGS Co., Ltd. (the "Company") hereby announces that, as described below, its board of directors has resolved, at its meeting held today, that the Company express its opinion in support of the tender offer (the "Tender Offer") for the Company's common shares (the "Company Shares") by Sandbox K.K. (the "Tender Offeror"), which is to be implemented as part of a so-called management buyout (MBO), and recommend that its shareholders tender their shares in the Tender Offer.

The board of directors' resolution described above was adopted on the assumption that the Tender Offeror intends to take the Company private and that the Company Shares will be delisted through the Tender Offer and the subsequent series of procedures.

1. Overview of Tender Offeror

(1)	Name	Sandbox K.K.
(2)	Location	3-20-2 Nishi-Shinjuku, Shinjuku-ku, Tokyo
(3)	Job title and name of representative	Eiichi Miyazawa
(4)	Description of business	Holding, purchasing, selling, managing and investing in shares, securities and other financial instruments.
(5)	Share capital	JPY 500,000
(6)	Date of establishment	July 13, 2026
(7)	Major shareholders and ownership ratios	Eiichi Miyazawa 100%
(8)	Relationship between the Company and Tender Offeror	

	Capital relationship	As of today, the Tender Offeror does not hold any shares of the Company Shares. However, Mr. Eiichi Miyazawa ("Mr. Miyazawa"), the Tender Offeror's sole shareholder and Representative Director, holds 9,425,633 shares of the Company Shares (ownership ratio: 42.27%) as of today.
	Personnel relationship	Mr. Miyazawa, the Tender Offeror's Representative Director, concurrently serves as the Chairman and Representative Director of the Company.
	Business relationship	Not applicable.
	Related party relationship	Mr. Miyazawa, the Chairman and Representative Director of the Company, holds all of the voting rights of the Tender Offeror, and therefore the Tender Offeror constitutes a related party of the Company.

2. Overview of purchase, etc.

Purpose of the tender offer	To take the Company private (management buyout (MBO))
Period of purchase, etc.	From August 7, 2026 to September 24, 2026 (31 business days)
Price of purchase, etc.	JPY 1,060 per share of the Company's common shares
Maximum number of shares to be purchased	None
Minimum number of shares to be purchased	5,922,743 shares

3. Contents, grounds, reasons, etc. related to the opinion regarding said tender offer

(1) Contents of the opinion

Based on the grounds and reasons described in "(2) Grounds and reasons for the opinion" below, the Company's board of directors has resolved, at its meeting held today, that the Company express its opinion in support of the Tender Offer and recommend that its shareholders tender their shares in the Tender Offer.

(2) Grounds and reasons for the opinion

The Tender Offeror is a corporation established on July 13, 2026 with the primary purpose of acquiring and holding the Company Shares through the Tender Offer. As of today, Mr. Miyazawa, who serves as the Representative Director and Chairman and is the largest shareholder of the Company (number of shares owned: 9,425,633 shares; ownership ratio: 42.27%), owns all of the issued shares of the Tender Offeror and serves as the Representative Director of the Tender Offeror. As of today, the Tender Offeror does not own any Company Shares.

The Tender Offeror has decided to conduct the Tender Offer as part of a series of transactions (hereinafter referred to as the "Transaction") aimed at acquiring all of the Company Shares listed on the Prime Market of Tokyo Stock Exchange, Inc. (hereinafter referred to as the "TSE") (including the restricted shares (the "Restricted Shares") owned by Mr. Toshiya Tsukushi, who serves as the Representative Director, President and CEO of the Company, and who is unable to tender such shares in the Tender Offer due to transfer restrictions attached thereto, but excluding the Company Shares not tendered by Mr. Miyazawa in the Tender Offer (the "Non-Tendered Miyazawa Shares") and treasury shares held by the Company) and taking the Company's shares private. The Transaction constitutes a so-called management buyout (MBO), and Mr. Miyazawa intends to continue to be engaged in the management of the Company after the Transaction.

Based on the following points, the Company has determined that the Transaction will contribute to the enhancement of the med- to long-term corporate value of the Company.

- The rapid advancement of AI has brought significant changes not only to the way software is developed but also to corporate business models and competitive environments, and the magnitude of AI's impact on corporate value has become widely recognized, as evidenced by the significant decline in share prices of IT-related companies in the stock market triggered by the emergence of high-performance AI models.
- In light of the recent rapid evolution and proliferation of AI and its impact on corporate value, in order for the Company to enhance its med- to long-term corporate value going forward, it is necessary to respond swiftly to management challenges, including the risk that the proliferation of AI may facilitate new entrants into the IT services sector and the risk that certain highly labor-intensive areas may be replaced by AI.
- The initiatives contemplated by Mr. Miyazawa (R&D investments and capital expenditures aimed at strengthening AI-related capabilities, capital and business alliances with and acquisitions of promising domestic and overseas companies and startups, transformation of business models and enhancement of organizational structures and services in anticipation of the expansion of security risks accompanying the advancement of AI) can be evaluated as measures to address the above management challenges, and their content can be considered reasonable.
- Through the Transaction, taking the Company Shares private and making the sole shareholder of the Company the Tender Offeror, of which Mr. Miyazawa—who possesses knowledge of the business content and management environment of the Company—owns all issued shares and serves as its Representative Director, can be considered useful for responding to the above initiatives swiftly and appropriately.
- While taking shares private generally raises the possibility of being unable to raise funds from the equity capital markets, in light of the Company's historical utilization of equity financing, the current financial condition of the Company, and the market environment of the IT services sector, raising funds from the equity capital markets through the use of equity financing is not necessarily a reasonable approach, and the inability to raise funds from the equity capital markets would not have a material adverse effect on the business of the Company.
- In addition, while taking shares private generally raises the possibility of affecting the name recognition and credibility that have been enjoyed as a listed company, in light of the name recognition and credibility that the Company has cultivated to date and the business transaction environment and recruitment environment of the Company, it is unlikely that the privatization of shares would have a material adverse effect on the business of the Company.

In addition, based on the following points, the Company has determined that the tender offer price in the Tender Offer (the "Tender Offer Price") is fair and provides the shareholders of the Company with a reasonable opportunity to sell their Company Shares.

- The Tender Offer Price of JPY 1,060 exceeds the upper limit of the valuation range based on the market share price average method, and also exceeds the reference value (the value calculated using the median discount rate and perpetual growth rate applied in the sensitivity analysis) based on the discounted cash flow method (the "DCF Method") among the results of the share valuation of the Company Shares conducted by KPMG FAS Co., Ltd., the independent third-party valuation firm retained by the Company.

- The Tender Offer Price of JPY 1,060 exceeds the upper limit of the valuation range based on the market share price average method and falls within the valuation range based on the DCF Method among the results of the share valuation of the Company Shares conducted by Maxus Corporate Advisory Inc., the independent third-party valuation firm retained by the special committee of the Company (the "Special Committee").
- The Tender Offer Price of JPY 1,060 represents a premium of 40.96% over the closing price of JPY 752 of the Company Shares on the Prime Market of the TSE on August 5, 2026, the business day immediately preceding the announcement date of the Tender Offer, a premium of 43.05% over the simple average closing price of JPY 741 for the one-month period up to August 5, 2026, a premium of 43.44% over the simple average closing price of JPY 739 for the past three-month period, and a premium of 31.68% over the simple average closing price of JPY 805 for the past six-month period. In light of the fact that the average premiums in comparable transaction precedents (49 cases of management buyouts (MBOs) with a price-to-book ratio (PBR) of 1x or above prior to the announcement of the transaction, among tender offer cases aimed at taking companies private that were announced and successfully completed during the period from June 28, 2019, when the Ministry of Economy, Trade and Industry published the " Fair M&A Guidelines," to June 17, 2026, and in which the target company expressed an opinion in support of and recommending the tender offer) were 38.58% over the closing price on the day preceding the announcement date, 41.47% over the simple average closing price for the most recent one-month period, 43.45% over the simple average closing price for the most recent three-month period, and 43.93% over the simple average closing price for the most recent six-month period, the Tender Offer Price can be evaluated as being at a level comparable to the premium levels in past comparable transaction precedents.
- Maxus Corporate Advisory Inc. has issued a fairness opinion stating that the Tender Offer Price of JPY 1,060 is fair from a financial point of view to the general shareholders of the Company.
- In the Tender Offer, the measures described in “(3) Measures to ensure the fairness of the tender offer” below have been taken, and it is recognized that due consideration has been given to the interests of the general shareholders.
- The Tender Offer Price was agreed upon after multiple rounds of discussions and negotiations between the Special Committee and Mr. Miyazawa that were equivalent to discussions and negotiations in arm's length transactions, with the above measures having been taken.
- In the written report obtained by the Company from the Special Committee dated August 6, 2026, the transaction terms of the Transaction, including the Tender Offer Price, have been determined to be fair.
- The Company announced in its notice dated May 13, 2026 titled “Notice Regarding Recording of Extraordinary Losses (Consolidated and Non-consolidated), and Differences between Full-year Non-Consolidated Actual Results for the Year Ended March 31, 2026 and Actual Results for the

Previous Fiscal Year" the recording of an impairment loss on goodwill (JPY 238 million) and a loss on valuation of shares of subsidiaries and associates (non-consolidated) (JPY 172 million). However, both the impairment loss and the loss on valuation of shares of subsidiaries and associates were recorded based on ordinary closing procedures unrelated to the Transaction, Mr. Miyazawa was not involved in the triggering event or the substance thereof, and the substance of such recording is appropriate in light of the accounting standards adopted by the Company. Therefore, such announcement is not considered to affect the fairness of the Tender Offer Price.

In light of the above, at the meeting of the board of directors of the Company held today, the Company resolved to express its opinion in support of the Tender Offer and to recommend that its shareholders tender their shares in the Tender Offer.

(3) <u>Measures to ensure the fairness of the tender offer</u>

In light of the fact that the Transaction, including the Tender Offer, is to be implemented as part of a so-called management buyout (MBO) and that structural conflicts of interest exist, the Tender Offeror and the Company have implemented the following measures to ensure the fairness of the Transaction, including the Tender Offer, from the perspective of ensuring the fairness of the Tender Offer Price, eliminating arbitrariness in, and avoiding conflicts of interest in, the decision-making process leading to the decision to implement the Tender Offer.

a. Establishment of an independent Special Committee by the Company and receipt of a Written Report from the Special Committee
b. Receipt by the Special Committee of a share valuation report and a fairness opinion from an independent third-party valuation firm
c. Receipt by the Company of legal advice from an independent legal advisor
d. Receipt by the Company of a share valuation report from an independent third-party valuation firm
e. Approval by all of the Company's directors who have no interest in the Transaction
f. Establishment of objective circumstances to ensure the fairness of the Tender Offer

(4) <u>Policy for reorganization, etc. following the tender offer</u>

The Tender Offeror intends to implement squeeze-out procedures (the "Squeeze-Out Procedures") after the successful completion of the Tender Offer for the purpose of making the Tender Offeror and Mr. Miyazawa the sole shareholders of the Company, in the event that the Tender Offer is successfully completed but the Tender Offeror is unable to acquire all of the Company Shares (including the Restricted Shares but excluding the Non-Tendered Miyazawa Shares and treasury shares held by the Company) through the Tender Offer.

Specifically, following the successful completion of the Tender Offer, the Tender Offeror intends to request the Company to hold an extraordinary shareholders' meeting (the "Extraordinary Shareholders' Meeting") around mid-November 2026, promptly after the completion of settlement of the Tender Offer, with agenda items including a proposal for share consolidation of the Company Shares (the "Share Consolidation") and a proposal for a partial amendment to the Articles of Incorporation to abolish the provision on the number of shares constituting one unit, subject to the Share Consolidation becoming effective. The Tender Offeror and Mr. Miyazawa intend to vote in favor of each of the above proposals at the Extraordinary Shareholders' Meeting.

If the proposal for the Share Consolidation is approved at the Extraordinary Shareholders' Meeting, on the effective date of the Share Consolidation, the shareholders of the Company will hold the number of Company Shares corresponding to the ratio of the Share Consolidation approved at the Extraordinary Shareholders' Meeting. If the Share Consolidation results in any fractional shares of less than one share, shareholders of the Company who hold such fractional shares will be delivered money obtained from the sale of the Company Shares equivalent to the total number of such fractional shares (if the total number includes any fraction of less than one share, such fraction shall be rounded down; the same shall apply hereinafter) to the Company or the Tender Offeror, in accordance with the procedures prescribed by Article 235 of the Companies Act and other relevant laws and regulations. With respect to the sale price of the Company Shares equivalent to the total number of such fractional shares, the Tender Offeror and Mr. Miyazawa intend to request the Company to file a petition with the court for permission of voluntary sale, after calculating such sale price so that the amount of money to be delivered to the shareholders of the Company who did not tender their shares in the Tender Offer (excluding Mr. Miyazawa and the Company) as a result of such sale will be equal to the price obtained by multiplying the Tender Offer Price by the number of Company Shares held by such shareholders. In addition, while the ratio of the Share Consolidation has not been determined as of today, the Tender Offeror and Mr. Miyazawa intend to request the Company to determine such ratio so that the number of Company Shares held by the shareholders of the Company who did not tender their shares in the Tender Offer (excluding Mr. Miyazawa and the Company) will become a fractional number of less than one share, in order for the Tender Offeror and Mr. Miyazawa to hold all of the Company Shares (excluding treasury shares held by the Company). The Company intends to comply with these requests from the Tender Offeror if the Tender Offer is successfully completed.

As provisions under the Companies Act intended to protect the rights of minority shareholders in connection with the Share Consolidation, it is stipulated that, if the Share Consolidation results in any fractional shares of less than one share, the shareholders of the Company who did not tender their shares in the Tender Offer (excluding Mr. Miyazawa and the Company) may, in accordance with Article 182-4, Article 182-5 and other relevant provisions of the Companies Act, demand that the Company purchase all of their shares that will become fractional shares of less than one share at a fair price, and may file a petition with the court for determination of the price of the Company Shares. In the event that such petition is filed, the purchase price of the Company Shares will ultimately be determined by the court.

With respect to the procedures for the Share Consolidation described above, depending on amendments to, enforcement of, and interpretation by the authorities of, relevant laws and regulations, there is a possibility that additional time may be required for implementation, or that changes may be made to the method and timing of implementation. However, even in such cases, if the Tender Offer is successfully completed, a method of ultimately delivering money to the shareholders of the Company who did not tender their shares in the Tender Offer (excluding Mr. Miyazawa and the Company) is expected to be adopted, and the amount of money to be delivered to each such shareholder in such case is expected to be calculated so as to be equal to the price obtained by multiplying the Tender Offer Price by the number of Company Shares held by each such shareholder.

The specific procedures and timing of implementation in each of the above cases will be determined through consultation with the Company and promptly announced by the Company once decided.

The Tender Offer does not in any way constitute a solicitation of the approval of the shareholders of the Company at the Extraordinary Shareholders' Meeting. In addition, shareholders of the Company are advised to consult their own tax advisors or other professionals at their own responsibility regarding the tax treatment of tendering shares in the Tender Offer or the procedures described above.

(5) Prospect and reason for delisting

As of today, the Company Shares are listed on the Prime Market of the TSE. However, since the Tender Offeror has not set an upper limit on the number of shares to be purchased in the Tender Offer, depending on the results of the Tender Offer, the Company Shares may be delisted through prescribed procedures in accordance with the delisting criteria established by the TSE. In addition, even if such criteria are not met at the time of successful completion of the Tender Offer, if the Squeeze-Out Procedures described in "(4) Policy for reorganization, etc. following the tender offer" above are implemented after the successful completion of the Tender Offer, the Company Shares will fall under the delisting criteria of the TSE and will be delisted through prescribed procedures. After delisting, the Company Shares will no longer be available for trading on the Prime Market of the TSE.

4. Future outlook

Please refer to "3. Contents, grounds, reasons, etc. related to the opinion regarding said tender offer," specifically "(4) Policy for reorganization, etc. following the tender offer" and "(5) Prospect and reason for delisting".

End