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 Withdrawal of the Initiative Regarding the Share-Distribution-Type Spin-Off and Listing the Shares of AGEST, Inc., Our Consolidated Subsidiary

DIGITAL HEARTS HOLDINGS Co., Ltd. (hereinafter referred to as the "Company") announces that at the meeting of the Board of Directors held today, it resolved to withdraw the initiative regarding the share-distribution-type spin-off and listing ("Spin-Off Listing") of AGEST, Inc. ("AGEST"), our consolidated subsidiary.

Details are as follows:

1.   Reason for withdrawal of the initiative

The Company has been proceeding with preparations for the Spin-Off Listing of AGEST with the aim of maximizing medium- to long-term corporate value and implementing one of the largest possible shareholder returns by distributing newly listed shares. The Company has steadily delivered solid performance, highlighted by recording its highest-ever operating profit for the cumulative consolidated third quarter period of the current fiscal year.

On the other hand, amid the rapid advancement of AI technologies and AI-powered tools, the equity market has recently taken a more cautious view toward the growth potential of existing IT businesses such as SaaS, leading to a significant decline in valuation levels for IT-related stocks and continued uncertainty in the market outlook. In light of these substantial changes in the equity market and following careful deliberation, the Company has determined that proceeding with the Spin-Off Listing under the current environment could impair shareholder value, and has therefore decided to withdraw its initiative to pursue the Spin-Off Listing. Meanwhile, as disclosed in today's press release titled "Notice Regarding Revision of Dividend Forecast (Dividend Increase), Change in Dividend Policy (Adoption of a Progressive Dividend Policy), and Introduction of a Shareholder Benefit Program," the Company has resolved to implement alternative measures for shareholder returns in place of the Spin-Off Listing.

Going forward, the Company Group will continue to strive to maximize corporate value by strongly promoting growth strategies tailored to each business: the DH Group Business, which provides debugging and localization services for game and entertainment content, will pursue "Human-sensibility-powered 'entertainment quality' assurance essential for game development in the AI era," while the AGEST Group Business, which provides testing and security services for enterprise systems, is committed to becoming "A Japan-built 'AI security company' that assures quality and safety in the AI era."

2. Future outlook

We expect the withdrawal of the initiative to have a minor effect on our business results for the fiscal year ending March 31, 2026. 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.

(References)

For details regarding the background of the Spin-Off Listing, please refer to the press releases dated May 11, 2023, titled "Notice of Commencement of Preparations for the Share-Distribution-Type Spin-Off and Commencement of Preparations for Listing the Shares of AGEST, Inc., Our Consolidated Subsidiary," and October 20, 2023, titled "Notice of Group Reorganization (Absorption-type Company Split and Share Transfer) and the Transfer of Sub-subsidiaries, as a Part of Preparation for the Share-Distribution-Type Spin-Off and Listing of AGEST, Inc., our Wholly-Owned Subsidiary," among others.