



September 9, 2022

Company Name: HEROZ, Inc.

Name of Representatives:

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Co-Chief Executive Officer:

Stock Code: 4382, TSE Prime Market

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Notice Capital and Business Alliance with VarioSecure Inc. and Underwriting of Third-Party Allotment of New Shares by an Equity Method Affiliate (Conversion to a Consolidated Subsidiary)

HEROZ, Inc. (the “Company”) hereby announce that its Board of Directors, at a meeting held on Today, has passed a resolution to enter into a capital and business alliance agreement with VarioSecure Inc. (Code: 4494, Tokyo Stock Exchange Standard Market, hereinafter referred to as "VarioSecure") and to subscribe for all of the third-party allotment of new shares to be conducted by an equity-method affiliate, VarioSecure.

As a result, the Company's ownership interest in VarioSecure will be 40% or more, and by dispatching officers to VarioSecure, VarioSecure will become a consolidated subsidiary of the Company under the effective control standard.

Since the capital of VarioSecure is more than 10/100 of the Company's capital, VarioSecure is a specified subsidiary of the Company

**1. Reason for Capital and Business Alliance**

In September 2021, the Company entered into a capital and business alliance with VarioSecure, aiming to establish a system for continuous creation of new services unique to a group of technical experts by combining "domain knowledge of rare security personnel possessed by VarioSecure" with "AI personnel possessed by the Company". The two companies have continued discussions to establish a structure for the

continuous creation of new services that can only be achieved by a group of technical experts.

In the process of considering how to strengthen VarioSecure's service capabilities by utilizing our AI technology, we have regularly provided opportunities for discussions not only between the top management of the two companies, but also between many members of the sales, technical, and management teams, and have also discussed VarioSecure's future roadmap and growth strategy.

As a result, both companies agreed to further enhance the corporate value of both companies by establishing a more in-depth alliance, and today we decided to enter into a capital and business alliance agreement and to underwrite VarioSecure's third-party allotment of new shares.

## **2. Outline of the Capital and Business Alliance**

The Capital and Business Alliance Agreement provides for the following.

### **(1) Outline of the Business Alliance**

The Company and VarioSecure have decided to form a business alliance mainly for the following items in order to enhance the corporate value of both parties.

- Mutual provision and collaboration of our AI technology and VarioSecure's industrial domain knowledge, data, and other management resources to realize an AI security company and promote collaboration in new areas.
- Promote the use of AI in VarioSecure's managed security services and the expansion of services into the zero-trust area.
- Promote the use of AI in the backyard (core system), which is not limited to VarioSecure's customer-facing front-end services, and use AI technology for labor saving, efficiency improvement, and sales promotion based on such use.

### **(2) Outline of the Capital Alliance**

The Company will subscribe for 710,000 shares of VarioSecure common stock through a private placement by VarioSecure.

### **(3) VarioSecure's Management Structure**

In order to appropriately realize the content of the above business alliance while ensuring the common interests of shareholders, the Company and VarioSecure have agreed that VarioSecure will transition from a company with a board of auditors to a company with an audit committee, that a nominating committee will be established in VarioSecure, and that the authority to appoint directors (including directors who are members of the Audit Committee) and representative directors of VarioSecure will be as follows:

- ① VarioSecure shall have eleven directors, including those who are members of the Audit Committee.
- ② The Company has the authority to nominate candidates for the six directors of VarioSecure

(excluding directors who are members of the Audit Committee) and to remove them from office.

The above management structure is premised on VarioSecure's transition to a company with an Audit Committee.

### 3. Reason for underwriting the third-party allotment

“ 1 .Reason for the Capital and Business Alliance” above.

### 4. Outline of consolidation

As of August 31, 2022, the Company holds 1,224,000 shares of VarioSecure's 3,802,613 outstanding shares (32.21% of voting rights held). In addition, the Company will subscribe to all VarioSecure's third-party allotment of 710,000 shares on September 27, 2022.

As a result, the Company will hold 1,934,000 shares of VarioSecure (the ratio of voting rights held by the Company after the capital increase through third-party allotment will be 42.88% (planned)). In addition, the Company will dispatch officers to VarioSecure, which will make VarioSecure a consolidated subsidiary of the Company under the effective control standard.

### 5. Outline of the subsidiary to be transferred (VarioSecure)

(1)	Name	VarioSecure, Inc.	
(2)	Location	1-6 Kanda Nishiki-cho, Chiyoda-ku, Tokyo	
(3)	Job title and name of Representative	Yoshihiko Inami, President and Representative Director	
(4)	Description of business	Managed Security Services Integration Services	
(5)	Share capital	330 million yen (As of February 28, 2022)	
(6)	Date of establishment	September 17, 2015	
(7)	Major shareholders and ownership ratios (As of August 31, 2022)	HEROZ Inc.	32.19%
		HIKARI POWER LIMITED	2.92%
		NOMURA PB NOMINEES LIMITED A/C CPB 30072 482276	2.90%
		Yasumitsu Shigeta	2.80%
		SBI SECURITIES Co.,Ltd.	2.10%
		Rakuten Securities, Inc.	1.92%
		Kazuo Mochizuki	1.49%
		Jo Hirao	1.18%
		Shigeo Makita	1.17%
		Yasuji Iwasaki	1.16%

(8)	Relationship between the Company and said company (As of August 31, 2022)	Capital relationship	VarioSecure is an equity-method affiliate in which the Company holds 32.21% of the voting rights.	
		Personnel relationship	One director of the Company is seconded from the Company to VarioSecure as a director.	
		Business relationship	The Company has a transaction with VarioSecure to provide AI services.	
(9)	Operating results and financial condition of VarioSecure for the past three years			
	As of / Fiscal year ended	February 2020	February 2021	February 2022
	Net assets	2,592,692	2,891,183	3,038,829
	Total assets	6,194,121	5,993,938	5,704,031
	Net assets per share (Yen)	695.73	767.58	799.82
	Net sales	2,513,337	2,545,189	2,566,735
	Operating income	519,497	535,034	504,612
	Ordinary income	495,894	514,744	485,080
	Net income	260,402	278,345	276,359
	Net income per share (Yen)	69.88	74.62	73.05
	Dividend per share (Yen)	—	39.44	40.44

(Million of yen, unless otherwise noted)

#### 4. Number of shares acquired, acquisition price and shareholding before and after acquisition

(1)	Number of shares held before the change	1,224,000 shares (Number of voting rights: 12,240 unit) (Ratio of voting rights held: 32.21%)
(2)	Number of shares to be acquired	710,000 shares (Number of voting rights: 7,100units)
(3)	Acquisition price	Acquisition price by underwriting a third-party allotment 836,380 (Thousands of yen)
(4)	Number of shares held after the change	1,934,000 shares (Number of voting rights : 19,340 units) (Ratio of voting rights held: 42.88%)

**5. Timetable**

(1)	Date of resolution at the meeting of the Board of Directors	September 9, 2022
(2)	Date of conclusion of business and capital alliance agreement	September 9, 2022
(3)	Date of commencement of share transfer	From September 27,2022 To September 29,2022(scheduled)

**6. Future outlook**

For the impact of this matter on our business results for the fiscal year ending April 30, 2023, please refer to the "Notice of Announcement of Consolidated Earnings Forecast in Connection with Transition to Consolidated Financial Statements" released today.