



February 27, 2015

Company name	Hearts United Group Co., Ltd.
Name of representative	President and CEO Eiichi Miyazawa (Code number: 3676, First Section of the Tokyo Stock Exchange)
Contact	Director and CFO Keiya Kazama (TEL. +81-3-6406-0081)

## Notice Regarding Stock Acquisition (Conversion into a Sub-Subsidiary) and Absorption-Type Merger by the Company's Consolidated Subsidiary

Hearts United Group Co., Ltd. (hereinafter referred to as the "Company") would like to announced that its consolidated subsidiary, NetWork21, Co., Ltd. (hereinafter referred to as "NetWork21"), passed a resolution at its board of directors' meeting held today to acquire all stock of SYSTEM KOHBO TOKYO CORPORATION (hereinafter referred to as "SKT") and consolidate SKT as its subsidiary (the Company's sub-subsidiary). A separate resolution was also passed to conduct an absorption-type merger (the "Merger") with NetWork21 as the surviving company and SKT as the dissolving company after obtaining all stock of SKT.

### I. Reason for stock acquisition and Merger

Our Group has contributed to improving the quality of Internet-related information devices, websites and various software products by focusing on the debugging business that detects problems in software as well as the provision of unique services at home and abroad.

Although there is increasing demand for complicated systems, an expansion of development scale, diversification of technologies and an improvement of quality, especially in system development, there is a chronic shortage of systems engineers and programmers. Therefore, there is rapidly increasing demand for the outsourcing of system verification processes.

Against this backdrop, the Company has enhanced the order intake system in the system verification category of our Group where demand is expected to increase in the future. As part of this effort, the Company turned NetWork21, a provider of system development services, into its subsidiary in November 2013 with the aim of offering a more advanced verification service.

Similar to NetWork21, SKT focuses on providing system development services with strengths in the development of open systems, a category showing particularly high demand among the Group's system verification categories.

NetWork21 has decided to consolidate the business of the two companies and conduct an absorption-type merger with NetWork21 as the surviving company and SKT as the dissolving company. Through the Merger, NetWork21 aims to expand system development support service and business for major system integrators by leveraging SKT's expertise while accelerating the growth of the Group's core business — the system verification category in the debugging business. The Company believes that the Merger will contribute to increasing its operating profits in the future.

## II. Overview of the stock acquisition

### 1. Overview of the subsidiary acquiring stock (NetWork21)

(1) Company Name	NetWork21, Co., Ltd.
(2) Location	1-8-4 Kandasakuma-cho, Chiyoda-ku, Tokyo
(3) Position and name of representative	Ken Hasegawa, President
(4) Business activities	System development, etc.
(5) Share capital	15,250 thousand yen
(6) Date established	December 8, 1998

### 2. Overview of the company to be acquired as a sub-subsidiary

(1)	Company Name	SYSTEM KOHBO TOKYO CORPORATION		
(2)	Location	2-1-13 Higashiueno, Taito-ku, Tokyo		
(3)	Position and name of representative	Hironobu Tsunoda, President		
(4)	Business activities	System development, etc.		
(5)	Share capital	48,500 thousand yen		
(6)	Date established	October 18, 1993		
(7)	Major shareholder and its shareholding ratio	Hironobu Tsunoda	100.0%	
(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. The President of NetWork21 concurrently serves as the Director 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 last three years				
Fiscal year		Fiscal year ended March 2012 (in thousand yen except for net assets per share, net income per share and dividend per share)	Fiscal year ended March 2013 (in thousand yen except for net assets per share, net income per share and dividend per share)	Fiscal year ended March 2014 (in thousand yen except for net assets per share, net income per share and dividend per share)
Net assets		68,310	73,432	68,830
Total assets		225,410	236,473	191,212
Net assets per share		75,066.41 yen	80,695.10 yen	86,578.67 yen
Net sales		298,923	330,980	293,616

Operating income	9,300	17,034	9,098
Ordinary income	6,333	14,236	8,529
Net income	3,691	5,202	5,540
Net income per share	4,056.63 yen	5,716.59 yen	6,968.56 yen
Dividend per share	87.91 yen	87.91 yen	100.63 yen

### 3. Overview of the counterparty of stock acquisition

(1) Name	Hironobu Tsunoda
(2) Location	Minami Saitama Gun, Saitama Prefecture
(3) Relationship between the listed company and the said individual	None

### 4. 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 acquired	710 (Number of voting rights: 670)
(3) Acquisition cost	Common and preferred shares of SYSTEM KOHBO TOKYO CORPORATION 18 million yen <u>Advisory fees (estimate)</u> 1 million yen <u>Total (estimate)</u> 19 million yen
(4) Number of stock owned after transfer	710 (Number of voting rights: 670) (Ownership percentage of voting rights: 100.0%)

(Note) The acquisition cost was determined based on an amount calculated by an accounting firm which is not an interested party of the Company nor SKT.

### 5. Schedule

Date of the Board of Directors' resolution regarding the share transfer agreement : February 27, 2015  
Date of conclusion of the share transfer agreement : February 27, 2015  
Date of execution of the share transfer : February 27, 2015

### 6. Future prospects

The Company expects the said conversion into a subsidiary to have a minor impact on its consolidated financial performance.

### III. Summary of the Merger

#### 1. Schedule of the Merger

Date of the Board of Directors' resolution regarding the merger agreement	(NetWork21)	February 27, 2015
Date of approval on the merger agreement by Directors	(SKT)	February 27, 2015
Date of conclusion of the merger agreement	(NetWork21, SKT)	February 27, 2015
Notice of the record date of the Extraordinary Shareholders' Meeting	(NetWork21)	February 27, 2015
Date of the Extraordinary Shareholders' Meeting	(NetWork21)	March 19, 2015
Date of the merger (the effective date)	(NetWork21, SKT)	March 31, 2015

- \* SKT is a company without a board of directors. Therefore, the Merger agreement has been decided by all directors.
- \* SKT plans to conduct the Merger as a short-form merger in accordance with Article 784-1 of the Companies Act without seeking approval at the Shareholders' Meeting.

#### 2. Method of the Merger

An absorption-type merger where NetWork21 will be the surviving company and SKT will be the dissolving company.

#### 3. Details of allotment of shares upon the Merger

As stated in "II. Overview of the Stock Acquisition," NetWork21 plans to acquire all stock of SKT as of the effective date of the Merger and to make SKT its wholly owned subsidiary. Therefore, NetWork21 will not allocate shares or other compensation provided by the Merger.

#### 4. Treatment of stock acquisition rights and bonds with stock acquisition rights of the dissolving company

Not applicable

#### 5. Outline of the companies subject to the Merger

	Surviving Company (as of February 27, 2015)	Dissolving Company (as of February 27, 2015)
(1) Company Name	NetWork21, Co., Ltd.	SYSTEM KOHBO TOKYO CORPORATION
(2) Location	1-8-4 Kandasakuma-cho, Chiyoda-ku, Tokyo	2-1-13 Higashiueno, Taito-ku, Tokyo
(3) Position and name of representative	Ken Hasegawa, President	Hironobu Tsunoda, President
(4) Business activities	System development, etc.	System development, etc.
(5) Share capital	15,250 thousand yen	48,500 thousand yen
(6) Date established	December 8, 1998	October 18, 1993
(7) Number of shares outstanding	235	710 (excluding 260 shares of treasury stock)
(8) Fiscal year end	March	March

(9)	Major shareholder and its shareholding ratio	Hearts United Group Co., Ltd. 66.4%	Hironobu Tsunoda 100.0%
		Hiroshi Tsunoda 33.6%	
(10)	Financial position and operating results for fiscal year ended March 2014 (in thousand yen except for net assets per share and net income per share)		
	Net assets	116,714	68,830
	Total assets	299,474	191,212
	Net assets per share	496,658.74 yen	86,578.67 yen
	Net sales	569,330	293,616
	Operating income	16,898	9,098
	Ordinary income	14,191	8,529
	Net income	5,275	5,540
	Net income per share	22,447.05 yen	6,968.56 yen

(Note) NetWork21 changed the month of settlement in fiscal year ended March 2014. Therefore, the results cover the period from October 1, 2013 to March 31, 2014.

#### 6. Status after the Merger

(1)	Company Name	NetWork21, Co., Ltd.
(2)	Location	1-8-4 Kandasakuma-cho, Chiyoda-ku, Tokyo
(3)	Position and name of representative	Ken Hasegawa, President
(4)	Business activities	System development, etc.
(5)	Share capital	15,250 thousand yen
(6)	Fiscal year end	March

#### 7. Future prospects

The Company expects the Merger to have a minor impact on its consolidated financial performance.

(Reference) Consolidated earnings forecasts for the current period (announced on February 2, 2015) and consolidated operating performance for the previous period.

	(in million yen)				
	Net sales	Operating income	Ordinary income	Net income	Net income per share
Consolidated earnings forecasts for the current period (Fiscal year ending March 2015)	13,500	1,785	1,762	944	Yen 79.04
Consolidated operating performance for the previous period (Fiscal year ended March 2014)	10,137	1,780	1,788	1,087	Yen 91.92