



August 18, 2017

Company name:	Hearts United Group Co., Ltd.
Name of representative:	President and CEO Genichi Tamatsuka (Code number: 3676, First Section of the Tokyo Stock Exchange)
Contact:	Executive Officer and CFO Toshiya Tsukushi (TEL. +81-3-3373-0081)

## Notice Regarding Merger of Consolidated Subsidiaries

Hearts United Group Co., Ltd. (hereinafter referred to as the “Company”) announces that the Company has passed a resolution at its Board of Directors’ Meeting held today to merge its two consolidated subsidiaries, DIGITAL Hearts Co., Ltd. (“DIGITAL Hearts”) and NetWork21 Co., Ltd. (“NetWork21”) (the “Merger”).

Please note that disclosed items and details are partially omitted from this disclosure because this is a merger of consolidated subsidiaries.

### 1. Purpose of the Merger

Since acquiring NetWork21 in December 2013, we have been striving to strengthen the business base in the field of system testing – a top priority field among the debugging business, which is our core business – where market growth and our business expansion are expected.

To energize the organization by mobilizing workforce of NetWork21 and to effectively utilize the managerial resources of the two companies in the field, the Company has decided to merge DIGITAL Hearts, the major subsidiary engaging in debugging business, and NetWork21.

### 2. Summary of the Merger

#### (1) Schedule of the Merger

Board of Directors’ resolution on merger agreement (the Company)	August 18, 2017
Conclusion of merger agreement	August 18, 2017
Shareholders’ meeting for approval of merger agreement	September 29, 2017 (scheduled)
Merger date (effective date)	October 1, 2017 (scheduled)

#### (2) Merger method

This will be an absorption-type merger with DIGITAL Hearts as the surviving company and NetWork21 as dissolved company.

#### (3) Details of allotment of shares upon merger

Since the Merger is to take place among wholly-owned subsidiaries of the Company, there will be no allocation of shares or other assets.

#### (4) Treatment of stock acquisition rights and convertible bonds of the dissolved company

Not applicable

### 3. Overview of surviving and dissolved companies

	Surviving company	Dissolved company
(1) Company name	DIGITAL Hearts Co., Ltd.	NetWork21 Co., Ltd.
(2) Location	3-20-2 Nishi-Shinjuku, Shinjuku-ku, Tokyo	2-4-9 Yoyogi, Shibuya-ku, Tokyo
(3) Position and name of representative	President and CEO Jun Yamamoto	President Ken Hasegawa
(4) Business activities	Debugging services, etc.	System development, etc.
(5) Share capital	276 million yen	15 million yen
(6) Date established	April 2001	December 1998
(7) Outstanding shares	11,862,600	235
(8) Fiscal year end	March	March
(9) Major shareholder and its shareholding ratio	Hearts United Group Co., Ltd.; 100%	Hearts United Group Co., Ltd.; 100%
(10) Financial position and operating results for fiscal year ended March 2017 (Unit: Thousands of yen, except for per-share net assets value and per-share net income data)		
Net assets	2,080,699	213,584
Total assets	4,025,049	395,610
Net assets per share	175.40 yen	908,870.86 yen
Net sales	12,146,502	1,157,441
Operating income	2,045,705	51,502
Ordinary income	2,145,517	56,297
Net income	1,448,730	18,804
Net income per share	122.13 yen	80,018.28 yen

### 4. Status of the surviving company after merger

(1) Company name	DIGITAL Hearts Co., Ltd.
(2) Location	3-20-2 Nishi-Shinjuku, Shinjuku-ku, Tokyo
(3) Position and name of representative	President Genichi Tamatsuka
(4) Business activities	Debugging services, etc.
(5) Share capital	276 million yen
(6) Fiscal year end	March

### 5. Future prospects

The impact of the Merger on the Company's consolidated results will be minor as this is a merger of wholly-owned subsidiaries.