



May 11, 2018

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 Conclusion of a Basic Agreement with VALTES CO., LTD. on Capital and Business Alliance

Hearts United Group Co., Ltd. has announced a resolution passed at its Board of Directors' Meeting held today to conclude a basic agreement with VALTES CO., LTD. (hereinafter referred to as "VALTES") on a capital and business alliance, as described below.

1. Reason for the Capital and Business Alliance

DIGITAL Hearts Co., Ltd. (hereinafter referred to as "DIGITAL Hearts"), a subsidiary of the Hearts United Group Co., Ltd., provides system testing services and boasts a track record of various tests conducted for web systems, business systems, and other systems, enabled by its extensive human resources consisting of more than 8,000 testing professionals.

Recent years have seen progress in the spread of IoT and the wider use of AI, which has resulted in the increasing importance of system testing to ensure safety. In addition, developers are expected to outsource testing to specialized companies in even more instances than before because they are facing a chronic shortage of engineers, while the expertise required for testing has become increasingly diversified and specialized.

On the other hand, the system testing market has seen an increase in large-scale, complex projects, which has made it necessary to improve the availability of testing to meet growing demands. Therefore, it has become imperative to rapidly secure and train testing engineers to establish a system for providing high-quality testing services.

Since its foundation in 2004, VALTES has been providing services that support quality improvement with a focus on software testing. In particular, the company's strengths lie in quality consulting for upstream processes and systematic training programs for testing engineers. VALTES is also the only company in Japan that has been certified by the International Software Testing Qualifications Board (ISTQB) as a Global Partner, the highest ranking possible.

By cooperating and integrating their strengths as partners, DIGITAL Hearts and VALTES will be able to fulfill the demand for increasingly larger and diversified testing and establish a position as leading companies in the testing market, which is still in its infancy.

Accordingly, it has been decided to forge a basic agreement on a capital and business alliance with the aim of rapidly training testing engineers through the combination of the extensive human resources of DIGITAL Hearts and training programs of VALTES, receiving orders for joint system testing projects by combining the complementary resources and technologies of both companies, and establishing a strong relationship for the mid-term initiatives of both companies.

2. Details of the Capital and Business Alliance

(1) Details of the Capital Alliance

The Company plans to acquire shares of VALTES to maximize the synergy from the business alliance.

(2) Cost of acquisition of shares in the alliance partner

The Company will acquire 15% of the outstanding shares of VALTES. The method and cost of the acquisition will be announced as soon as they are determined.

(3) Number of shares in the alliance partner to be acquired, etc.

Number of shares held by the Company before the formation of the capital and business alliance	0 (0%)
Number of shares the Company will acquire as a result of the formation of the capital and business alliance	1,072,500 (15.0%)
Number of shares the Company plans to hold after the formation of the capital and business alliance	1,072,500 (15.0%)

(4) Ratios to the number of shares to be acquired by the alliance partner and to the number of outstanding shares

Not applicable

(5) Details of the Business Alliance

In addition to developing testing engineers rapidly, the two companies will expand the supply system by supplementing each other's resources and technologies with the aim of receiving orders for large joint projects.

Through joint projects, the companies aim to achieve the stable supply of high value-added testing services and market expansion.

3. Overview of the company

(1)	Company Name	VALTES CO., LTD.		
(2)	Location	3-5-12 Azuchi-machi, Chuo-ku, Osaka, Osaka, Japan		
(3)	Position and name of representative	President Shinji Tanaka		
(4)	Business activities	1. Software testing services 2. Content testing services 3. Software Testing Consultation		
(5)	Share capital	90 million yen		
(6)	Date established	April 19, 2004		
(7)	Major shareholder and its shareholding ratio	Shinji Tanaka 56.6%		
(8)	Relationship between the listed company and the said company	Capital ties	None	
		Personnel relations	None	
		Business relations	None	
(9)	Operating results and financial position of the said company for the last three years			
	Fiscal year	Fiscal year ended March 2015 (in million yen except for net assets per share, net income per share and dividend per share)	Fiscal year ended March 2016(in million yen except for net assets per share, net income per share and dividend per share)	Fiscal year ended March 2017 (in million yen except for net assets per share, net income per share and dividend per share)
	Net assets	181	229	268

Total assets	866	910	903
Net assets per share	30.72 yen	38.89 yen	45.50 yen
Net sales	1,858	2,002	2,293
Operating income	32	101	91
Ordinary income	37	98	102
Profit attributable to owners of parent	-7	47	38
Net income per share	-1.27 yen	8.06 yen	6.52 yen
Dividend per share	—	—	—

4. Schedule

- | | |
|--|----------------------|
| (1) Date of resolution by the Board of Directors | June 26, 2018 (Plan) |
| (2) Date of conclusion of the agreement | June 26, 2018 (Plan) |
| (3) Date of share acquisition | June 29, 2018 (Plan) |

5. Future prospects

The conclusion of the basic agreement is expected to have only a minor impact on the Company's business performance for the fiscal year ending March 31, 2019. The Company will immediately announce any revisions to the performance forecast that need to be made and any other information that should be disclosed.