

August 10, 2018

Company name: DIGITAL HEARTS HOLDINGS Co., Ltd.
 Name of representative: President and CEO Genichi Tamatsuka
 (Code number: 3676, First Section of the Tokyo Stock Exchange)
 Contact: Director and CFO Toshiya Tsukushi
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Notice Regarding the Stock Acquisition of ANET Corporation (Conversion into a Consolidated Subsidiary)

DIGITAL HEARTS HOLDINGS Co., Ltd. (hereinafter referred to as the “Company”) announces that the Company passed a resolution at its Board of Directors’ Meeting held today to acquire all shares in ANET Corporation (hereinafter referred to as “ANET”), as a result of which ANET will be a consolidated subsidiary of the Company.

Details are as follows:

1. Reason for stock acquisition

In recent years, the volume of data for processing and the number of devices have been consistently rising with the emergence of IoT. The field of system testing has seen increasing man-hours for testing and a rapid expansion of the test outsourcing market.

Our group provides system testing services. Our strength lies in our track record of providing diverse testing services for web systems, business systems, and other systems, and in our flexibility enabled by our wealth of human resources for testing, who exceed 8,000 in number.

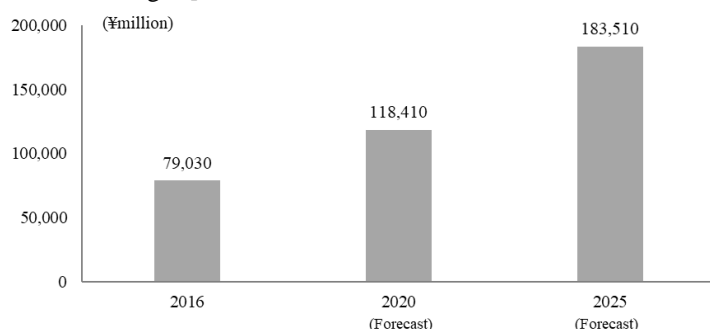
In addition, because the expertise required for testing has been increasingly diversified and specialized, particularly in recent years, we are focusing our efforts on building a system for quick, high-quality testing, aiming to increase our supply capacity to respond to the rising demand for testing by acquiring and developing testing engineers promptly.

ANET has 22 specialists, who are in the top rank of testing engineers. It operates a testing business with a focus on leading the testing process, from test requirements analysis to basic and detailed design of tests, test team management, and test evaluation and reporting. Above all, it has an extensive track record in medical equipment testing.

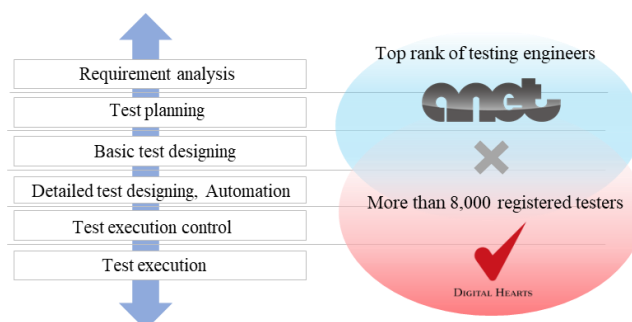
Through the acquisition of shares in ANET, we will enter the medical and health care domain, which is expected to grow rapidly due to the use and application of information technologies, among other domains in the field of system testing. At the same time, the stock acquisition provides opportunities for the business growth of both companies. For example, forming an efficient team consisting of ANET specialists and testers from our group will enable both to receive orders for large-scale projects.

In addition, we will enhance our training program by sharing the expertise of ANET so as to develop testing engineers with wide-ranging and diverse skills. With these and other initiatives, we will continue our efforts to secure and develop human resources in order to establish a business infrastructure that will enable us to be the No.1 comprehensive testing solution company in Asia.

[Market size of Medical systems applying IoT and AI technologies]



[DIGITAL HEARTS × ANET]



*Source: Fuji Keizai, 2017-nen Medical IoT-AI Kanren Shijou no Saishin Doukou to Shorai Tenbou (Latest trend and future outlook of the market related to medical IoT/AI, 2017)

2. Outline of the company to be acquired as a subsidiary

(1) Company Name	ANET Corporation		
(2) Location	Shimonogo 813-15, Ueda, Nagano		
(3) Position and name of representative	President Kenzo Miyajima		
(4) Business activities	Provision of software third-party testing and evaluation/ testing services Provision of software/ system development and maintenance and operation services		
(5) Share capital	40 million yen		
(6) Date established	June 12, 1989		
(7) Major shareholder	Kenzo Miyajima, and one other		
(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. There are no notable personnel relations between related parties/affiliates of the Company and related parties/affiliates 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 October 2015	Fiscal year ended October 2016	Fiscal year ended October 2017
Net assets (thousand yen)	95,226	109,358	123,604
Total assets (thousand yen)	147,265	151,865	170,590
Net assets per share (yen)	48,094.15	55,231.27	62,426.11
Net sales (thousand yen)	248,985	259,838	251,722
Operating income (thousand yen)	21,045	18,472	20,432
Ordinary income (thousand yen)	21,584	18,582	20,849
Net income (thousand yen)	20,829	14,131	14,246
Net income per share (yen)	10,519.48	7,137.12	7,194.84
Dividend per share (yen)	—	—	—

3. Overview of the counterparty of stock acquisition

(1) Name	Kenzo Miyajima
(2) Location	Ueda, Nagano
(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	1,980 shares (Number of voting rights: 1,980)
(3)	Number of stock owned after transfer	1,980 shares (Number of voting rights: 1,980) (Ownership percentage of voting rights: 100%)

(Note) As a result of consultation with the counterparty, we have decided to refrain from disclosing the acquisition price. An appropriate acquisition price was calculated by conducting third-party due diligence and through mutual consultations between ANET and the Company.

5. Schedule

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|-----|--|-------------------|
| (1) | Date of the Board of Directors' resolution | : August 10, 2018 |
| (2) | Date of conclusion of the share transfer agreement | : August 10, 2018 |
| (3) | Date of the stock acquisition | : August 31, 2018 |

6. Future prospects

We expect the stock acquisition to have a minor effect on our business results for the fiscal year ending March 31, 2019. 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.

(Reference) Consolidated earnings forecasts for the current period and consolidated operating performance for the previous period

(in million yen)

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent	Net income per share
Consolidated earnings forecasts for the current period (Fiscal year ending March 2019)	21,000	2,200	2,224	1,533	yen 70.34
Consolidated operating performance for the previous period (Fiscal year ended March 2018)	17,353	1,735	1,782	1,200	yen 55.14