



HUG

Hearts United Group

Presentation Material

for the Fiscal Year Ending March 31, 2015

Hearts United Group Co., Ltd.

Tokyo Stock Exchange First Section: Code 3676

URL: <http://www.heartsunitedgroup.co.jp/en/>

Explanation of the business results for FY2014







1.Explanation of the business results

Hearts United Group Co., Ltd. (HUG) was established as a 100% parent company of DIGITAL Hearts Co., Ltd. by sole-share transfer on October 1, 2013. As there are no substantial changes in the scope of consolidation, the consolidated results of DIGITAL Hearts Co., Ltd. are presented as the financial results prior to the Company's establishment and used as comparative figures where applicable.

2.Explanation of Segment

"Creative Businesses" has become a new segment from FY2014. "Development Outsourcing Project" and "Video Production Project," which were previously classified as "Others," are consolidated as "Creative business." In order to assess segment earnings properly, we also have changed expenses allocation, etc. from 1Q of FY2014. Those changes have applied retroactively to segment results of FY2012 and FY2013, and thus segment results of FY2012 have not been audited by auditor.

【Segment details】

Segment	Business Unit	Services
Debugging	Debugging Service is a service which tests for bugs in software before its release and reports to clients	
	Consumer Games (CS) 	Mainly Debugging service for consumer games and online games. Including service for overseas consumer games.
	Digital Solutions (DS) 	Mainly Debugging service for mobile games devices such as social games and smartphone applications. Including system verification and services for overseas mobiles.
	Amusement (AM) 	Mainly Debugging service for Pachinko and Pachislot.
Media	Media Business 	Operates Japan's largest game portal "4Gamer.net"
Creative	<ul style="list-style-type: none"> • 3DCG Contents Development Project • Development Outsourcing Project • Video Production Project 	<ul style="list-style-type: none"> • Develops contents based on technology of original 3D graphics engine "Chidori" • Receives orders for outsourcing of development process. • Provides total service of image processing technology.
Others	<ul style="list-style-type: none"> • System Development Project • Fuguai.com Project • DIGITAL Hearts Creators Network Project 	<ul style="list-style-type: none"> Develops variety of systems including contents program and core system. Manages a bug information portal site "Fuguai.com" Operates user participating games which supports creators' growth.

Contents

1. Summary of Business Results for FY2014	P4
2. Earnings by Segment	P16
3. FY2015 Financial Outlook and The Medium-term Management plan	P25
4. Future Development	P32



HUG

Hearts United Group Co., Ltd.

1. Summary of Business Results for FY2014



FY2014 Results Highlight

Overview of results		<p>■ Sales increased but operating income decreased (YoY) Operating income decreased due to an increase of SG&A as a result of M&As, and operating loss in Creative Business</p>
Topics	Debugging	<p>■ New establishment and expansion of debugging offices (opened 3 offices and expanded 1 office ⇒ total 13 nationwide network)</p> <ul style="list-style-type: none"> ▪ Apr. : Opened a shield room in Kyoto Lab. ▪ Nov. : Established Sendai Technology Center and expanded Sapporo 2nd Lab. ▪ Dec. : Established Sapporo 3rd Lab. and Okinawa Lab. <p>■ New services/Business alliance</p> <ul style="list-style-type: none"> ▪ Sep. : Started a research and consultation service “DH-EYE” utilizing Group’s debugging know-how ▪ Nov. : Made a business alliance with adish co. ltd. and started to provide one-stop services from debugging to customer support ▪ Dec. : Provided the “Cyber Security Service ” to the Democratic Party of Japan ▪ Jan. : Established a joint venture, ZEG Inc., with ZMP Inc. with the aim for joint entry into the automotive industry ▪ Feb. : Concluded partnership agreement with FROSK,Inc. and started sales of error detection/analysis tool “SmartBeat”
	Media	<p>■ Aetas, Inc. Relocation of head office (April)</p>
	Creative	<p>■ Premium Agency Inc. became a subsidiary (April)</p> <p>■ G&D Co., Ltd. released new game content</p> <ul style="list-style-type: none"> ▪ Dec. : released word puzzle game “Tsun GET Puzzle-Mogumogu and Pakupaku: An Egg of Wonder.”
	Others	<p>■ NetWork21 Co., Ltd. consolidated and absorbed SYSTEM KOHBO TOKYO CORPORATION (March) ⇒ Only balance sheet was consolidated in FY2014</p>
		<p>■ Business results fell below the forecast announced on Feb 2nd</p> <ul style="list-style-type: none"> ▪ Unprofitable development projects at Premium Agency Inc. in 4Q ▪ ¥216 million was recorded in income taxes due to reversal of deferred tax assets
Difference against FY2014 full year forecast		
Profit distribution to Shareholders		<p>■ Amended dividend policy and revised up Year-end dividends (announced on Feb 2nd)</p> <ul style="list-style-type: none"> ▪ Introduced capital efficiency concept and adopted DOE as an indicator, Year-end dividend increased from ¥8 to ¥9

FY2014 Results Summary

(¥ Million)	FY2013	FY2014 YoY Change	FY2014 Forecast (announced on Feb 2nd) Achievement rate	Summary
Net Sales	10,137	13,285 (+3,147 131.0%)	13,500 (-214 98.4%)	● Increased due to additional 2 consolidated subsidiaries acquired through M&A and expansion of debugging business
Debugging Business	8,798	9,812 (+1,014 111.5%)	9,967 (-154 98.4%)	
Media Business	483	504 (+20 104.2%)	502 (+2 100.4%)	
Creative Business	442	1,675 (+1,232 378.5%)	1,779 (-103 94.2%)	● Contributed by Premium Agency Inc.: ¥1,166million
Other Businesses	438	1,333 (+895 304.4%)	1,252 (+81 106.5%)	● Contributed by NetWork21 Co., Ltd.: ¥1,250million
Inter-segment adjustments	-24	-39 (-15 -)	-	
Cost of sales	6,653	9,336 (+2,683 140.3%)		
Gross profit	3,484	3,948 (+464 113.3%)		
Gross profit Margin	34.4%	29.7% (-4.7Point)		
Selling, general and administrative expenses	1,703	2,431 (+727 142.7%)		
Operating Income	1,780	1,517 (-263 85.2%)	1,785 (-267 85.0%)	● Operating income decreased due to an increase in cost of sales and SG&A as a result of M&As, and operating loss in Creative Business
Debugging Business	2,144	2,376 (+231 110.8%)		
Media Business	35	32 (-3 91.1%)		
Creative Business	-26	-496 (-469 -)		● Net loss of Premium Agency Inc.: ¥389 million (including goodwill amortization of ¥69 million)
Other Businesses	-18	52 (+71 -)		
Adjustments*	-353	-447 (-94 -)		
Operating Income Margin	17.6%	11.4% (-6.1Point)	13.2% (-1.8Point)	● Decreased due to consolidating 2 subsidiaries with high cost rate and an increase in SG&A
Ordinary Income	1,788	1,525 (-262 85.3%)	1,762 (-236 86.6%)	
Net Income	1,087	539 (-547 49.6%)	944 (-404 57.2%)	● ¥216 million was recorded in income taxes due to reversal of deferred tax assets

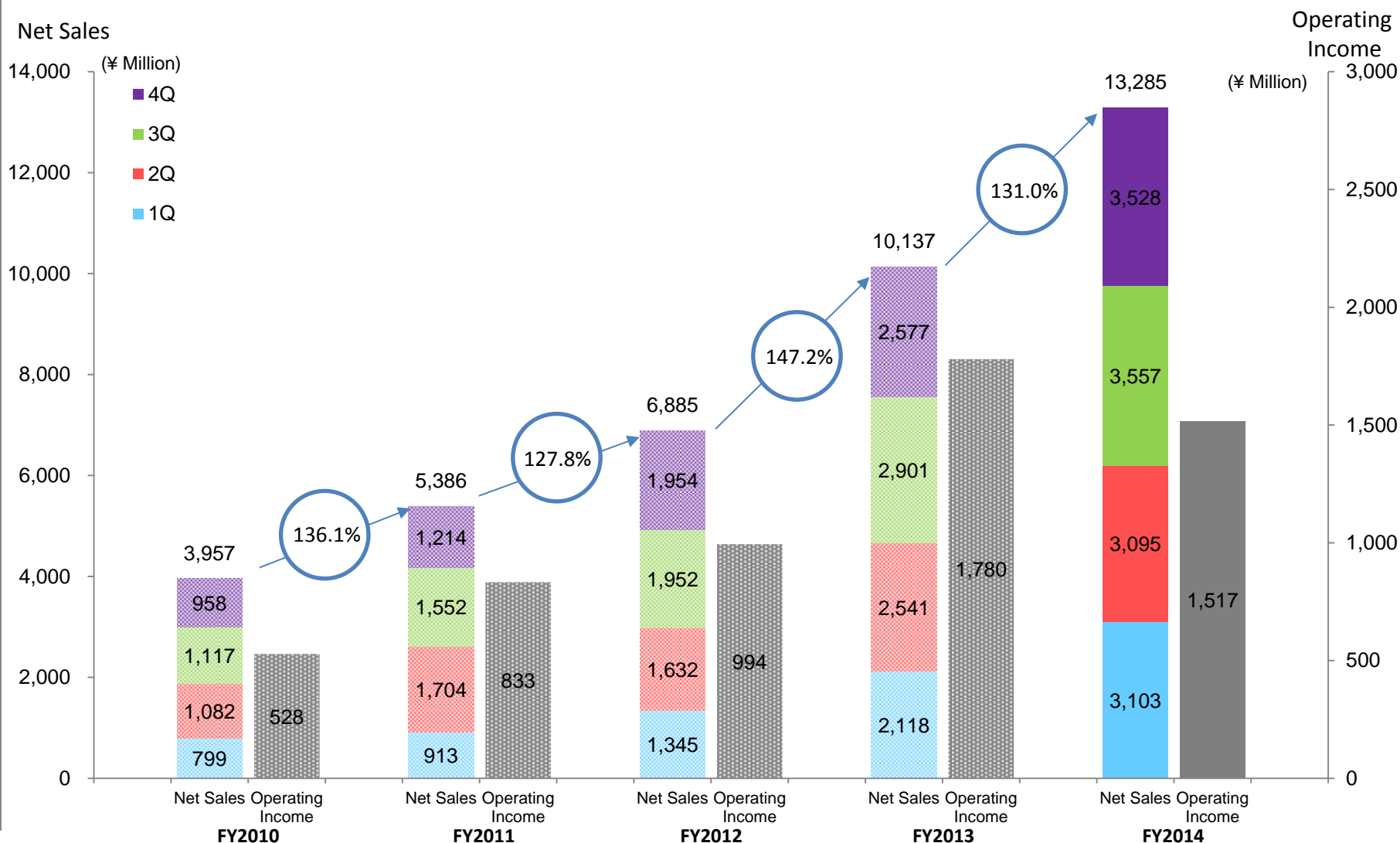
*Net sales by segment include inter-segment sales or transfers. Segment income is based on operating income.

*Adjustments represent corporate expense including general and administrative expenses not attributable to any reportable segment.



Trend in Consolidated Sales/Operating Income (Fiscal Year)

- Sales increased for 11 consecutive fiscal years, but operating income decreased due to operating loss in Creative Business



Trend in Consolidated Sales and Analysis of M&A Impact

● Timing of consolidating results of new consolidated subsidiaries

Company Name	Segment	FY2012		FY2013				FY2014			
		3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Aetas, Inc. (Subsidiary from December 2012)	Media Business										
NetWork21 Co., Ltd. (Subsidiary from December 2013)	Other Businesses										
Premium Agency Inc. (Subsidiary from April 2014)	Creative Business										

※ SYSTEM KOHBO TOKYO CORPORATION was consolidated and absorbed by Network21 Co., Ltd. and only its balance sheet was consolidated for FY2014

1,166 million

Acquired Premium Agency Inc. as a subsidiary in April 2014 and contributed for a full year.

1,250 million

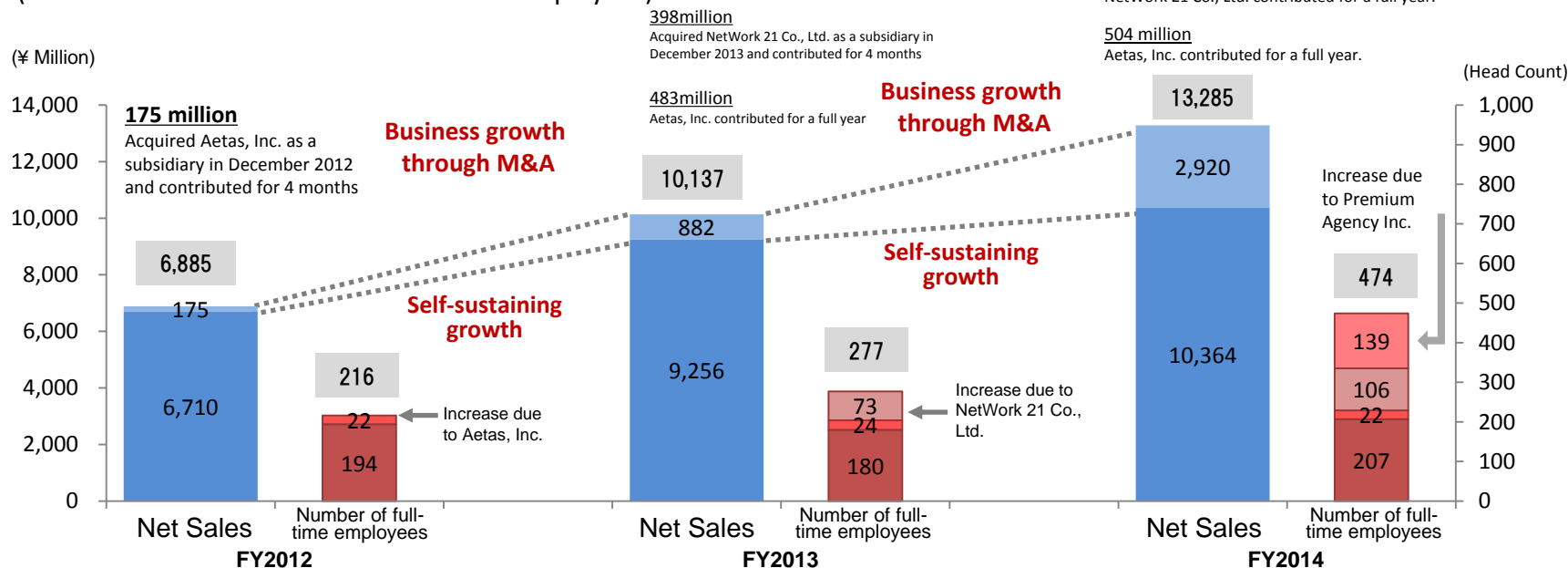
NetWork 21 Co., Ltd. contributed for a full year.

504 million

Aetas, Inc. contributed for a full year.

● Expand Business scale through autonomic growth and M&A

(Annual sales and the number of full-time employees)

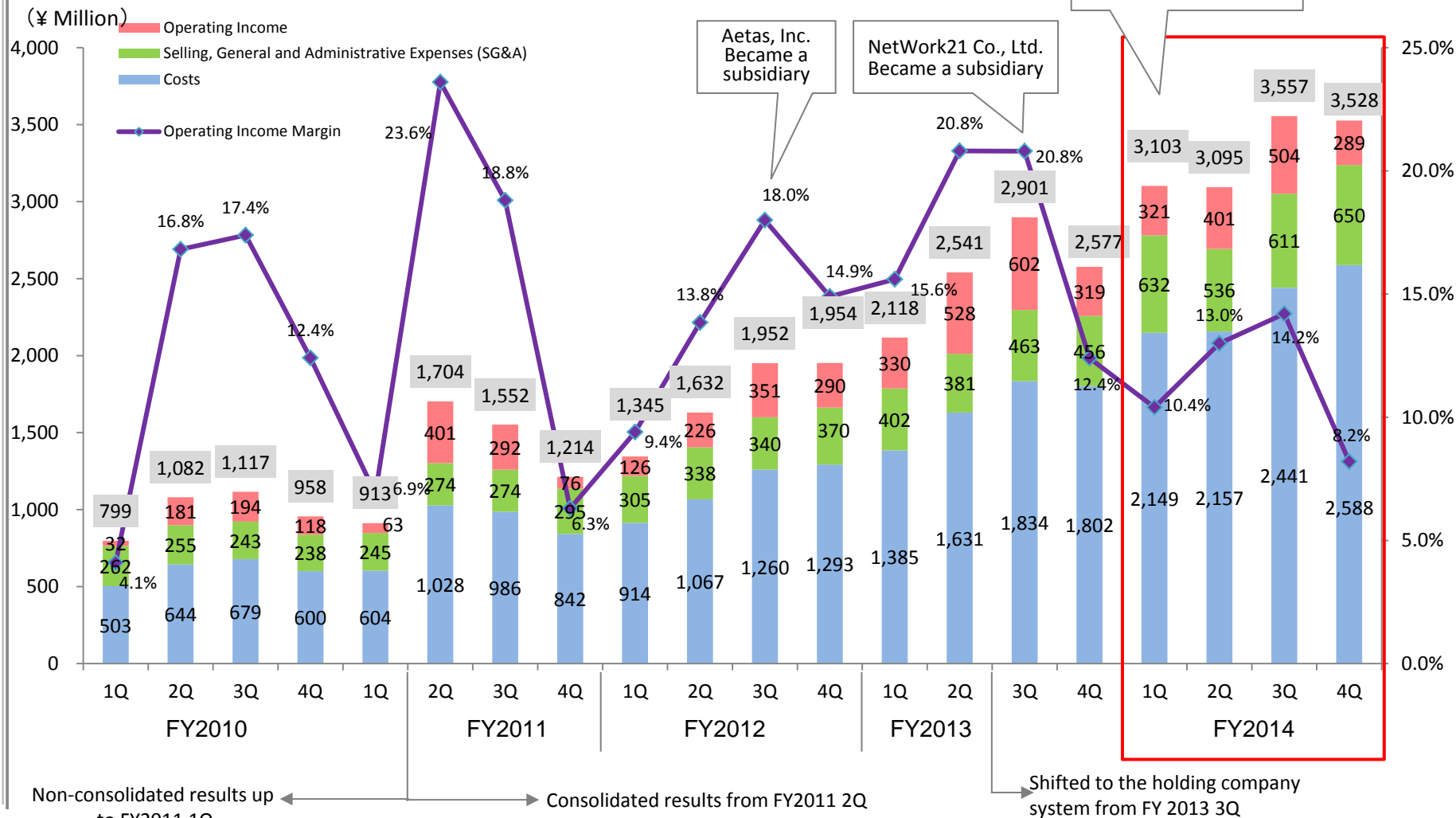




Trend in Consolidated Sales/Operating Income (Quarterly)

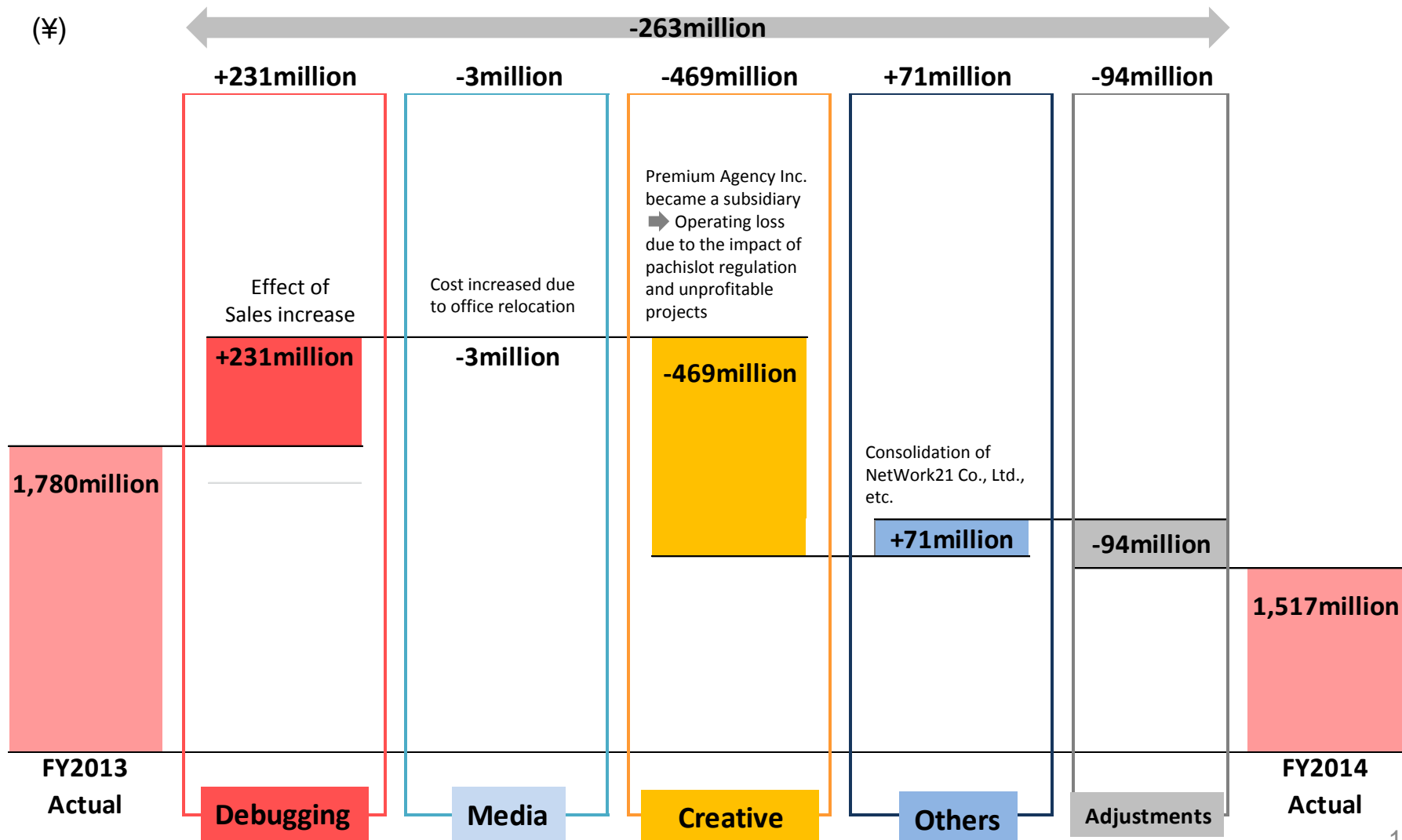
➤ Operating margin decreased due to unprofitable development projects at Premium Agency Inc. in 4Q

Quarterly results



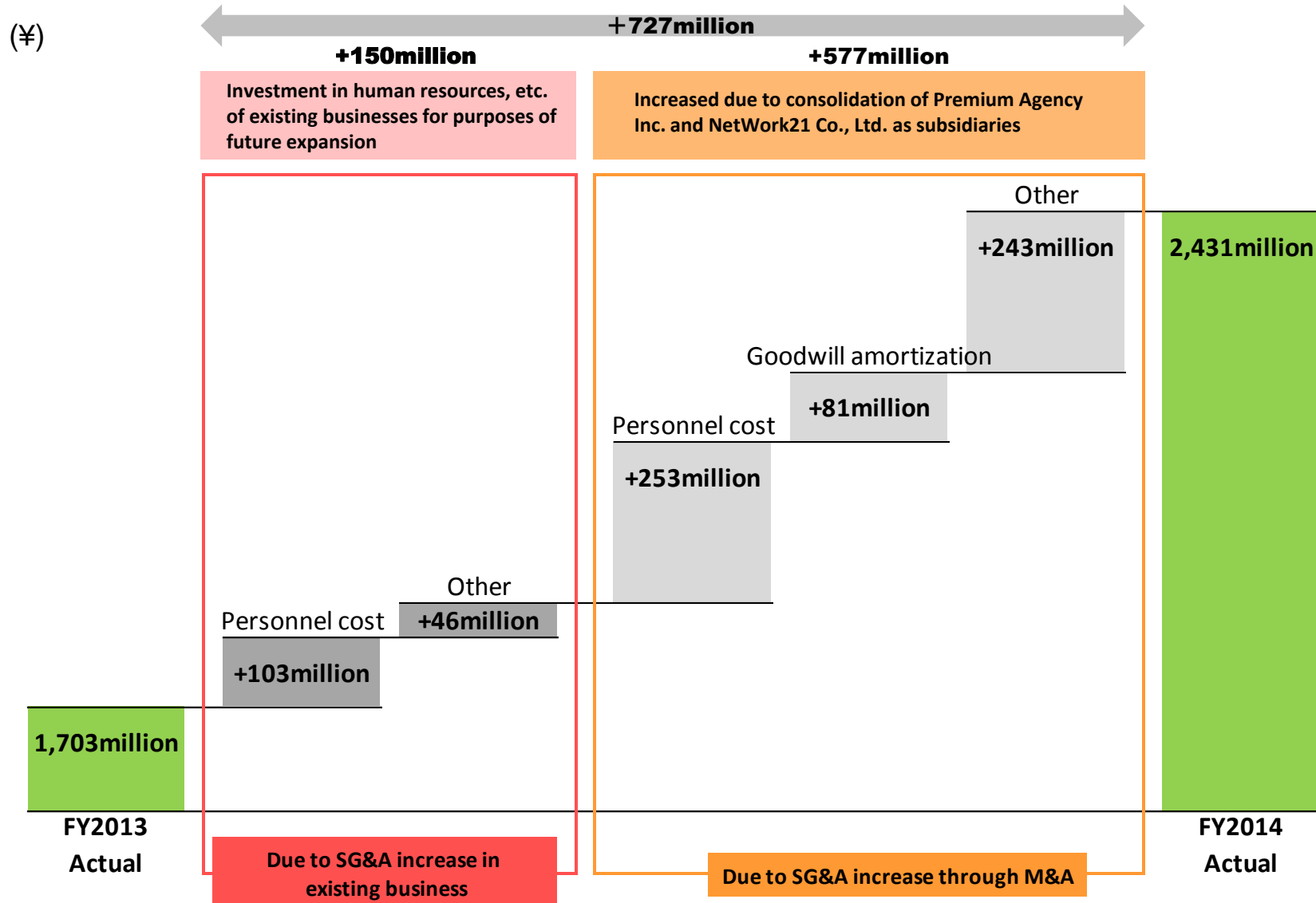
Analysis of Changes in Operating Income

- Decreased from previous period due to operating loss in Creative Business despite increased sales and operating income in Debugging Business



Analysis of Changes in Selling, General and Administrative Expenses

➤ Personnel cost increased due to an increase of consolidated subsidiaries





Consolidated Balance Sheets

(¥ Million)	FY2013 (As of Mar. 31, 2014)	FY2014 (As of Mar. 31, 2015)	YoY Change	(¥ Million)	FY2013 (As of Mar. 31, 2014)	FY2014 (As of Mar. 31, 2015)	YoY Change
Current assets	5,549	5,756	207	Current liabilities	3,372	3,823	450
(Of which)				(Of which)			
Cash and deposits	3,693	3,058	-634	Short-term loan	1,610	1,603	-6
Note and accounts receivable-trade	1,483	2,374	890	Noncurrent liabilities	20	280	259
Noncurrent assets	1,611	2,516	905	Total liabilities	3,393	4,104	710
(Of which)				Shareholders' equity	3,687	4,036	349
Property, plant and equipment	323	368	44	(Of which)			
Intangible assets	695	1,505	810	Capital stock	300	300	0
Investments and other assets	592	642	49	Capital surplus	300	300	0
Total assets	7,160	8,272	1,112	Retained earnings	3,086	3,435	348
				Total accumulated other comprehensive income	29	55	25
				Subscription rights to shares /Minority interests	49	76	27
				Total net assets	3,766	4,168	402
				Total liabilities and net assets	7,160	8,272	1,112

- Current assets : Increased by ¥207 million (up 3.7% YoY) as notes and accounts receivable-trade increased despite a decrease in cash and deposits
- Noncurrent assets : Increased by ¥905 million (up 56.2% YoY) due to an increase in Intangible assets
- Net assets : Increased by ¥402 million (up 10.7% YoY) as net profit was partially offset by interim and year-end dividends payments

Consolidated Statements of Cash Flows

(¥ Million)	FY2013 Actual	FY2014 Actual	YoY Change
Net cash provided by operating activities	1,561	870	-691
(*Cash flows before income taxes paid)	2,051	1,682	-369
Net cash used in investing activities	-368	-568	-200
Net cash used in financing activities	308	-950	-1,258
Effect of exchange rate change on cash and cash equivalents	6	14	7
Net increase in cash and cash equivalents	1,508	-634	-2,143
Cash and cash equivalents at the beginning of period	2,184	3,693	1,508
Cash and cash equivalents at the end of period	3,693	3,058	-634

- Cash flows from operating activities : Cash inflows from income before income taxes and consumption taxes payable exceeded cash outflows from income tax paid
- Cash flows from investing activities : Cash outflows from acquisition of subsidiaries' shares resulting in change in scope of consolidation, payments of lease and guarantee deposits and purchase of intangible assets exceeded cash inflows from distributions from investment partnership
- Cash flows from financing activities : Cash outflows from repayment of short-term loan exceeded cash inflows from proceeds of short-term loan



Profit Distribution to Shareholders ①

- Revised the dividend policy to include the capital efficiency concept with the aim of returning greater profits to shareholders and enhancing corporate value

(Basic policy)

A. Setting a target dividend on equity (DOE) of 7% on a consolidated basis

B. Introducing a dividend policy reflecting a comprehensive consideration of such factors as consolidated financial results in A. above

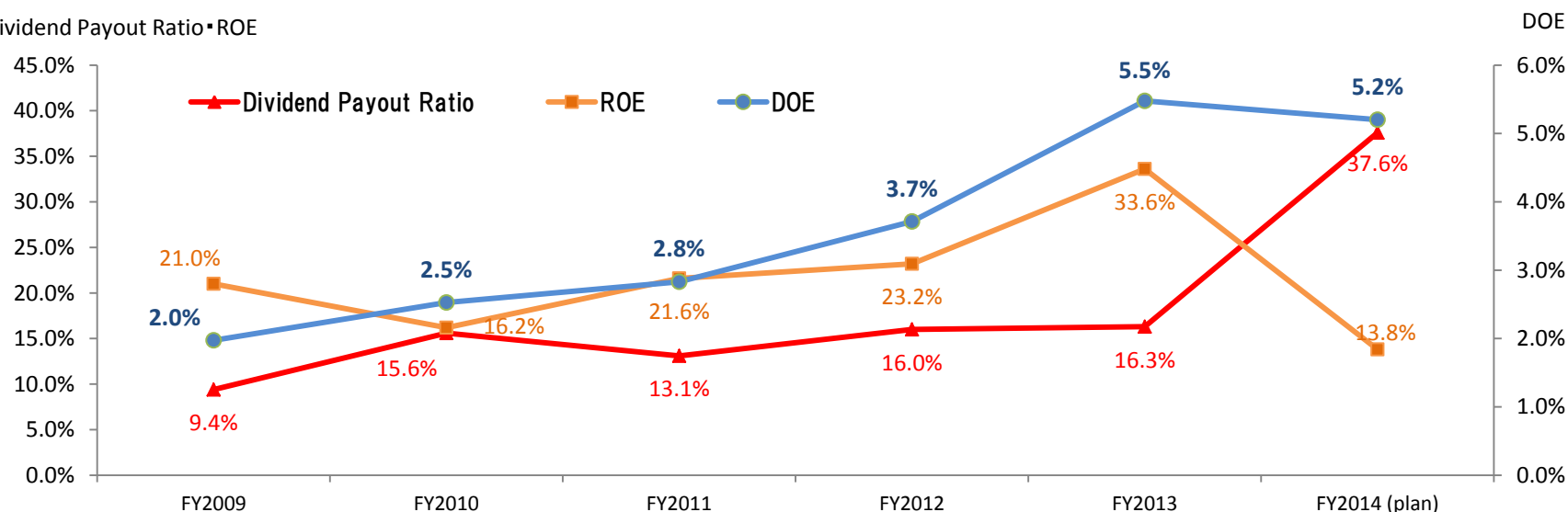
* Dividend on equity (DOE) = Payout ratio × Return On Equity ratio (ROE)

* Dividend on equity (DOE) is an indicator of shareholders' return which consists of dividend payout ratio indicating the amount of profits paid to shareholders and return on equity (ROE) indicating capital efficiency.

DOE, Dividend Payout Ratio and ROE

	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014(plan)
DOE	2.0%	2.5%	2.8%	3.7%	5.5%	5.2%
Dividend Payout Ratio	9.4%	15.6%	13.1%	16.0%	16.3%	37.6%
ROE	21.0%	16.2%	21.6%	23.2%	33.6%	13.8%

Dividend Payout Ratio • ROE

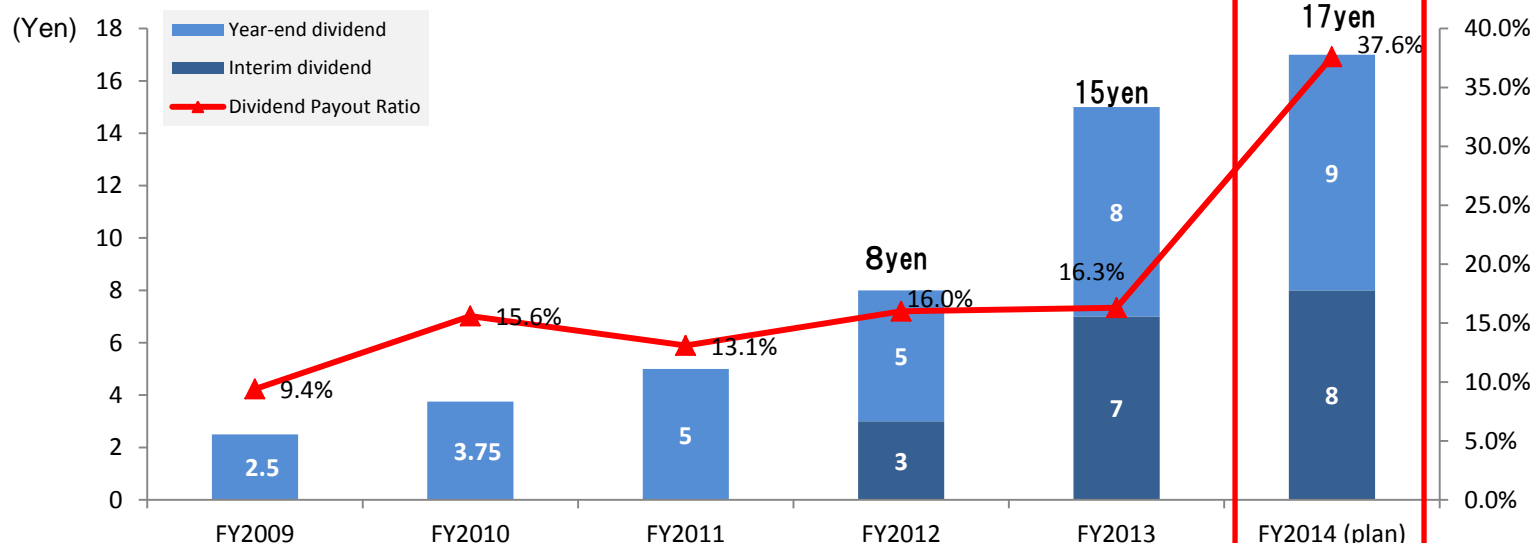


Profit Distribution to Shareholders ②

- **Interim dividend** : Increased from 7 yen to 8 yen (Announced on Aug 4th, 2014)
- Year-end dividend** : Increased from 8 yen to 9 yen (Announced on Feb 2nd, 2015)

Dividends per share and Dividend Payout Ratio Increased for six consecutive years

	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014 (plan)
Annual Dividend	2.5yen (500yen)	3.75yen (750yen)	5yen (1,000yen)	8yen (11yen)	15yen	17yen
Interim dividend	0yen	0yen	0yen	3yen (6yen)	7yen	8yen
Year-end dividend	2.5 yen (500yen)	3.75 yen (750yen)	5yen (1,000yen)	5yen	8yen	9yen(plan)
Dividend Payout Ratio	9.4%	15.6%	13.1%	16.0%	16.3%	37.6%



*Executed stock splits at a rate of 1:100, effective on July 1, 2012, and at a rate of 1:2, effective on October 1, 2012.

Dividends per share in previous years are adjusted retroactively to reflect share splits impact. The dividend without adjustment are shown in brackets.

*Dividends before interim dividend of FY2013 represent dividends of DIGITAL Hearts Co., Ltd.



HUG

Hearts United Group Co., Ltd.

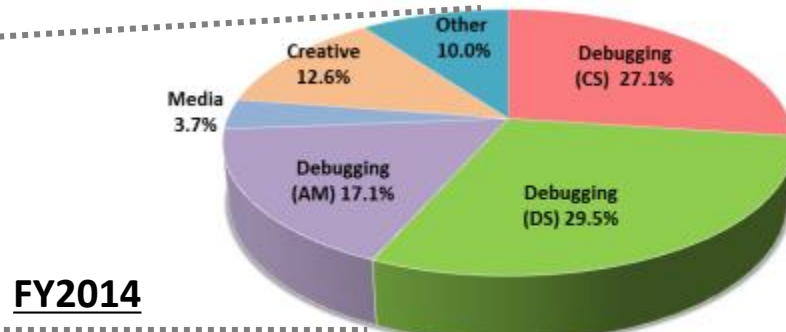
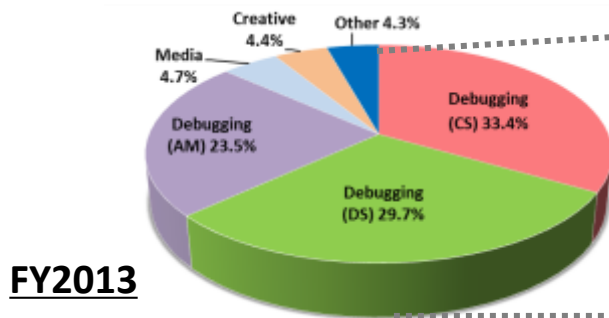
2. Earnings by Segment



FY2014 Summary of Earnings by Segment

(¥ Million)		FY2013	FY2014	YoY Change		Summary	
Debugging Business	Net Sales	8,798	9,812	1,014	(111.5%)	↑ Achieved record high sales in CS and DS	
	Segment income	2,144	2,376	231	(110.8%)	↑ Increased due to effect of sales increase	
	Consumer Games (CS)	Net Sales	3,392	3,604	212	(106.3%)	↑ Received orders of large titles on multiple platforms and titles on new hardware
	Digital Solutions (DS)	Net Sales	3,016	3,935	918	(130.4%)	↑ Sales increased significantly due to increased orders of native applications
	Amusement (AM)	Net Sales	2,388	2,272	-116	(95.1%)	↓ Sales decreased due to impact of Pachinko and Pachislot market environment
Media Business	Net Sales	483	504	20	(104.2%)	→ Showed steady results at the same level as previous fiscal year	
	Segment income	35	32	-3	(91.1%)		
Creative Business	Net Sales	442	1,675	1,232	(378.5%)	↑ 3DCG content development business started after consolidation of Premium Agency Inc. contributed to consolidated results with full year operation from FY2014	
	Segment loss	-26	-496	-469	(-)	↓ Premium Agency Inc.: Unprofitable projects resulted in a decrease in operating income	
Other Businesses	Net Sales	438	1,333	895	(304.4%)	↑ System development project started after consolidation of Network21 Co., Ltd. contributed to consolidated results with full year operation from FY2014	
	Segment income/loss	-18	52	71	(-)		
Adjustment for Each Segments	Segment sales adjustments	-24	-39	-15	(-)	: Corporate expense including general and administrative expenses not attributable to any reportable segment	
	Segment income adjustments	-353	-447	-94	(-)		
Total	Net Sales	10,137	13,285	3,147	(131.0%)	↑ Sales increased due to an increase of two consolidated subsidiaries through M&As and a growth of Debugging Business	
	Operating income	1,780	1,517	-263	(85.2%)	↓ Profit decreased due to increases in cost of sales and SG&A, and operating loss in Creative Business	

Sales Breakdown by Segment



•Net sales by segment include inter-segment sales or transfers. Segment income is based on operating income. Adjustments represent corporate expense including general and administrative expenses not attributable to any reporting segment. This assumption also applies to the following pages.



Debugging Business

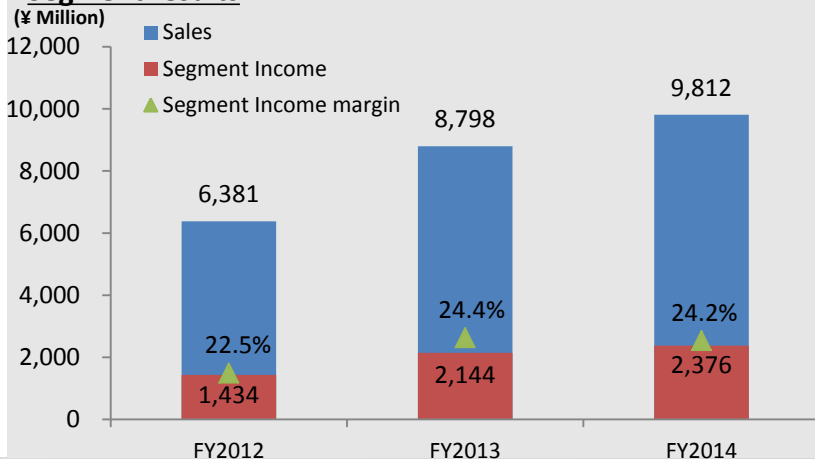
➤ DS unit targeting smartphone games showed a remarkable growth and achieved record high sales and profits

Business Topics	Business Environment	Business Highlights
<ul style="list-style-type: none"> Developed new market <ul style="list-style-type: none"> Established a joint venture, ZEG Inc., with ZMP Inc. and started debugging service for the automotive industry Enhanced the order structure <ul style="list-style-type: none"> Established 3 new Labs., with 13 nationwide network in total Increased equipment including new game consoles and mobile terminals Strengthen competitiveness <ul style="list-style-type: none"> Focused on developing human resources 	<ul style="list-style-type: none"> Although AM unit was affected by market environment, debugging needs expanded in different fields outside game and entertainment for games Overall market size kept growing due to integration of consumer games and social games market The sophistication of hardware expanded the scale of game development, which increased debugging man-hours 	<ul style="list-style-type: none"> DS unit grew to be the largest component in sales of debugging business Smaller seasonality in CS unit and increased sales ratio in DS unit resulted in smaller seasonal variability

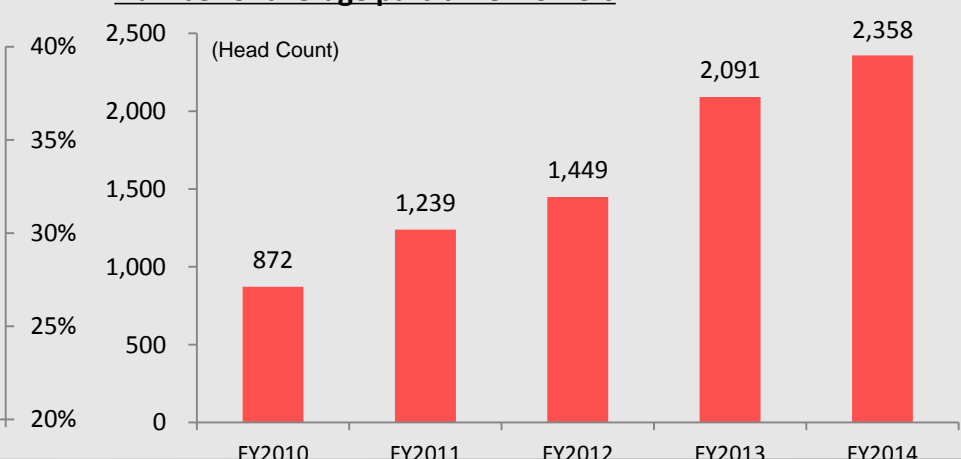
Net Sales, Segment income (Year Over Year)

(¥ Million)	FY2013 Actual	FY2014 Actual	Y o Y Change		Summary
Net Sales	8,798	9,812	1,014	111.5%	Achieved record high sales in CS and DS
Segment Income	2,144	2,376	231	110.8%	Increased as a result of sales increase

Segment results



Number of average part-time workers





Debugging Business (CS: Consumer Games Unit)

- Market scale remained flat, but increase of game titles for multiple platforms, such as new hardware PS4, resulted in stable growth

Business Topics	Business Environment	Business Highlights
<ul style="list-style-type: none"> Established competitive advantage by enhancing debugging order structure for game software for PS4 Expanded transaction volume with existing customers by strengthening proposal-based sales 	<ul style="list-style-type: none"> Development of multi-platform titles* was accelerated A new game field using wearable terminals and virtual reality expanded Full scale development of large title projects to be released in FY2015 	<ul style="list-style-type: none"> Following 3Q which was a busy season due to year-end sales season, continued to receive orders stably due to expanded transaction volume in 4Q Revenue opportunities increased in response to increased debugging process of multiple platform titles as all next generation hardware became available

* multi- platform titles : To release one game title on multiple hardware

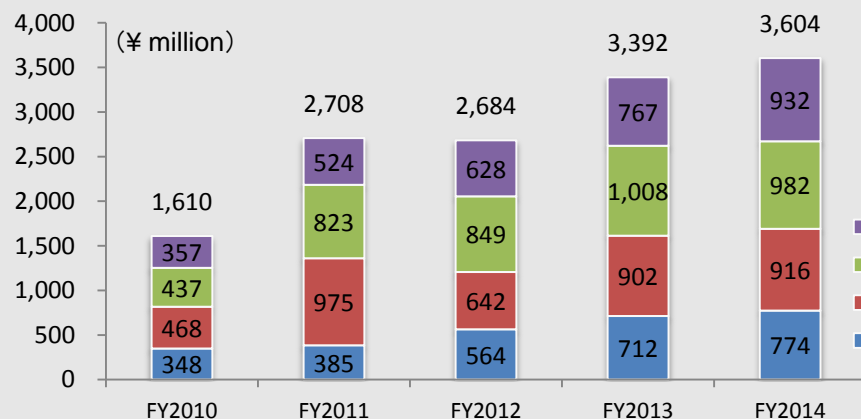
Net Sales (Year Over Year)

(¥ Million)	FY2013 Actual	FY2014 Actual	Y o Y Change	
Net Sales	3,392	3,604	212	106.3%

Serviced Items:

- Debugging - consumer game software (Japan/overseas)
- Debugging - online games
- Debugging - arcade games
- Translation of consumer game software (localization)

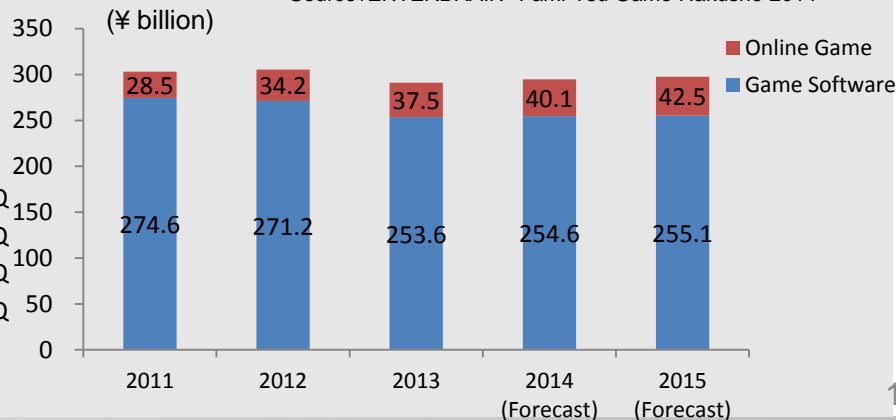
Net sales (FY)



Market size (FY)

Market Size of Game Software & Online Game

Source: ENTERBRAIN "Fami-Tsu Game Hakusho 2014"





Debugging Business (DS: Digital Solutions Unit)

- Accelerated outsourcing of debugging process contributed to significant sales increase, and DS unit became core unit to lead debugging business

Business Topics	Business Environment	Business Highlights
<ul style="list-style-type: none"> Expanded market share using know-how accumulated in consumer games debugging Increased added value of service by providing service in peripheral processes of debugging Focused on acquiring debugging needs in system verification field Started debugging service for automotive industry 	<ul style="list-style-type: none"> Functions of smartphones became increasingly sophisticated Developments of multiple native applications became active. Development scale expanded and development period became longer in pursuit of gameplay element Major consumer game maker's full-scale market entry is expected to vitalize the market 	<ul style="list-style-type: none"> Sales increased significantly in 2H as a result of share expansion efforts Accelerated provision of debugging service for new fields (system verification and automotive industry) Focused on human resource development to meet increasing debugging needs

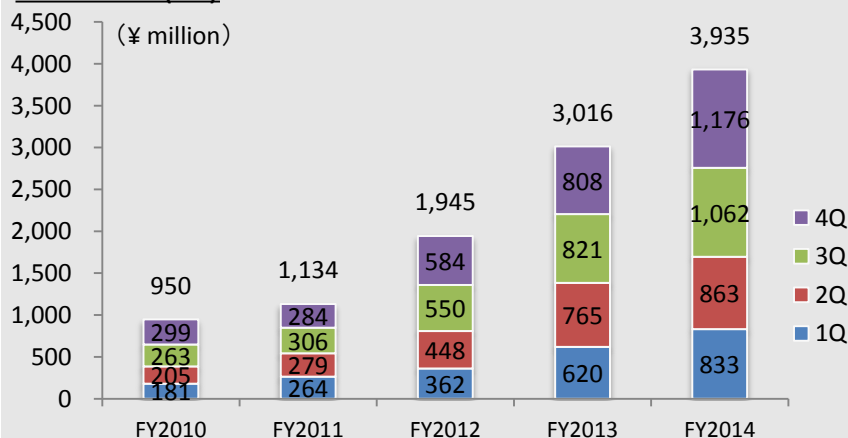
Net Sales (Year Over Year)

(¥ Million)	FY2013 Actual	FY2014 Actual	Y o Y Change	
Net Sales	3,016	3,935	918	130.4%

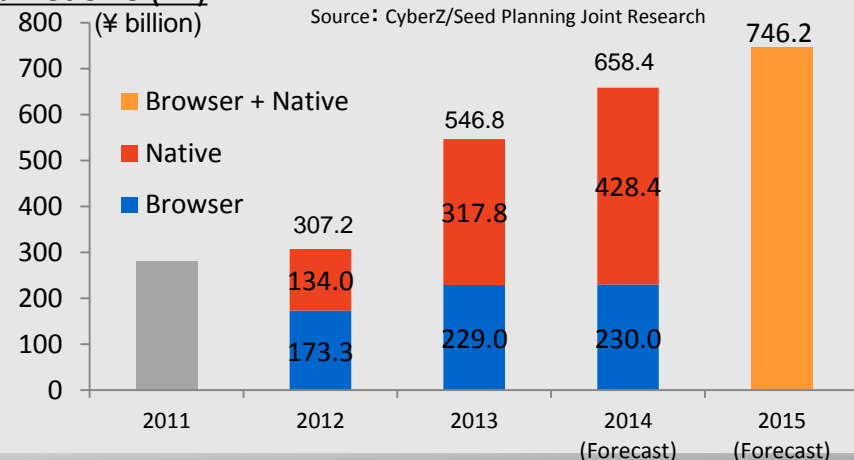
Serviced Items:

- Debugging – applications (Japan/overseas)
- Debugging - Social Network System (SNS) games, localization, operation support (Japan/overseas)
- Testing of web system, operation system, and home appliances
- Cyber Security Service

Net sales (FY)



Market Size (FY)





Debugging Business (AM: Amusement Unit)

➤ Sales decreased due to impact of Pachinko and Pachislot market environment

Business Topics	Business Environment	Business Highlights
<ul style="list-style-type: none"> Focused on expansion of transaction volume by providing high added value services Enhanced sales activity to acquire new customers 	<ul style="list-style-type: none"> Changes in model tests for pachislot machines in Sep 2014 caused a significant change in development schedule of makers Nihon Yugiki Kogyo Kumiai announced a revision of the bylaw for pachinko in March 2015. Game makers' development schedule remained uncertain with the expected application in Nov. 2015 	<ul style="list-style-type: none"> Sales decreased from the previous year as a result of the impact of market environment from the changes in model tests for pachislot machines in 2Q Showed a sign of gradual recovery in 2H

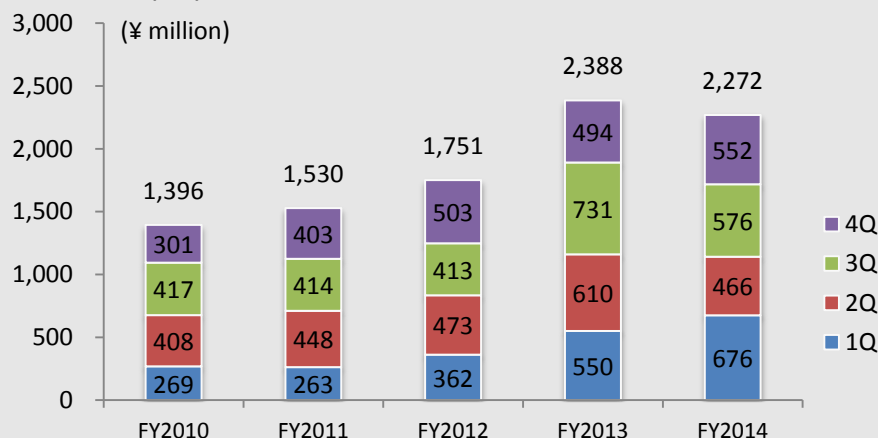
Net Sales (Year Over Year)

(¥ Million)	FY2013 Actual	FY2014 Actual	Y o Y Change	
Net Sales	2,388	2,272	-116	95.1%

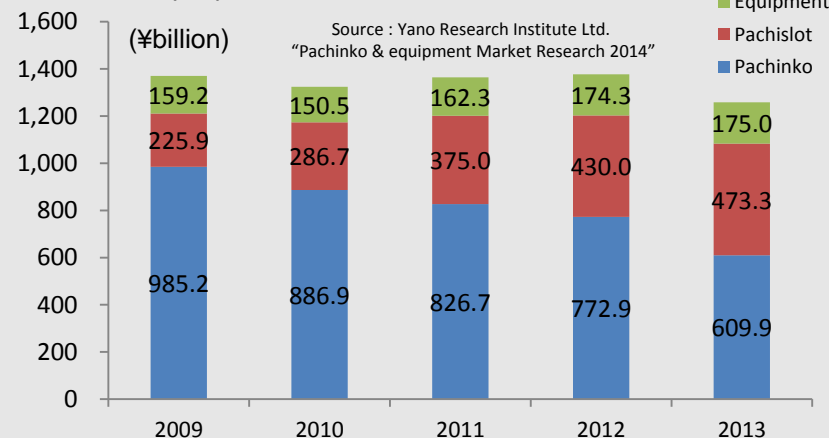
Serviced Items:

- Debugging - pachinko
- Debugging - pachislot
- Other development support services

Net sales(FY)



Market Size (FY)



Market size of Pachinko and Pachislot

Source : Yano Research Institute Ltd.
"Pachinko & equipment Market Research 2014"



Media Business

➤ Expanded targets to include smartphone games in response to the change of customers' needs

Business Topics	Business Environment	Business Highlights
<ul style="list-style-type: none"> Expanded content lineup for smartphone games and expand appealing areas for clients and users 	<ul style="list-style-type: none"> Gameplay video-sharing service expanded Games on multiple devices increased drastically and advertising methods became diversified Real-time information sharing using SNS functions was accelerated 	<ul style="list-style-type: none"> Showed steady growth utilizing "4Gamer.net" brand Office relocation cost incurred in 1Q

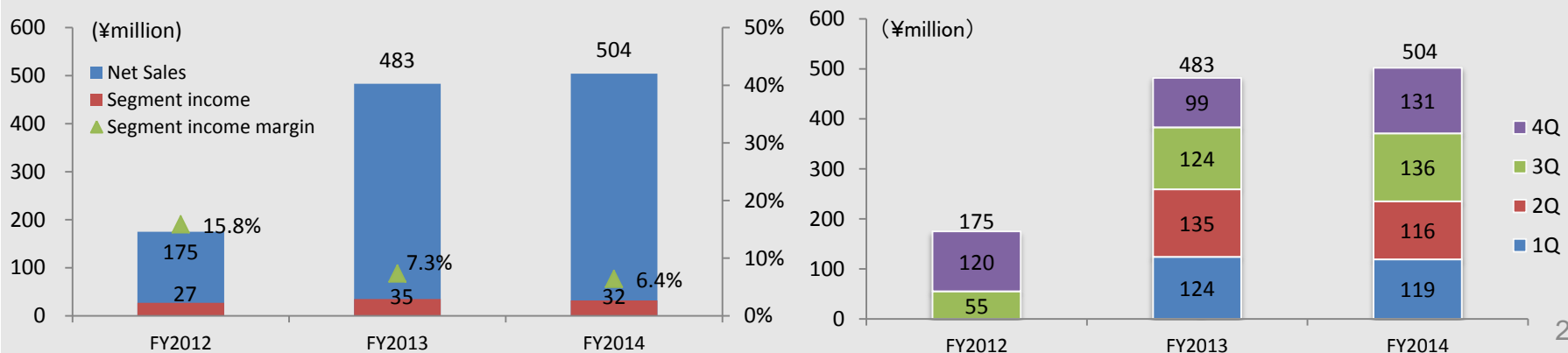
Net Sales, Segment income (Year Over Year)

(¥ Million)	FY2013 Actual	FY2014 Actual	Y o Y Change		Summary
Net Sales	483	504	20	104.2%	Showed steady growth
Segment income*	35	32	-3	91.1%	Cost increased due to office relocation

*Segment income is net of amortization of goodwill arising from acquisition of shares of Aetas, Inc.

Media Business started from FY2012 3Q after consolidation of Aetas, Inc. (Started management of game portals <http://www.4gamer.net/>)

Segment results





Creative Business

- Consolidation of Premium Agency Inc. contributed to sales increase, However, operating income decreased due to unprofitable projects

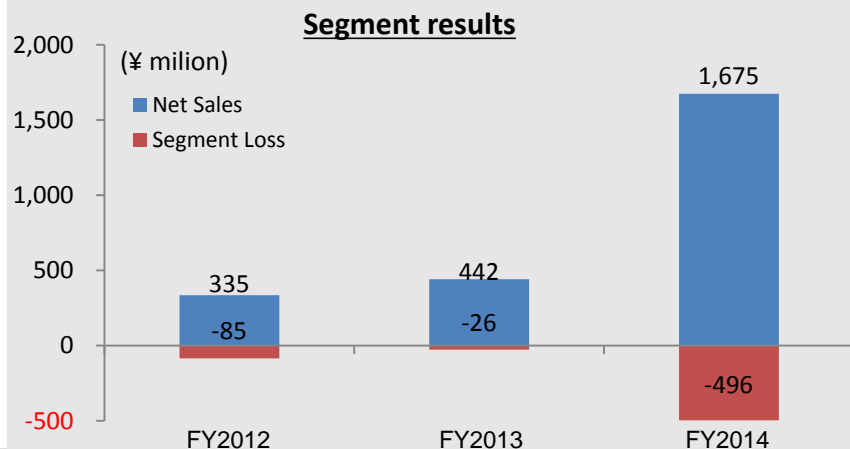
Business Topics	Business Environment	Business Highlights
<ul style="list-style-type: none"> 3DCG Contents Development Project : Operation started in FY2014 after consolidation of Premium Agency Inc. in April 2014. Focused on reorganization to improve its profitability Development Outsourcing Project : G&D Co., Ltd. released native application game “Tsunami GET Puzzle-Mogumogu and Pakupaku: An Egg of Wonder.” in December 2014. 	<ul style="list-style-type: none"> Larger LCD screens and higher image quality increased development scale In Sep 2014, model tests for pachislot machines changed and it caused a significant change in makers’ development schedule In Mar 2015, Nihon Yugiki Kogyo Kumiai announced a revision of the bylaw of pachinko. Game makers’ development schedule remained uncertain with the expected application in Nov 2015 	<ul style="list-style-type: none"> In 3DCG Contents Development Project, impact of market environment and unprofitable projects resulted in operating loss “Tsunami GET Puzzle-Mogumogu and Pakupaku: An Egg of Wonder.” was released in Dec. 2014 and the number of its download exceeded 150 thousands

Net Sales, Segment loss (Year Over Year)

(¥ Million)	FY2013 Actual	FY2014 Actual	Y o Y Change		Summary
Net Sales	442	1,675	1,232	378.5%	Contribution by Premium Agency Inc.:¥1,166 million
Segment loss	-26	*1 -496	-469	-	Loss of Premium Agency Inc.:¥389 million*2

*1 Segment loss is net of goodwill amortization (Premium Agency Inc.)

*2 including goodwill amortization of ¥69 million



Business Unit	Company
• 3DCG Contents Development Project	<u>Premium Agency Inc.</u> Project started after Premium Agency Inc. became a subsidiary in April 2014
• Development Outsourcing Project	<u>G&D Co., Ltd.</u> Project started after G&D Co., Ltd. was established in March 2012
• Video Production Project	<u>DIGITAL Hearts Visual Co., Ltd.</u> Project started in February 2011 and the company spun off in May 2012



Other Businesses

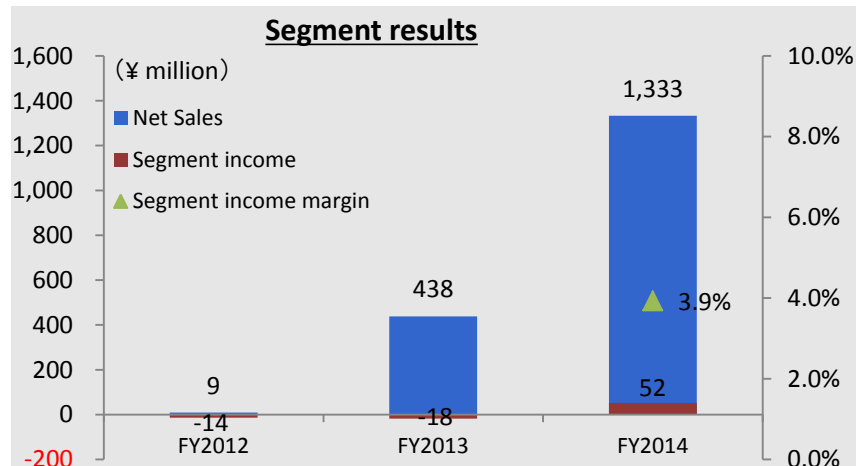
- Built a revenue base centering on System Development project and continue to test/create an affinity with other segments

Business Topics	Business Environment	Business Highlights
<ul style="list-style-type: none"> NetWork21 Co., Ltd. provides system development service. It became a subsidiary in December 2013, and contributed to the consolidated results for a full year Expanded contents lineup and developed services for growing smartphone games market 	<ul style="list-style-type: none"> Customer demand for system development remained strong due to increased investment in information system and multiple large projects development 	<ul style="list-style-type: none"> System development project showed a solid growth due to stable development needs Focused on acquiring system verification projects of debugging business with enhanced collaboration with group companies

Net Sales, Segment income/loss (Year Over Year)

(¥ Million)	FY2013 Actual	FY2014 Actual	Y o Y Change		Summary
Net Sales	438	1,333	895	304.4%	Contribution by NetWork21 Co., Ltd.:¥1,250 million
Segment income/loss* ¹	-18	52	71	-	Contribution by NetWork21 Co., Ltd.:¥46 million * ²

*¹Segment income is net of amortization of goodwill arising from acquisition of shares of NetWork21 Co., Ltd. *² including goodwill amortization of ¥13 million



Business Unit	Company
• System Development Project	<u>NetWork21 Co., Ltd.</u> Project started after NetWork21 Co., Ltd. became a subsidiary in December 2013
• Fuguai.com Project	<u>DIGITAL Hearts Co., Ltd.</u> Website opened in July 2008
• DIGITAL Hearts Creators Network Project	<u>DIGITAL Hearts Co., Ltd.</u> Project started in February 2013



HUG

Hearts United Group Co., Ltd.

3. FY2015 Financial Outlook and The Medium-term Management plan

FY2015 Consolidated Earnings and Dividends Forecast

(¥ Million)	FY2014 Actual	FY2015 Forecast	YoY Change	
Net Sales	13,285	16,034	2,749	120.7%
Operating income	1,517	2,252	734	148.4%
Operating income margin	11.4%	14.0%	+2.6Point	
Ordinary income	1,525	2,314	788	151.7%
Net income	539	1,437	897	266.3%

FY2015 Key points of Consolidated Earnings Forecast

Sales and operating income will increase with the growth of Debugging Business as core business

- Net sales ¥16,034 million (120.7%) Debugging Business 120% + growth to establish dominant share
Expected to increase significantly due to growing smartphonegames and promising system verification/debugging service for automotive industry in the Digital Solutions unit as well as the support by solid growth of Consumer Game unit
- Operating income ¥2,252 million (148.4%)
Expected to increase due to sales increase of Debugging Business and improved profitability of Creative Business

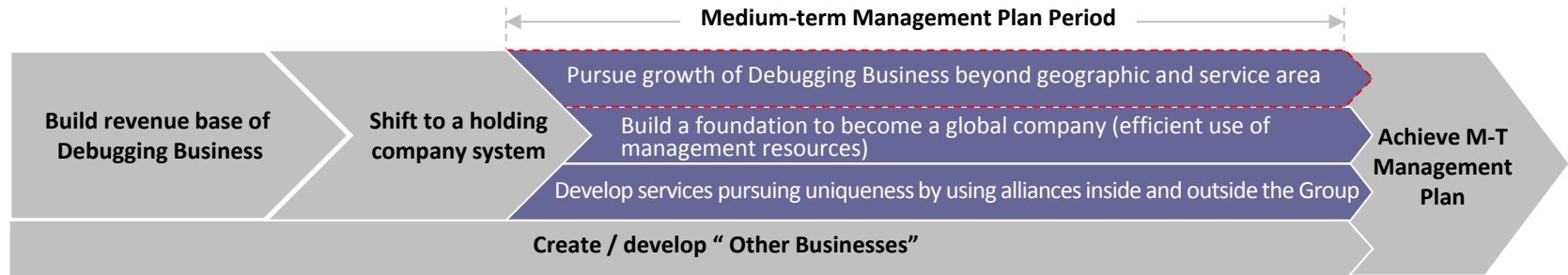
FY2015 Dividends Forecast

- FY2014 Annual dividend 17 yen (DOE 5.2%)⇒FY2015 Annual dividend 17 yen (DOE 4.3%)



The Medium-term Management Plan: Measures toward achievement of targets

- Continue to pursue growth of existing business as well as external alliance, in order to achieve “growth of Debugging Business beyond geographic and service area”



Previous actions to achieve the target of Medium-term Management Plan





The Medium-term Management Plan: Review of 1st year results and outlook for FY2015

- Continue to aim at growth with strong autonomic growth of Debugging Business and through M&A without revisions of Medium-term Management Plan

(¥ Million)

Segment	FY2012	FY2013	FY2014 (Actual/Announced figures of Medium-term Management plan)		FY2015 (Forecast/Announced figures of Medium-term Management plan)		FY2016 (Plan)
Debugging Business	6,381	8,798	9,812	10,900	16,034	13,000	15,600
Media Business	175	483	504	700		900	1,000
Creative Businesses	345	880	1,675	3,400		8,100	13,400
Other Businesses			1,333				
Total	6,885	10,137	13,285	15,000	16,034	22,000	30,000

*As sales of each segment for FY2012, FY2013 and FY2014 include inter-segment sales or transfer, the sum of each segment's sales does not necessarily match the total presented above.

*As FY2015 forecast does not include growth through M&As, there is difference between forecast and Medium-term management plan.

*Sales of Creative Business announced is included in other businesses in Medium-term management plan.

● Review of the current fiscal year

● Outlook for FY2015

Debugging Business : (Basic policy) Aim at average annual growth rate of over 20% (CAGR) and deliver results commensurate with the growth curve of target market

- The game field (consumer/mobile) grew in line with expectations
- Unanticipated impact of regulations hit the amusement field
- Cultivated debugging demands in new fields (system verification and automotive industry)

- Expand share utilizing debugging know-how accumulated in the game field, with debugging for smartphone games to further lead sales
- To perform well in new markets

Media Business : (Basic policy) Maintain and improve value of "4Gamer.net" brand, and enhance an appealing power to clients and users by providing unique services

- Showed stable growth and provided services corresponding to the market conditions

- Implement new measures to increase brand value

Creative Business : (Basic policy) Pursue the rationality in the business under the concept of the selection and concentration

- Consolidated Premium Agency Inc. in April
Focused on reorganization to improve its profitability but fell behind schedule

- Promote profitability improvement through selection and concentration

Other business : (Basic policy) Create and develop new businesses through M&As, etc.

- System Development Project showed a steady growth

- Continue to execute M&As aggressively



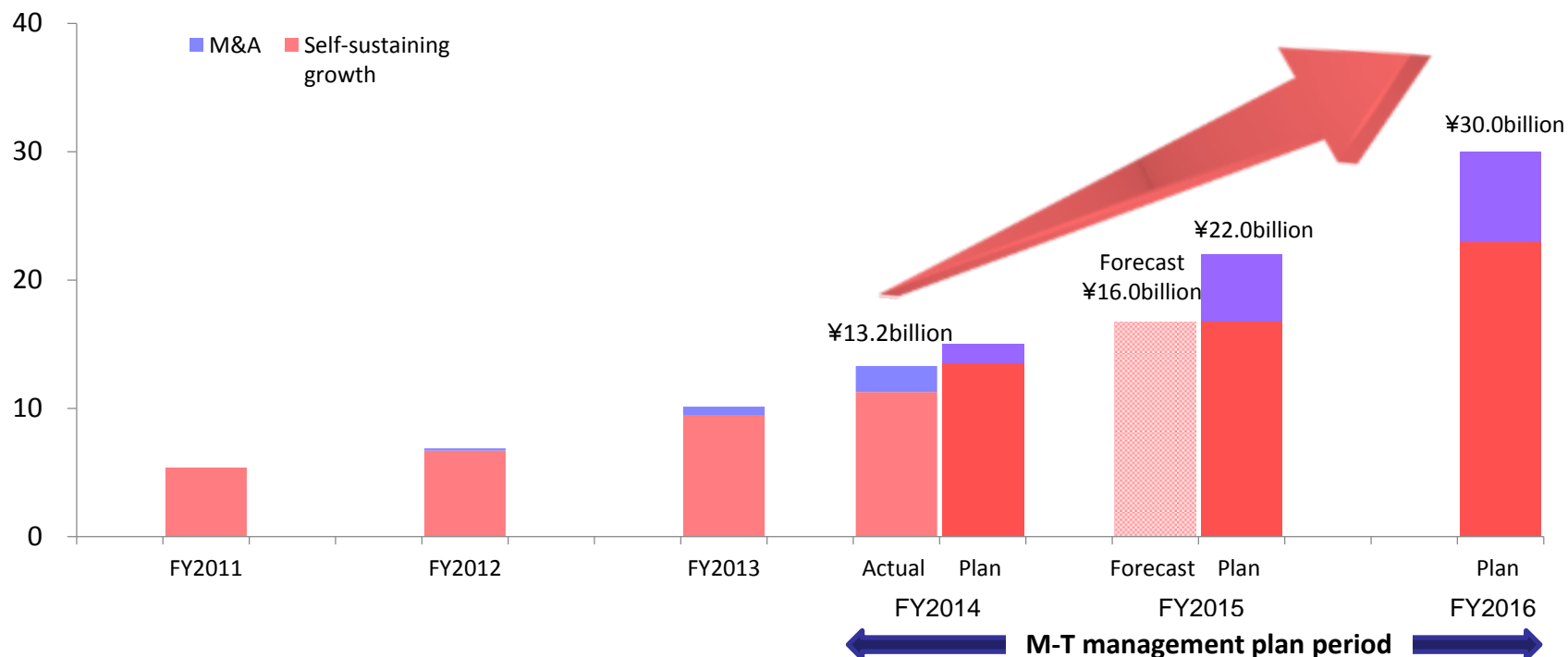
The Medium-term Management Plan: Management Vision

◆ Management vision

With the strong autonomic growth and the use of M&A

We aim at consolidated sales of ¥30 billion and market capitalization of ¥100 billion

(Net Sales : ¥ Billion)

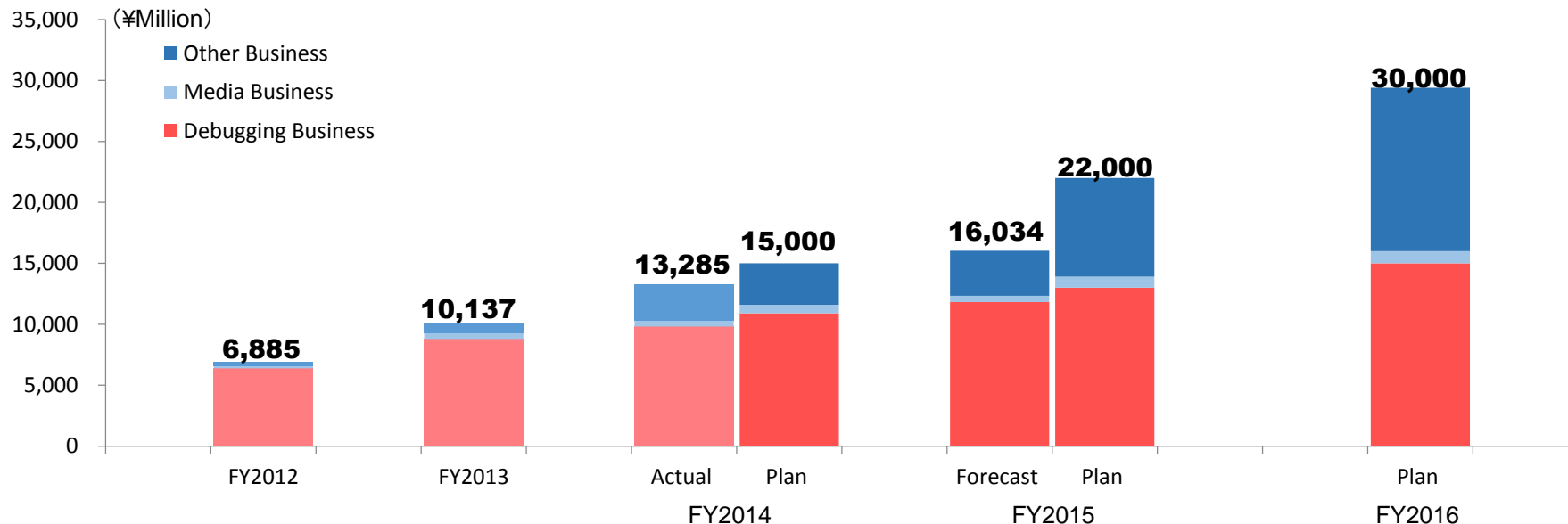


- Improve the management mobility with mobile and dynamic management decision capable of responding to environmental changes
- Improve the Group's management efficiency by efficient procurement and allocation of management resources



The Medium-term Management Plan: Target Sales by Segment

■ Images of target sales by segment are as follows:



(¥ Million)

← M-T management plan period →

Segment	FY2012	FY2013	FY2014 (Actual/Announced figures of Medium-term Management plan)		FY2015 (Forecast/Announced figures of Medium-term Management plan)		FY2016 (Plan)
Debugging Business	6,381	8,798	9,812	10,900	16,034	13,000	15,600
Media Business	175	483	504	700		900	1,000
Creative Businesses	345	880	1,675	3,400		8,100	13,400
Other Businesses			1,333				
Total	6,885	10,137	13,285	15,000	16,034	22,000	30,000

*As sales of each segment for FY2012 and FY2013 include inter-segment sales or transfer, the sum of each segment's sales does not necessarily match the total presented above.

*Sales by segment for FY2014 (forecast) is not disclosed.

*Sales of Creative Business is included in Other Businesses.



The Medium-term Management Plan: Financial Indicator of the Group

- The financial indicator to be achieved during the period of the medium-term management plan is as follows:

**Target increase for
revenue/profit:
over 150%**

FY2013 Actual

FY2016 Plan

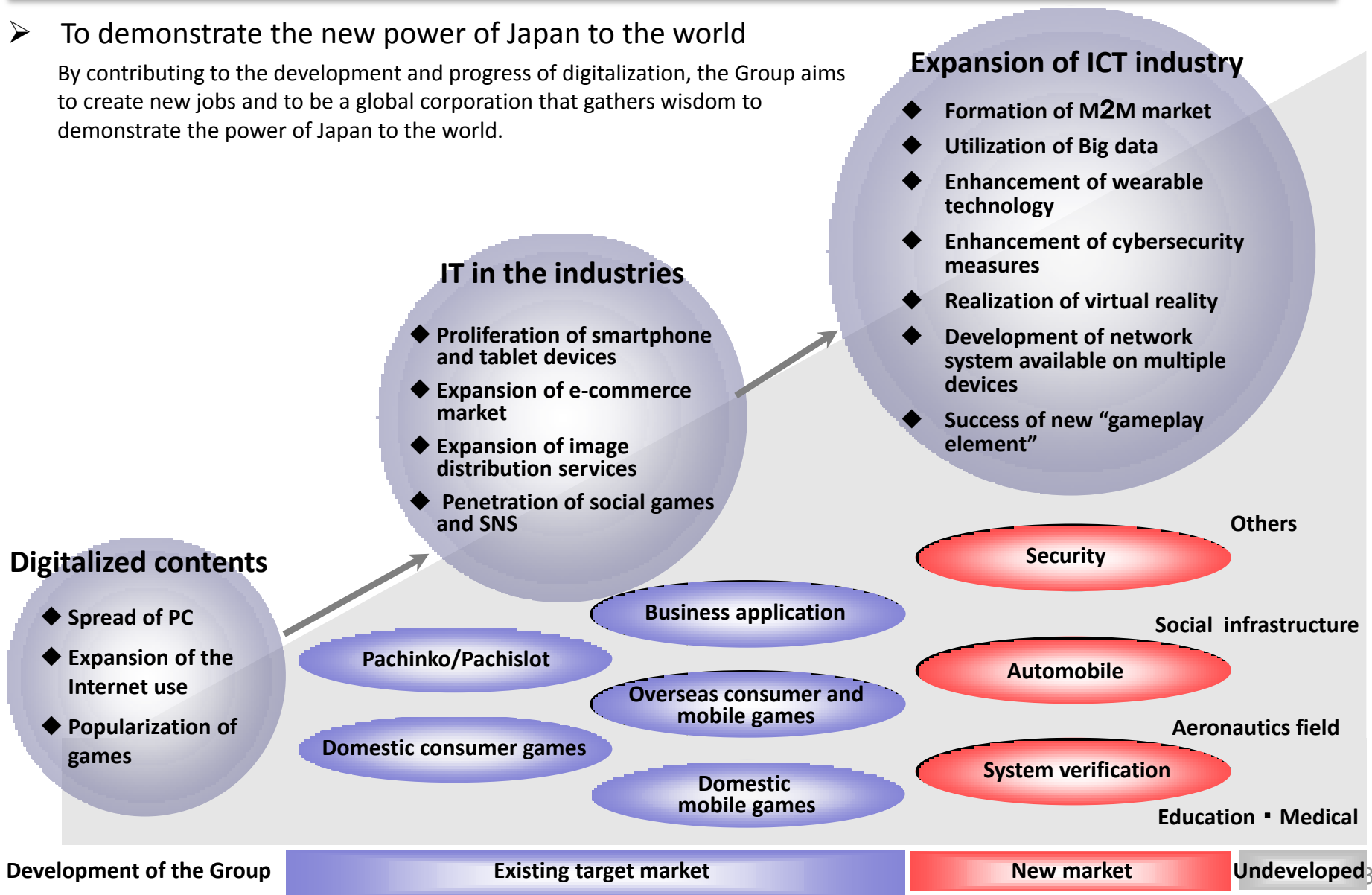
Sales	¥10.1 billion	Target increase for revenue/profit: over 150%	¥30 billion
Operating Income margin	17.6%		16%
Ordinary Income	¥1.7billion		¥4.8 billion
ROE	33.6%		37%
EPS	¥91.9		¥243
Dividend payout ratio	16.3%		20%

4. Future Development

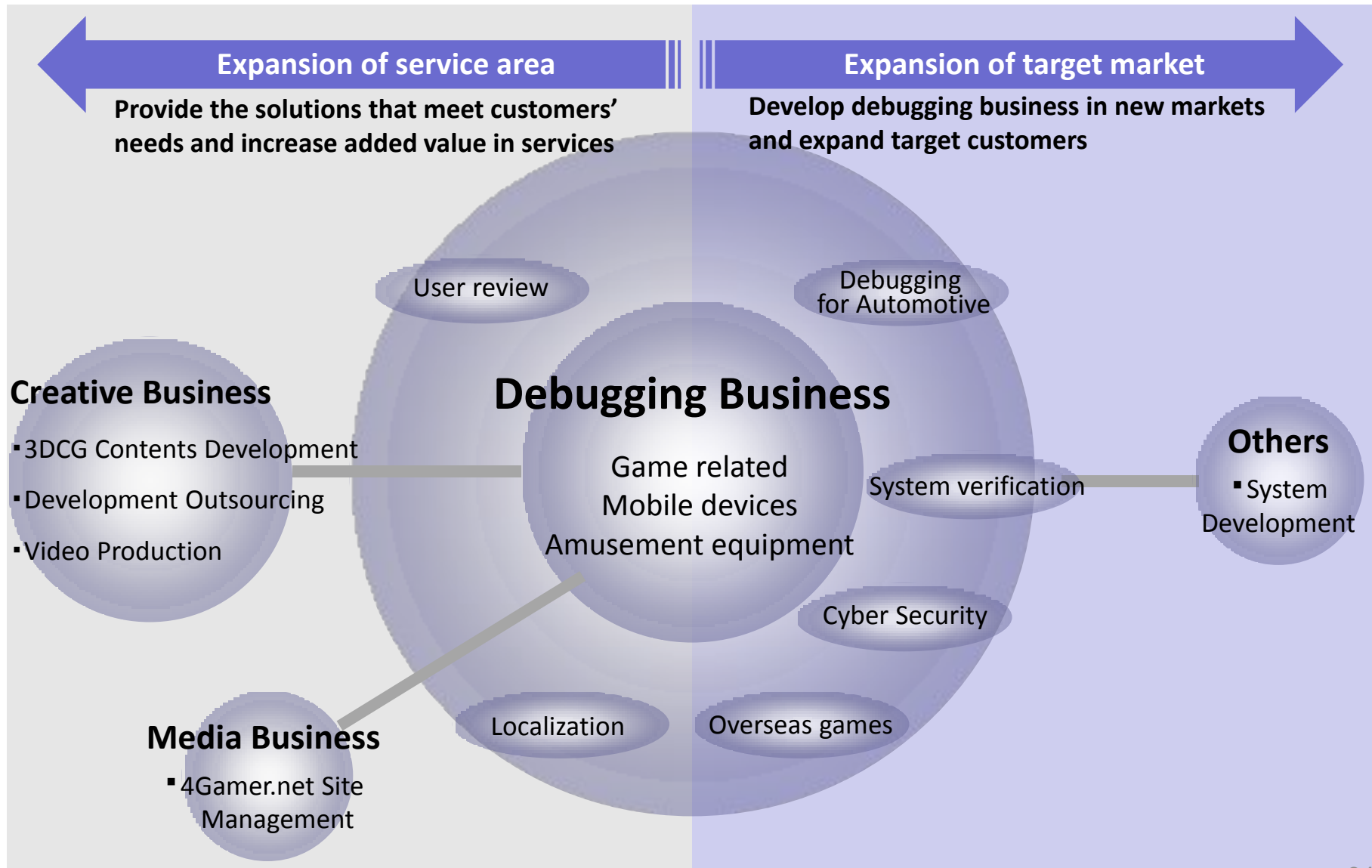
Future Development : Development of technology and expansion of target market

➤ To demonstrate the new power of Japan to the world

By contributing to the development and progress of digitalization, the Group aims to create new jobs and to be a global corporation that gathers wisdom to demonstrate the power of Japan to the world.



Future Development: HUG positioning



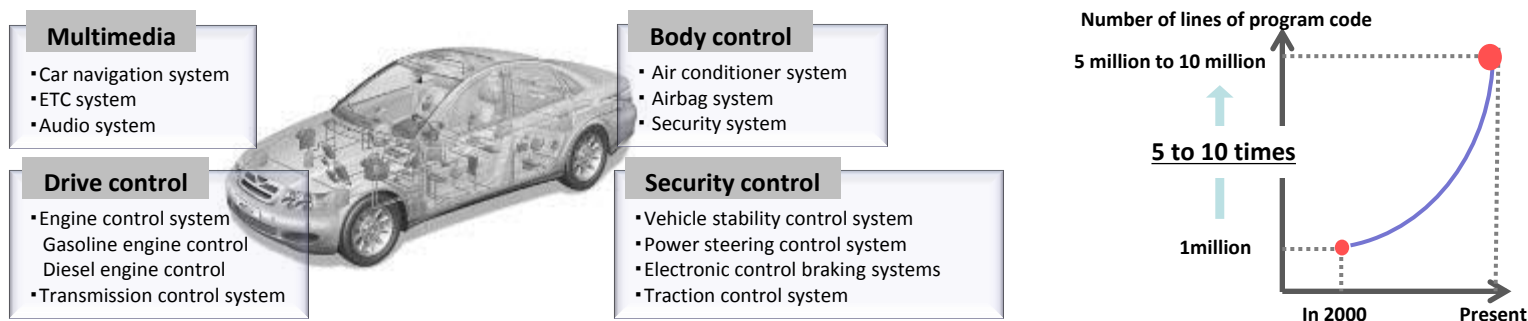
Future Development (Reference - Entrance to Automotive industry ①)

- Established a joint venture, ZEG Inc., with ZMP Inc. (the Group's affiliated company) on January 16, 2015 to enter automotive industry

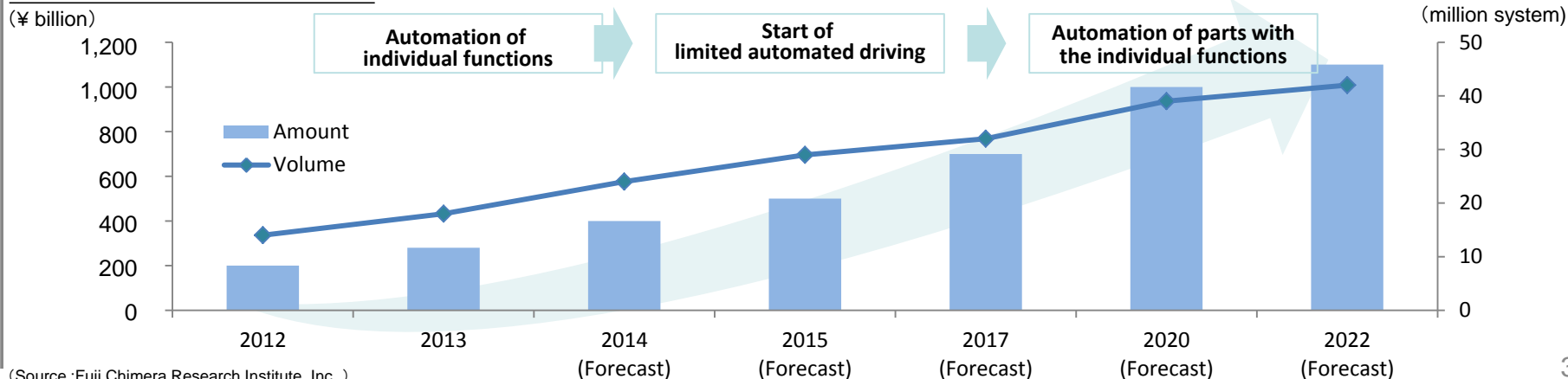
Market environment

- Importance of software increased as the scale of in-vehicle software and the range covered expands
- In-vehicle software becomes sophisticated as a result of ADAS development and its market is expected to expand further with spread in developed countries
- Japan's ADAS market is expected to grow to ¥210 billion market* against the backdrop of development of transportation infrastructure toward 2020 Tokyo Olympics, reduction of traffic congestion and an aging society※According to the survey by Frost & Sullivan

The role and scale of embedded automotive software



ADAS Worldwide Market Trend



Future Development (Reference - Entrance to Automotive industry ②)

- Established a joint venture, ZEG Inc., with ZMP Inc. (the Group's affiliated company) on January 16, 2015 to enter the automotive industry

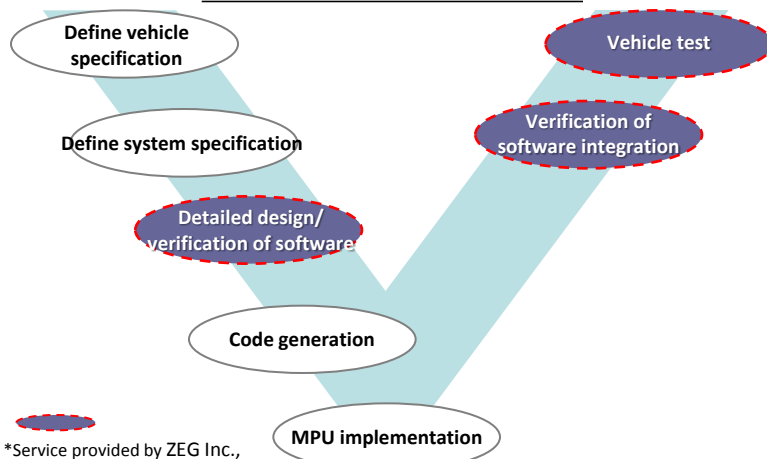
Background

- Drastic increase in needs for highly accurate testing due to usage of new technologies
- Need for comprehensive collection of data which require a large number of testers

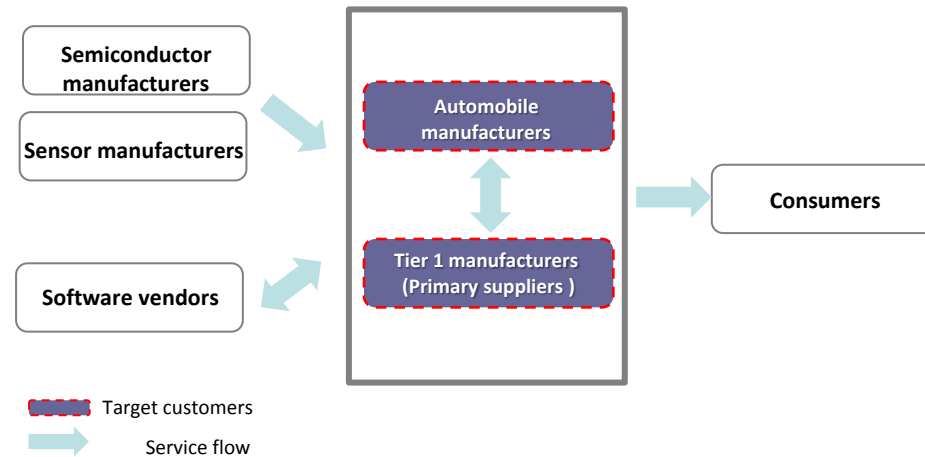
Purpose

- ◆ Integration of the Group's abundant testers and software verification know-how and ZMP's automatic driving technology and knowledge about sensor system.
- ◆ Joint collaboration in testing agency business to provide service such as debugging, data collection, etc. for the automotive industry

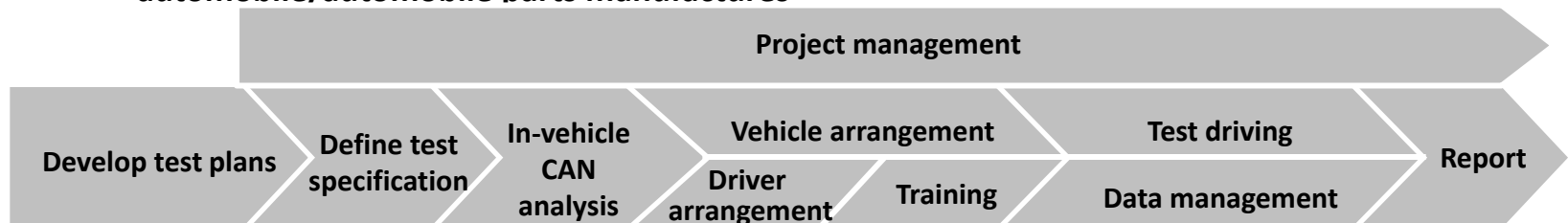
Development process and service area of automotive control software



Industry structure and target customers



Service flow: Provide agency service for debugging and data collection of vehicles that used to be conducted by automobile/automobile parts manufactures





Hearts United Group Co., Ltd.

<Contact>

Management Planning Office

Phone : +81-3-6406-0081

Email : ir_info@heartsunitedgroup.com

<http://www.heartsunitedgroup.co.jp/en>

This presentation has been developed strictly for the purposes of investor relations activities and does not in any way attempt to influence or facilitate investment decisions or represent a solicitation for investment.

While the information provided herein is based on that believed to be reliable at the time of submission, the Company does not guarantee its accuracy, be it partial or overall. Furthermore, because this presentation features the views and assessments of the Company at the time of its writing, it may therefore be subject to change without prior notice due to unforeseen developments in the Company's operating environment.

The Company and its affiliated companies, as well as their executive officers, may hold positions in the securities and/or financial products featured in this presentation, and may stand to profit or incur losses from their positions. The relevant parties may also purchase or sell securities and/or financial products, either in person or by proxy.

This presentation is protected under exclusive copyright of the Company. To quote, reproduce or transfer any section, either partially or in its entirety, is prohibited by law. Those who wish to quote from, reproduce or transfer the information contained herein must therefore acquire in advance the written consent of the copyright holder.

Reference

- **Corporate Profile**
- **History**
- **Our Group**
- **Segment**
- **Group Companies & Offices**
- **Debugging Business**
- **Media Business**
- **Creative Business**
- **Other Businesses**
- **FYI (Glossary)**



Corporate Profile

(as of March 31, 2015)

Registered Name	Hearts United Group Co., Ltd.	
Incorporated	October 1, 2013	
Date Listed	October 1, 2013 Listed on Tokyo Stock Exchange The 1st Section	
	(Information about DIGITAL Hearts Co., Ltd.) February 1, 2008: Listed on TSE Mothers February 25, 2011: Moved from TSE Mothers to TSE 1st Section	
Representative	President & CEO: Eiichi Miyazawa	
Location	6-10-1 Roppongi Minato-ku, Tokyo	
Services	Business management of subsidiaries, etc. and other service incidental or related thereto.	
Group Businesses	<div> <div> <ul style="list-style-type: none"> ■ Debugging Service ■ 3DCG Contents ■ Video Production Service ■ “Fuguai.com” Site Management </div> <div> <ul style="list-style-type: none"> ■ “4Gamer.net” Site Management ■ Development Outsourcing Service ■ System Development Service ■ Supporting creators : Managing online multiplayer games </div> </div>	
Capitalization	¥300,686,000	
Shares Issued	11,945,400 Shares	
Group Companies	<div> <div> <ul style="list-style-type: none"> ■ DIGITAL Hearts Co., Ltd. ■ DIGITAL Hearts USA Inc. ■ DIGITAL Hearts Visual Co., Ltd. ■ Aetas, Inc. ■ Premium Agency Inc. □ Reinforce, Inc. </div> <div> <ul style="list-style-type: none"> ■ DIGITAL Hearts Korea Co., Ltd. ■ DIGITAL Hearts (Thailand) Co., Ltd. ■ G&D Co., Ltd. ■ NetWork21 Co., Ltd. □ ZEG Inc. </div> </div> <div> <ul style="list-style-type: none"> ■ Consolidated subsidiary □ Affiliated company </div>	
Workforce (consolidated)	474	



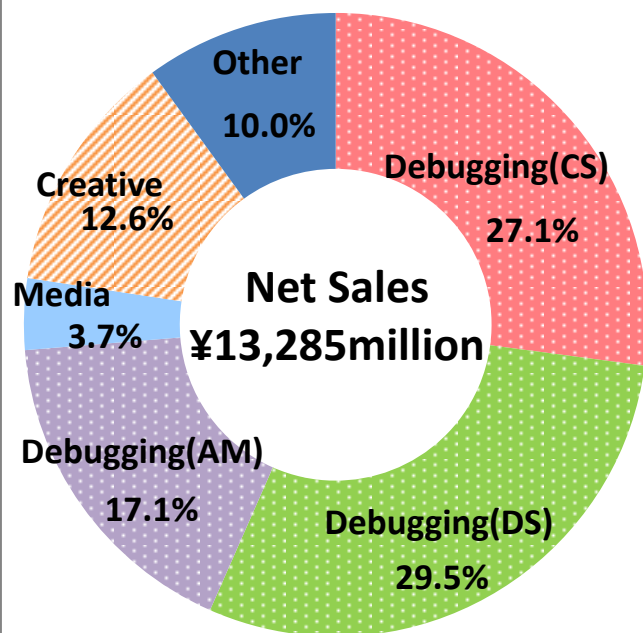
History

Year	Month	Corporate History
2001	April	Established DIGITAL Hearts Ltd. Began offering debugging services
2003	October	Became a public corporation
2007	September	Became first Japanese company to receive the Authorized Xbox 360 Test Program (AXTP) from Microsoft Corp. for the Xbox 360®
	October	Granted privacy mark certification
2008	February	Listed on the Mothers Market on the Tokyo Stock Exchange
2011	February	Listed on the First Section of the Tokyo Stock Exchange
	July	Established a subsidiary DIGITAL Hearts Korea Co., Ltd., in Korea
	October	Established a subsidiary DIGITAL Hearts USA Inc., in the United States of America
	December	Established a subsidiary DIGITAL Hearts (Thailand) Co., Ltd., in Thailand
2012	March	Established a subsidiary G & D Co., Ltd., in Shinjuku Ward, Tokyo
	May	Established a subsidiary DIGITAL Hearts Visual Co., Ltd., in Shinjuku Ward, Tokyo
	November	Acquired all of the company shares of Aetas, Inc. and made it a subsidiary
2013	October	Established a pure holding company, Hearts United Group Co., Ltd., by means of a stock transfer and transitioned to a pure holding company structure
	November	Acquired the shares of NetWork21 Co., Ltd. and made it a subsidiary
2014	March	Established Reinforce, Inc. in cooperation with KADOKAWA CORPORATION and DWANGO Co., Ltd. in Chuo Ward, Tokyo
	April	Acquired the shares of Premium Agency Inc. through acquisition and subscription to a third party allocation and made it a subsidiary
2015	January	Established a joint venture, ZEG Inc., with ZMP Inc. in Bunkyo Ward, Tokyo



Our Group

Company		Business	Segment
 Hearts United Group Co., Ltd.	DIGITAL Hearts Co., Ltd.	Provide User Debugging Service	Debugging Others
	DIGITAL Hearts Korea Co., Ltd.	Provide User Debugging Service	Debugging Creative
	DIGITAL Hearts USA Inc.	Provide User Debugging Service	Debugging
	DIGITAL Hearts(Thailand)Co., Ltd.	Provide User Debugging Service	Debugging Creative
	G&D Co., Ltd.	Entrusted development of consumer games and game contents for mobile terminal, etc.	Creative
	DIGITAL Hearts Visual Co., Ltd.	Provision of movie production service, etc.	Creative
	Aetas, Inc.	Planning/ operation of a PC/ online game information site "4Gamer.net," etc.	Media
	NetWork21 Co., Ltd.	Develop variety of systems including content program, core system, etc.	Others
	Premium Agency Inc.	Content development for 3D and CG, game development, video and audio production services, etc.	Creative
	Reinforce, Inc.(affiliated company)	Investment ratio 33.3% Establish, provide and prepare to operate infrastructure of various business, including information service and communication tools related games.	
	ZEG Inc.(affiliated company)	Investment ratio 49.0 % Agency service for debugging and data collection, etc. for the automotive industry	



**Sales Breakdown by Segment
for FY2014**

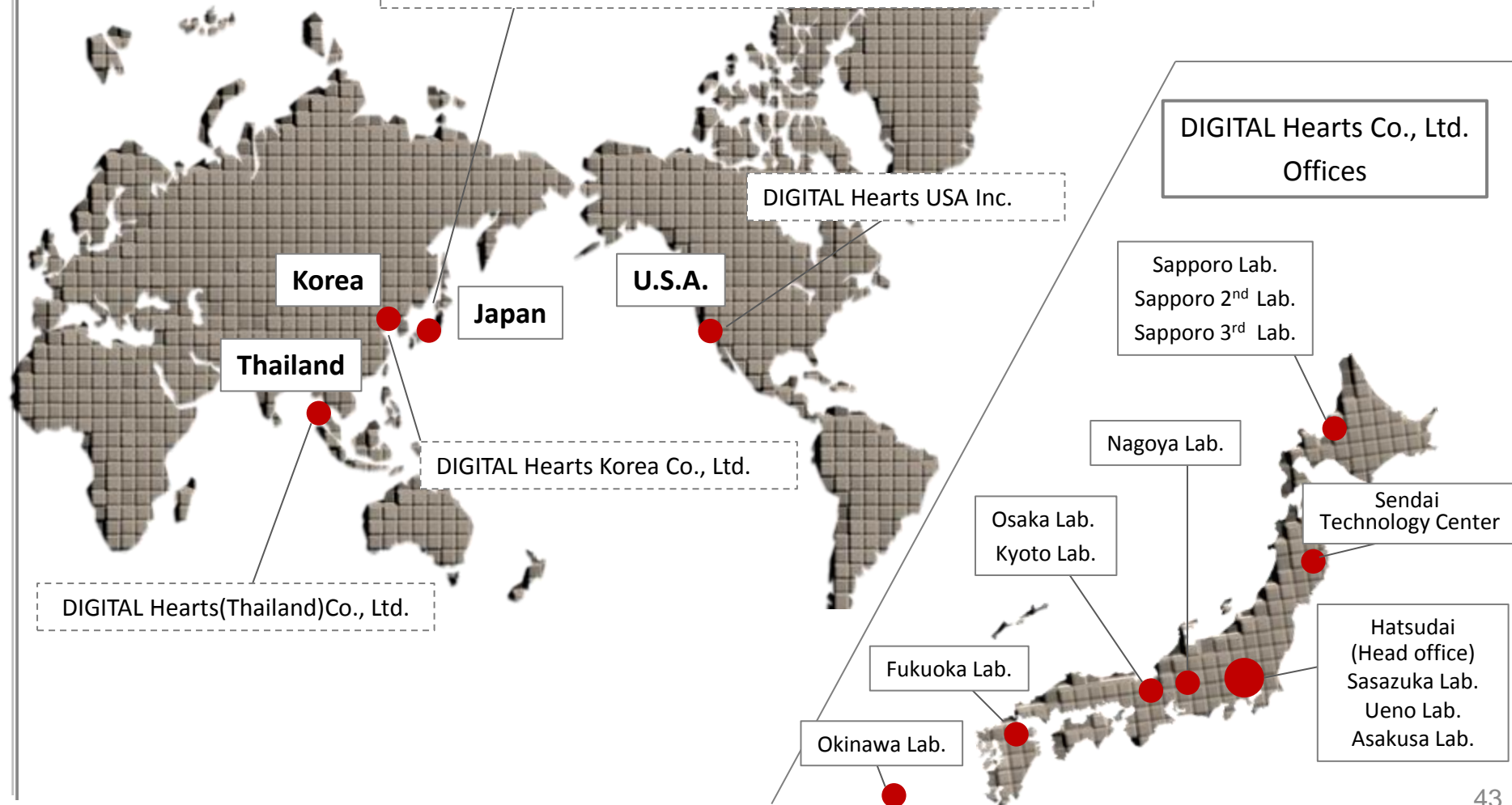
*Sales Breakdown by Segment is calculated including inter-company sales

Debugging	27.1%	Consumer Games Unit (CS) Testing of Consumer game software/Online games, etc.
	29.5%	Digital Solutions Unit (DS) Testing of mobile contents/system of social game and smartphone applications, etc.
	17.1%	Amusement Unit (AM) Testing of Pachinko/Pachislot, etc.
Media	3.7%	4Gamer.net Managing one of Japan's largest game portals
Creative	12.6%	Content development for 3D and CG Development outsourcing Video production
Other	10.0%	System Development Fuguai.com Site Management DIGITAL Hearts Creators Network business



Group Companies & Offices

- DIGITAL Hearts Co., Ltd.(13 offices)
- G&D Co., Ltd.
- DIGITAL Hearts Visual Co., Ltd.
- Aetas, Inc.
- NetWork21 Co., Ltd.
- Premium Agency Inc.
- Reinforce, Inc.
- ZEG Inc.



Clients



- Game Industry
- Mobile Device Industry
- Pachinko & Pachislot Industry
- Home Appliance Industry
- System Industry
- Others

Request to test bugs



Testing process

Bug information report
(daily)



Fee payment



- No. of personnel involved
×
No. of man-hours
×
price per unit (inclusive of
know-how fee)
- Payment at 1 month after
sight

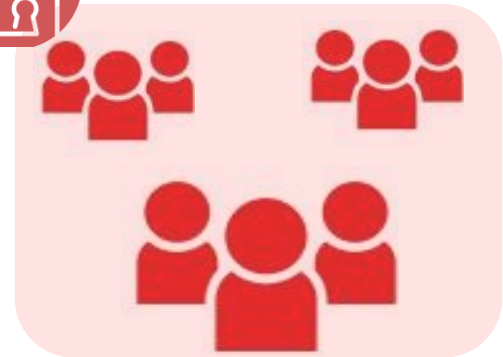


Our Group

DIGITAL Hearts Co., Ltd.
DIGITAL Hearts Korea Co., Ltd.
DIGITAL Hearts USA Inc.
DIGITAL Hearts(Thailand) Co., Ltd.



Registered staff



- Safe security environment with fingerprint authentication and security cameras
- Personal reference system applied to all registered testers

4Gamer.net

<http://www.4gamer.net/>

Manage one of Japan's largest game portals for game fans.

4Gamer.net deals with game related information worldwide. Our strength lies in the frequency of information update.

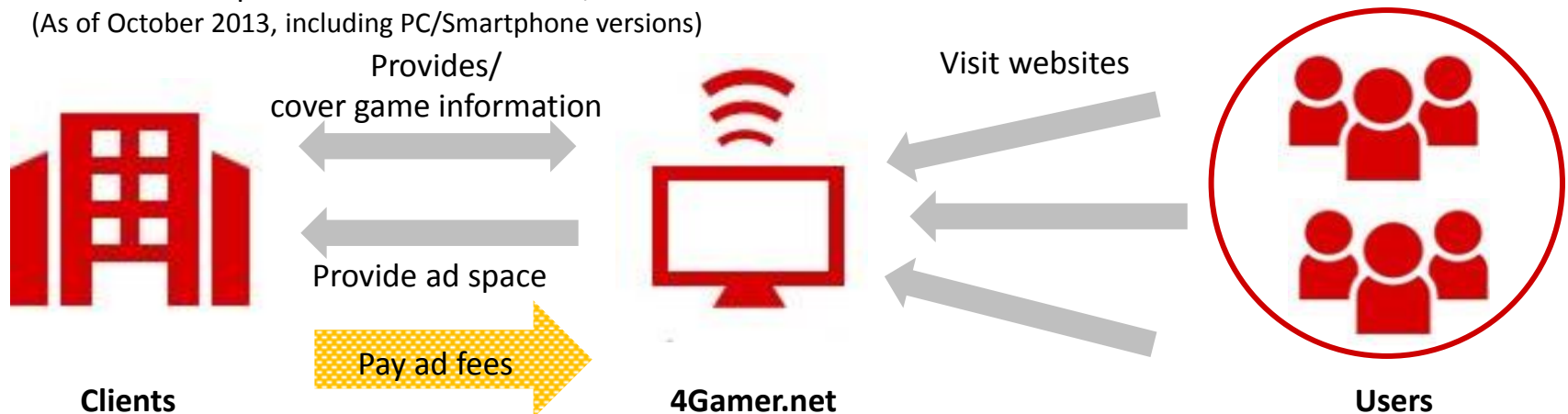
The information includes breaking news, review articles, hardware information and a series of articles uniquely featured by editors.

Built a strong position as mainstream media as shown by the numbers below.

Number of page views : 65 million PV/ Month

Number of unique users : 4.7 million UU/ Month




(As of October 2013, including PC/Smartphone versions)



<Creative Business>

3DCG Content Development Business	Development Outsourcing Project	Video Production Project
<p>Engages in game development and CG image production using original 3D graphics engine "Chidori" as technical basis</p> 	<p>Provides total outsourcing service throughout the development processes of consumer games and mobile contents</p> 	<p>Provides total service regarding image processing technology to create computer generated imagery</p> 

<Other Business>

System Development Project	Fuguai.com Project	Supporting creators Managing online multiplayer games
<p>Develops a variety of systems including content program, core system, etc.</p> 	<p>Manages a portal site for bug information with the aim to improve product quality by collecting and posting a wide variety of information on "bugs"</p>  <p>http://www.fuguai.com/</p>	<p>Manages online multiplayer games in which online players communicate with each other to progress the story while creators create and provide the game contents based on the players' requests for a fee</p> 



FYI (Glossary)

Word	Meaning
Bug	A bug is an error, flaw, or fault in a computer program.
Debugging	In general, debugging refers to identification and correction of errors in computer program (i.e. bug). Debugging Service of the Group specializes in "identifying and reporting bugs" without correcting them.
Outsourcing	Outsourcing is to entrust all or part of the company's work or process to another company who specializes in such work or process.
Lab.	The Group refers to the location for debugging work as "Lab."
Tester	The Group refers to staff who carries out debugging service as a "tester." The Group adopts the part-time registration system, and a "registered tester" refers to a staff registered with the Group.
Consumer games	A consumer game is a game played on the home video game player (floor-standing type or portable type).
Online games	Online game is a video game played by multiple people simultaneously over the internet and also a downloadable game content through the Internet which can be charged.
SNS	Social Networking Service (SNS) is a general term for web-based service to create community promoting social network among people or community to provide means to interact over the internet.
Social games	Social game is a type of online game that is played through social networks with other users.
Browser games	Browser game is a game that is played over the internet using a web browser without downloading or installation.
Native application (game)	Native application game is an application game developed by a program operating on a platform such as smartphone. It can be played by downloading or installing.