



HUG

Hearts United Group

Presentation Material

for the First Half of Fiscal Year Ending March 31, 2016

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 the First Half of FY2015

【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.
- ✓ "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."
- ✓ We also have changed expenses allocation, etc. from 1Q of FY2014. Those changes have applied retroactively to segment results of FY2013.

【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"> • Games using 3DCG, video production project • 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 	Develops variety of systems including contents program and core system. Manages a bug information portal site "Fuguai.com" Illustration production through creator support, game management business

【Timing of consolidating results of new consolidated subsidiaries】

Company Name	Segment	FY2012		FY2013				FY2014				FY2015	
		3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
Aetas, Inc. (Subsidiary from December 2012)	Media Business												
NetWork21 Co., Ltd. (Subsidiary from December 2013)	Others												
Premium Agency Inc. (Subsidiary from April 2014)	Creative Business												
SystemKoboTokyo Co.,Ltd.* (Subsidiary from March 2015)	Others												

*Consolidated and absorbed by NetWork21 Co., Ltd. in March 2015.

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Hearts United Group Co., Ltd.

1. Summary of Business Results for the First Half of FY2015



The First Half of FY2015 Results Highlight

Overview of results		<ul style="list-style-type: none"> Net sales ¥7,392 million (119.2 % YoY) <ul style="list-style-type: none"> Sales increased in all segments Operating income ¥795 million (110.0% YoY) <ul style="list-style-type: none"> Increased due to sales increase
Topics	Debugging	<ul style="list-style-type: none"> Focused on human resource development and proactive development of new services <ul style="list-style-type: none"> June : Introduced “full-time operational employee system” and hired over 100 testers as full-time employees. Sep : Started “Real time verification service” which replicates bugs and identifies the cause in a timely manner Oct : Started joint study with UBIC, Inc. to develop a new service using artificial intelligence for debugging in cyber security Oct : Participated in Japan e-Sports Association and appointed as a director
	Media	<ul style="list-style-type: none"> July : Formed a business alliance with Shochiku Broadcasting Co., Ltd. Transferred 40.0 % of shares of Aetas, Inc. to Shochiku Broadcasting Co., Ltd.
	Creative	<ul style="list-style-type: none"> July : Premium Agency Inc. became a wholly owned subsidiary as a result of additional share acquisition. Transferred 3D solution business. Sep : Facilitated selection and concentration of business and consolidation of offices within the segment and recorded business structure improvement expense of ¥172 million as extraordinary loss (three subsidiaries will be merged in January 2016)
FY2015 full year forecast		<ul style="list-style-type: none"> Sep : Revised full-year financial forecast <ul style="list-style-type: none"> No change in net sales, operating income, and ordinary income from the forecast announced at the beginning of FY2015 Profit attributable to owners of parent <ul style="list-style-type: none"> ⇒ Revised downward due to recording extraordinary loss of ¥201 million in Creative segment, etc.
Profit distribution to Shareholders		<ul style="list-style-type: none"> May - July : Repurchased treasury shares (total number of shares repurchased : 513,800 shares, total purchase cost : ¥999 million) Revised interim dividend from initial forecast of ¥8 to ¥9 (announced on November 2, 2015)



The First Half of FY2015 Results Summary

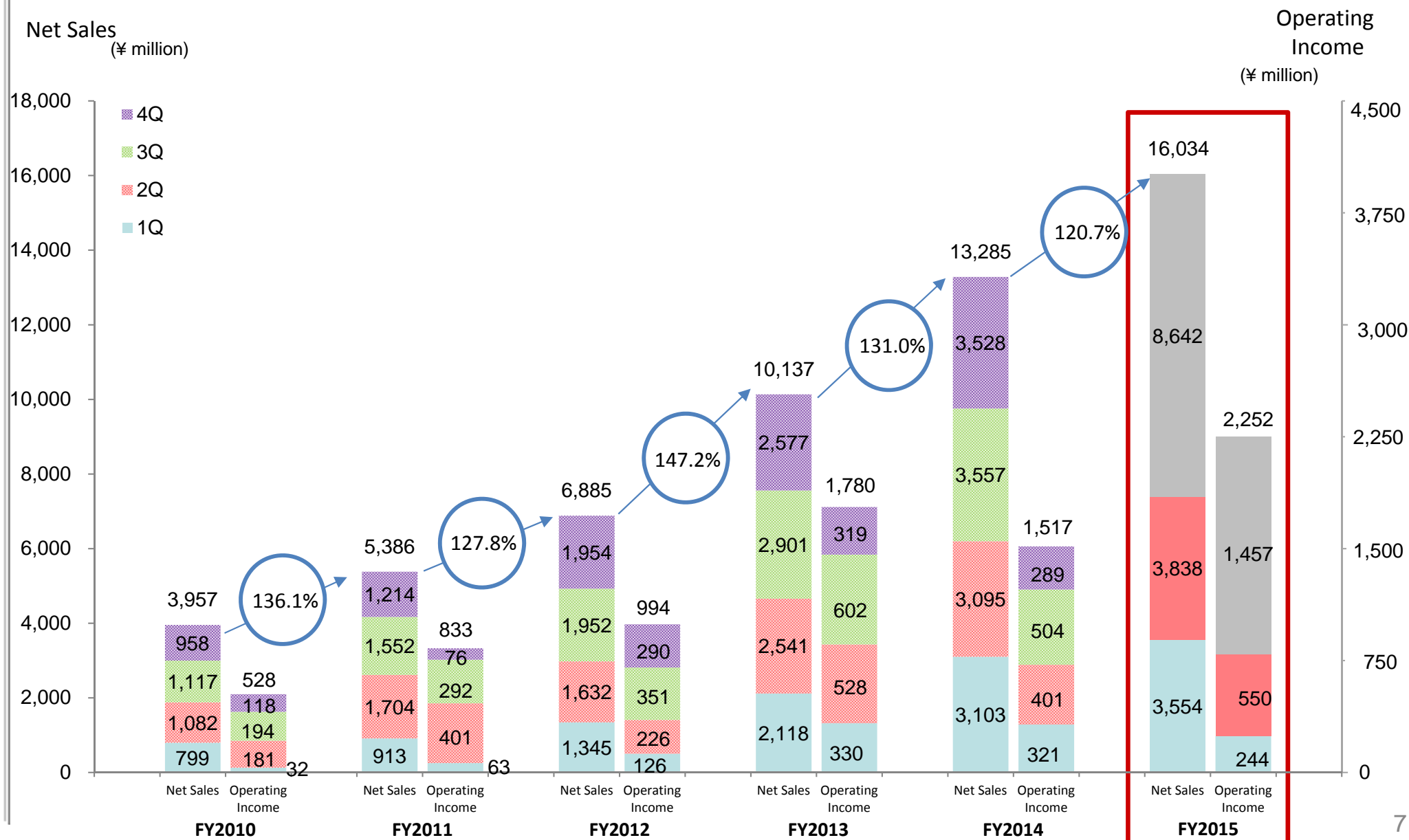
- Both sales and operating income showed a steady growth with double-digit increase, but net income decreased due to the recording of extraordinary loss

(¥ Million)	Consolidated				Summary
	FY2014 2Q Actual	FY2015 2Q Actual (YoY Change)	FY2015 Forecast at beginning of period	FY2015 Forecast (announced on Sep.18) (YoY) (Achievement rate)	
Net Sales	6,199	7,392 (119.2%)	16,034	16,034 (120.7%) (46.1%)	Increased in all segments, especially in debugging business
Cost of sales	4,306	5,354 (124.3%)	-	-	Increased as investment for human resource to prepare for busy season concentrated in the first half
Gross profit	1,892	2,037 (107.7%)	-	-	
Selling, general and administrative expenses	1,169	1,242 (106.3%)	-	-	
Operating Income	723	795 (110.0%)	2,252	2,252 (148.4%) (35.3%)	Increased due to an increased sales in debugging business
Operating Income Margin	11.7%	10.8% (-0.9point)	14.0%	14.0%	
Ordinary Income	719	799 (111.2%)	2,314	2,314 (151.7%) (34.6%)	
Profit attributable to owners of parent	341	268 (78.7%)	1,437	1,239 (229.5%) (21.7%)	Recorded business structure improvement expense of 201 million yen as extraordinary loss



Trend in Consolidated Sales/Operating Income (Fiscal Year)

➤ Achieved increases both in revenue and net income, steady growth to cater for an increase in debugging demand in 2H



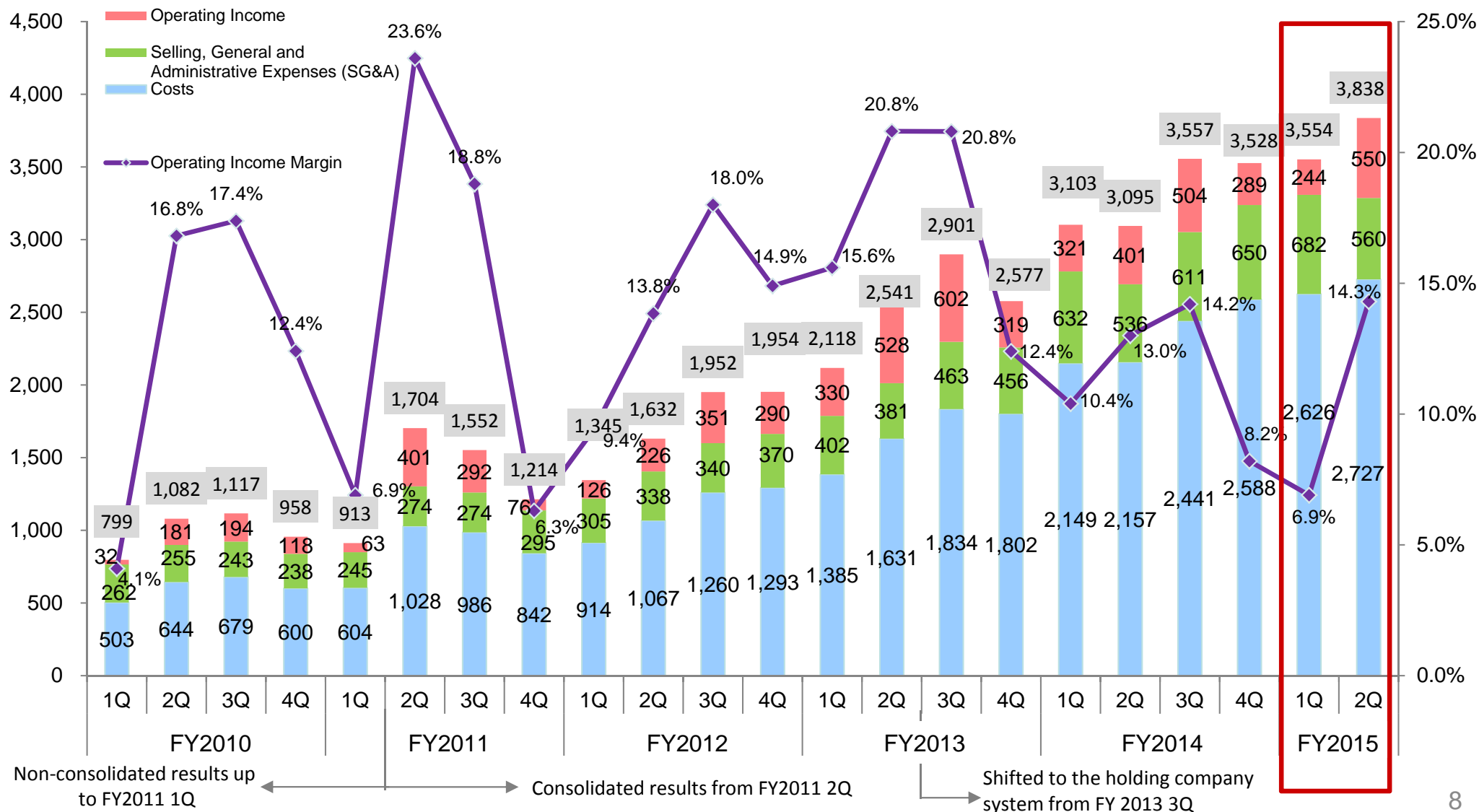


Trend in Consolidated Sales/Operating Income (Quarterly)

➤ Net sales and net income increased from 1Q, operating income margin improved as the effect of investment in human resource executed since 1Q started to show

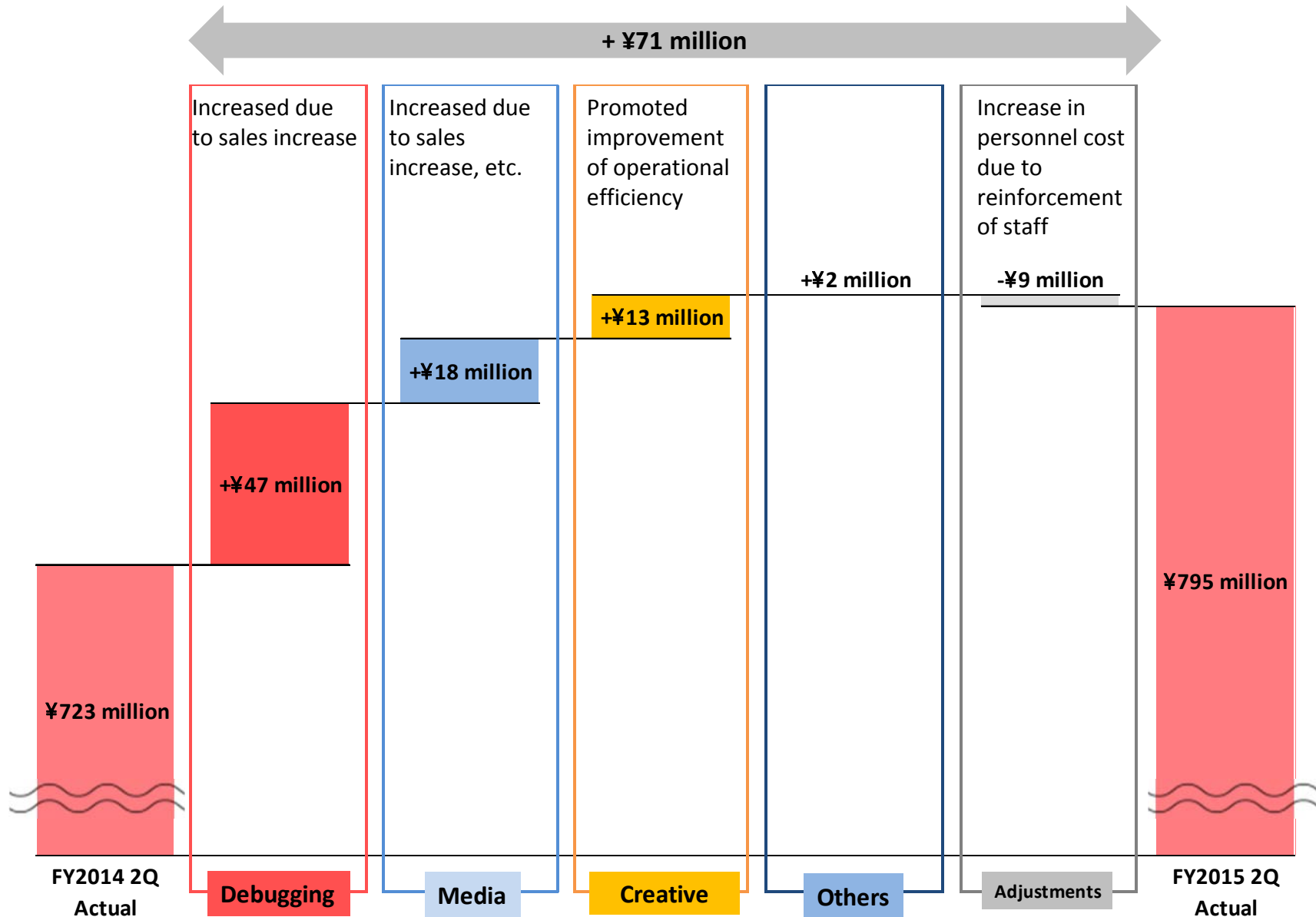
Quarterly results

(¥ Million)



Analysis of Changes in Operating Income

➤ All segments contributed to an increase in net income, especially Debugging Business





Consolidated Balance Sheets

(¥ Million)	FY2014 (As of Mar. 31, 2015)	FY2015 2Q (As of Sep. 30, 2015)	YoY Change	(¥ Million)	FY2014 (As of Mar. 31, 2015)	FY2015 2Q (As of Sep. 30, 2015)	YoY Change
Current assets	5,756	4,746	-1,009	Current liabilities	3,823	3,253	-570
(Of which)				(Of which)			
Cash and deposits	3,058	2,132	-926	Short-term loan	1,603	1,436	-167
Note and accounts receivable-trade	2,374	2,181	-192	Noncurrent liabilities	280	115	-164
Noncurrent assets	2,516	2,197	-319	Total liabilities	4,104	3,368	-735
(Of which)				Shareholders' equity	4,036	3,283	-753
Property, plant and equipment	368	346	-21	(Of which)			
Intangible assets	1,505	1,246	-258	Capital stock	300	300	-
Investments and other assets	642	603	-38	Capital surplus	300	368	67
Total assets	8,272	6,944	-1,328	Retained earnings	3,435	3,614	178
				Treasury shares	-0	-999	-999
				Total accumulated other comprehensive income	55	45	-9
				Subscription rights to shares /Minority interests	76	246	169
				Total net assets	4,168	3,575	-593
				Total liabilities and net assets	8,272	6,944	-1,328

- Current assets : Decreased by ¥1,009 million (down 17.5% YoY) due to a decrease in cash and deposits
- Noncurrent liabilities : Decreased by ¥570 million (down 14.9% YoY) due to a decrease in short term loan and other current liabilities
- Net assets : Retained earnings increased due to an increase in non-controlling interests as a result of sales of affiliated company's shares and recording profit for the quarter attributable to owners of parent. On the other hand, retained earnings decreased due to payment of year-end dividend and repurchase of treasury shares. As a result, net assets decreased by ¥593 million (down 14.2% YoY)

Consolidated Statements of Cash Flows

(¥ Million)	FY2014 2Q Actual	FY2015 2Q Actual	YoY Change
Net cash provided by operating activities	85	182	96
(*Cash flows before income taxes paid)	460	694	233
Net cash used in investing activities	-362	14	377
Net cash used in provided by financing activities	-362	-1,119	-756
Effect of exchange rate change on cash and cash equivalents	6	-3	-9
Net increase in cash and cash equivalents	-633	-926	-292
Cash and cash equivalents at the beginning of period	3,693	3,058	-634
Cash and cash equivalents at the end of period	3,059	2,132	-927

● Cash flow analysis

Net cash used in financing activities amounted to ¥1,119 million due mainly to outflow of ¥999 million to repurchase treasury shares, resulting in a decrease in Cash and cash equivalents by ¥926 million.

Profit Distribution to Shareholders ①

- Introduced new dividend policy to include DOE from FY2014 with the aim of increasing profit return and enhancing corporate value
- Revised interim dividend upward from initial forecast of ¥8 to ¥9 based on the dividend policy

Further improvement of management efficiency with capital efficiency concept

(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

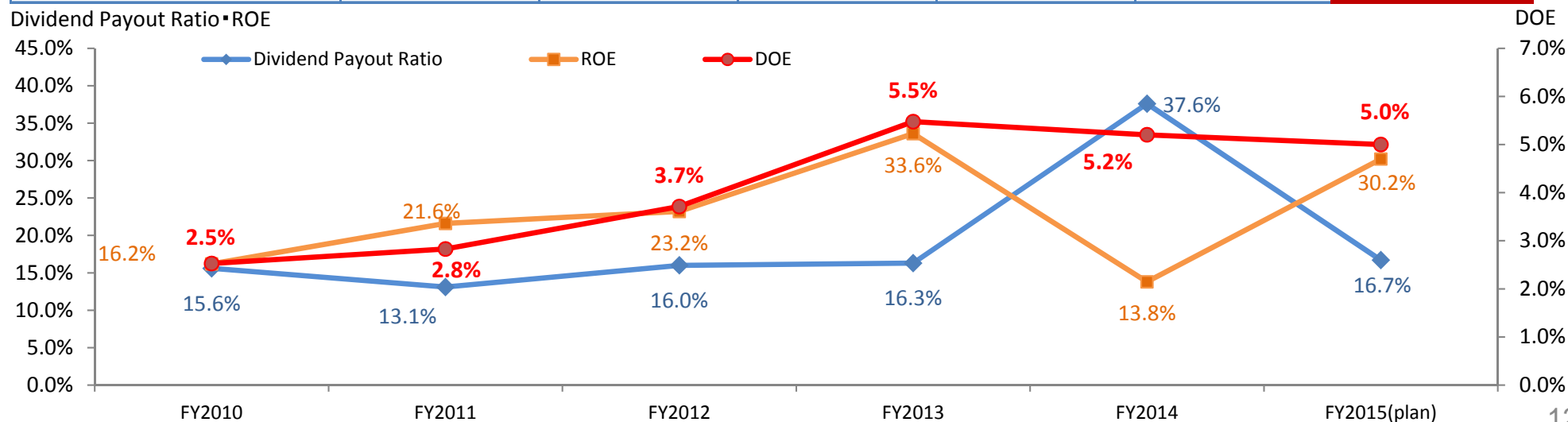
* Dividend on equity (DOE) = Payout ratio × Return On Equity ratio (ROE)

* 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

	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015(plan)
DOE	2.5%	2.8%	3.7%	5.5%	5.2%	5.0%
Dividend Payout Ratio	15.6%	13.1%	16.0%	16.3%	37.6%	16.7%
ROE	16.2%	21.6%	23.2%	33.6%	13.8%	30.2%

Dividend Payout Ratio • ROE





Profit Distribution to Shareholders ②

- Repurchased treasury shares to enhance profit return and improve capital efficiency
- Revised interim dividend upward from initial forecast of 8 yen to 9 yen, resulting in annual dividend of 18 yen, which will be an increase for seven consecutive years

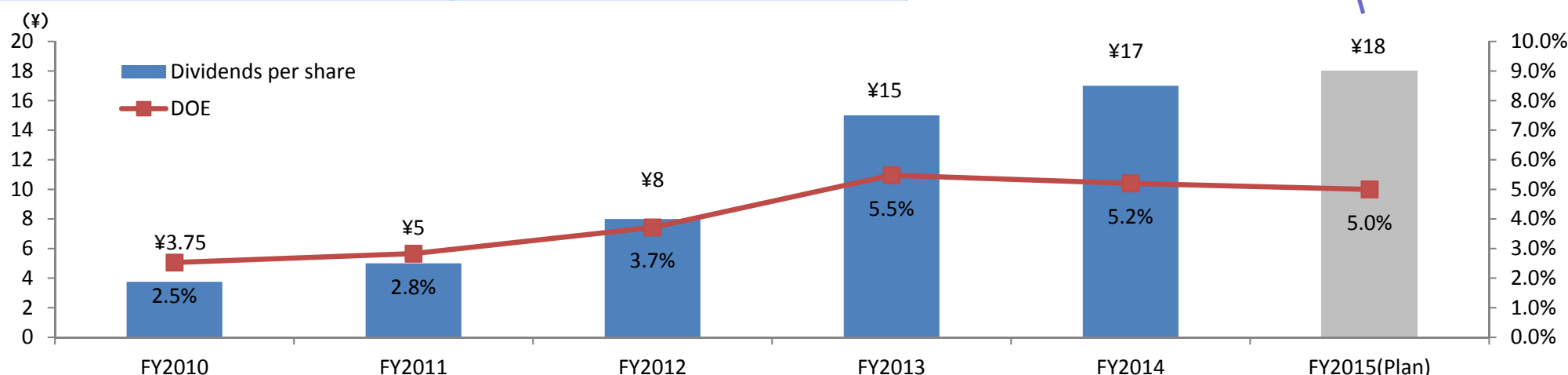
Dividends per share

	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015(Plan)
Annual Dividend	3.75yen	5yen	8yen	15yen	17yen	18yen
Interim dividend	0yen	0yen	3yen	7yen	8yen	9yen
Year-end dividend	3.75yen	5yen	5yen	8yen	9yen	9yen

Repurchase of treasury shares

Repurchase of treasury shares	
Repurchase period: From May 12, 2015 to July 30, 2015	
Total number of shares repurchased : 513,800 shares	Total value of shares repurchased : 999,788,000 yen

Total return ratio to be 97.3%
including repurchase of treasury shares



*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.



Hearts United Group Co., Ltd.

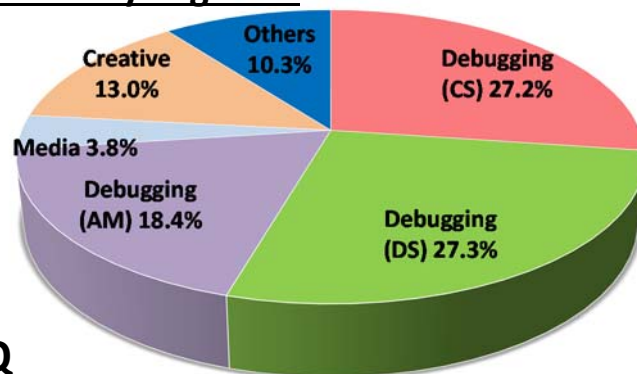
2. Earnings by Segment and Outlook for the Second Half of FY2015



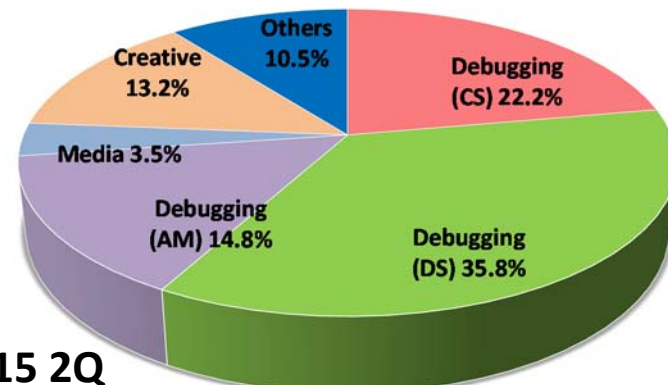
The First Half of FY2015 Summary of Earnings by Segment

(¥ Million)		FY2014 2Q	FY2015 2Q	YoY Change		Summary	
Debugging Business	Net Sales	4,530	5,409	879	(119.4%)	↑ DS continued to drive the sales of Debugging business	
	Segment income	1,116	1,164	47	(104.3%)	↑ Increased due to sales increase	
	Consumer Games (CS)	Net Sales	1,690	1,648	-41	(97.5%)	→ Focused on receiving orders of new titles that are developed for year-end sales season
	Digital Solutions (DS)	Net Sales	1,696	2,663	966	(157.0%)	↑ Sales increased significantly due to increased orders of native applications
	Amusement (AM)	Net Sales	1,142	1,097	-45	(96.0%)	→ Clients' development schedule was fluid continuously
Media Business	Net Sales	235	256	21	(108.9%)	→ Showed steady results at the same level as previous fiscal year	
	Segment income	0	18	18	(—)		
Creative Business	Net Sales	810	983	172	(121.3%)	↑ Increased due to an increase in receiving orders through collaboration with group companies	
	Segment loss	-206	-192	13	(—)	→ Facilitated the selection and concentration of business and consolidation of offices to improve business efficiency in the segment	
Others	Net Sales	639	780	140	(122.0%)	↑ Showed steady results owing to system development project	
	Segment income	24	26	2	(109.3%)		
Adjustment for Each Segments	Segment sales adjustments	-17	-37	-20	(—)	: Corporate expense including general and administrative expenses not attributable to any reportable segment	
	Segment income adjustments	-212	-221	-9	(—)		
Total	Net Sales	6,199	7,392	1,193	(119.2%)	↑ Sales increased in all segments	
	Operating income	723	795	71	(110.0%)	↑ Increased due to sales increase	

Sales Breakdown by Segment



FY2014 2Q



FY2015 2Q

• 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

Business Highlights

- ◆ Digital solution unit continued to show solid growth
- ◆ Introduced “full-time operational employees system” and hired over 100 testers as full-time employees
- ◆ Focused on recruiting and developing human resources to prepare for busy season and investment in human resource concentrated in the 1H.

Outlook of FY2015 2H

- To expect to receive more orders in Digital solution unit and Consumer games unit after 3Q
- Segment Income margin is expected to increase due to sales increase and improvement of gross profit margin

Net Sales, Segment income (Year Over Year)

(¥ Million)	FY2014 2Q Actual	FY2015 2Q Actual	Y o Y Change	
Net Sales	4,530	5,409	879	119.4%
Segment Income	1,116	1,164	47	104.3%

【Business description】

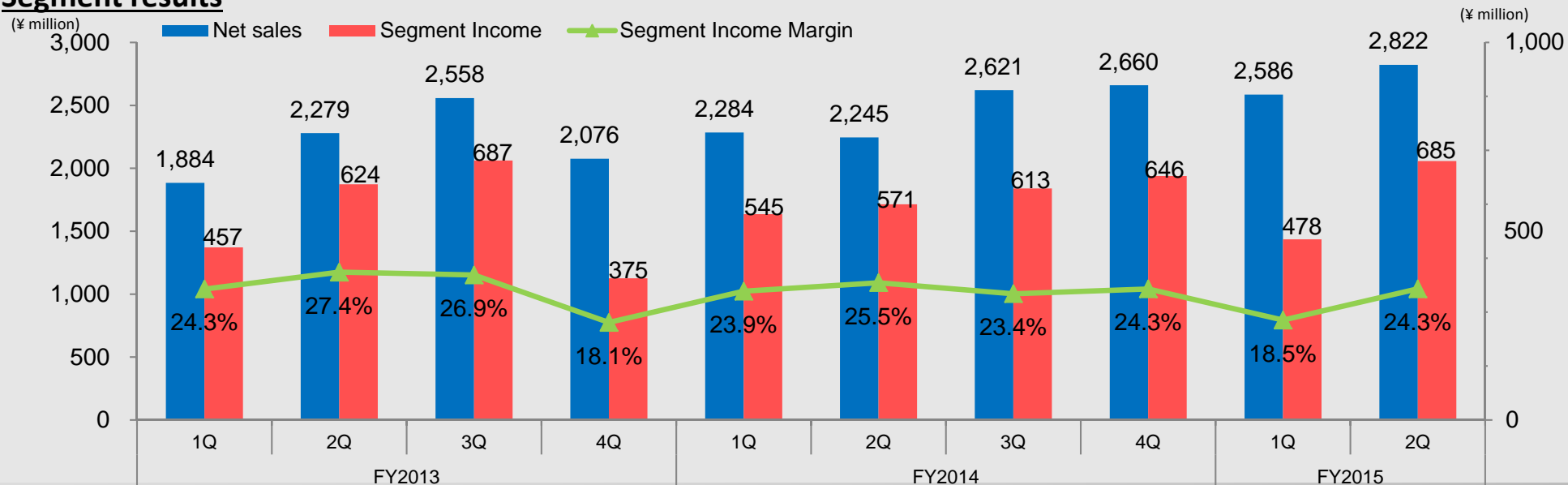
Provide debugging service in the following fields

Consumer Games Unit (CS)

Digital Solutions Unit (DS)

Amusement Unit (AM)

Segment results





Debugging Business (CS: Consumer Games Unit)

Business Highlights

- ◆ 1H resulted in the same level as previous fiscal year as clients' development schedule concentrated in 2H
- ◆ Development of titles targeting year-end sales season was intensified
- ◆ Strengthened competitiveness by enhancing structure to receive orders of game titles for PS4

Outlook of FY2015 2H

- Debugging demand in 3Q is expected to increase as game makers develop multiple titles simultaneously to prepare for year-end sales season
- Demand in 4Q is also expected to remain high with a number of titles ready to be released in next spring

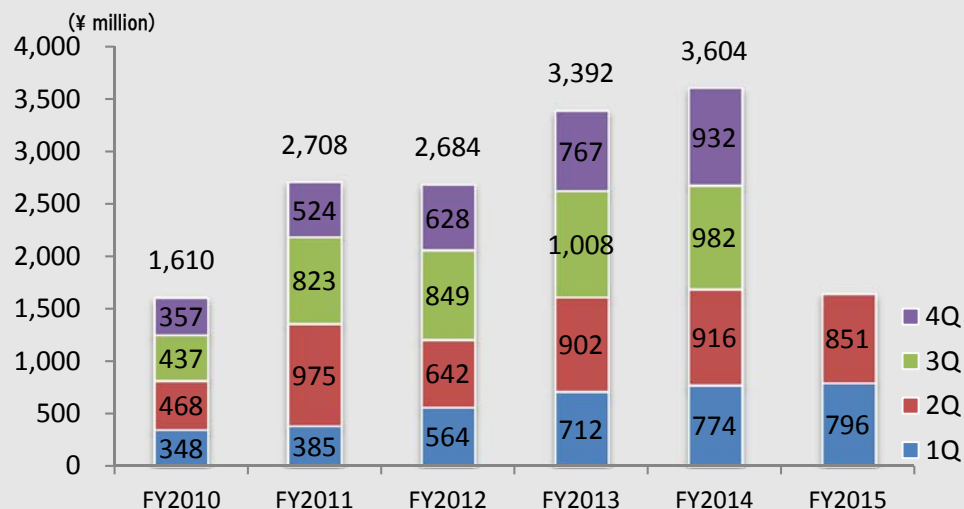
Net Sales (Year Over Year)

(¥ Million)	FY2014 2Q Actual	FY2015 2Q Actual	Y o Y Change	
Net Sales	1,690	1,648	-41	97.5%

Serviced Items:

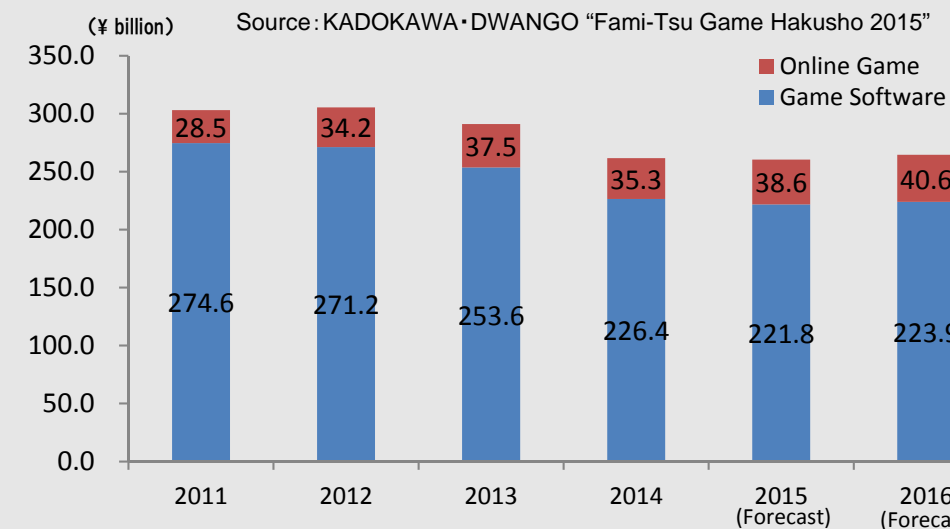
- Debugging - consumer game software (Japan/overseas)
- Debugging - online games
- Debugging - arcade games
- Translation of consumer game software (localization)

Net sales (FY)



Market size (FY)

Market Size of Game Software & Online Game





Debugging Business (DS: Digital Solutions Unit)

Business Highlights

- ◆ Sales increased significantly (157% YoY) and reached record high sales due to an increase in native game applications
- ◆ Captured debugging demands continuously during management phase after release of games
- ◆ Transaction volume increased by providing high added value service
- ◆ System verification orders increased steadily

Outlook of FY2015 2H

- Major consumer game maker's full-scale market entry is expected to vitalize the market
- Growing trend of focusing on quality and game factors further accelerates outsourcing of debugging process
- Steady growth to continue after 2Q and drive debugging business

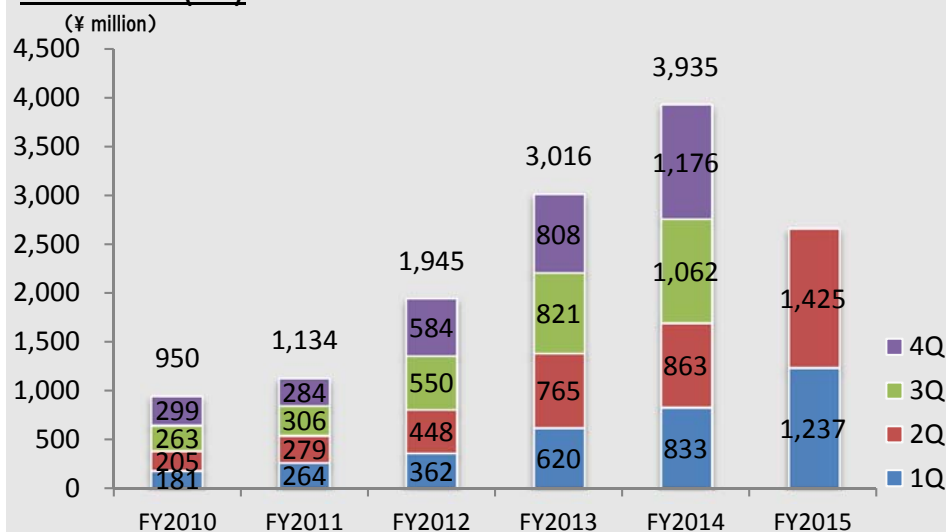
Net Sales (Year Over Year)

(¥ Million)	FY2014 2Q Actual	FY2015 2Q Actual	Y o Y Change	
Net Sales	1,696	2,663	966	157.0%

Serviced Items:

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

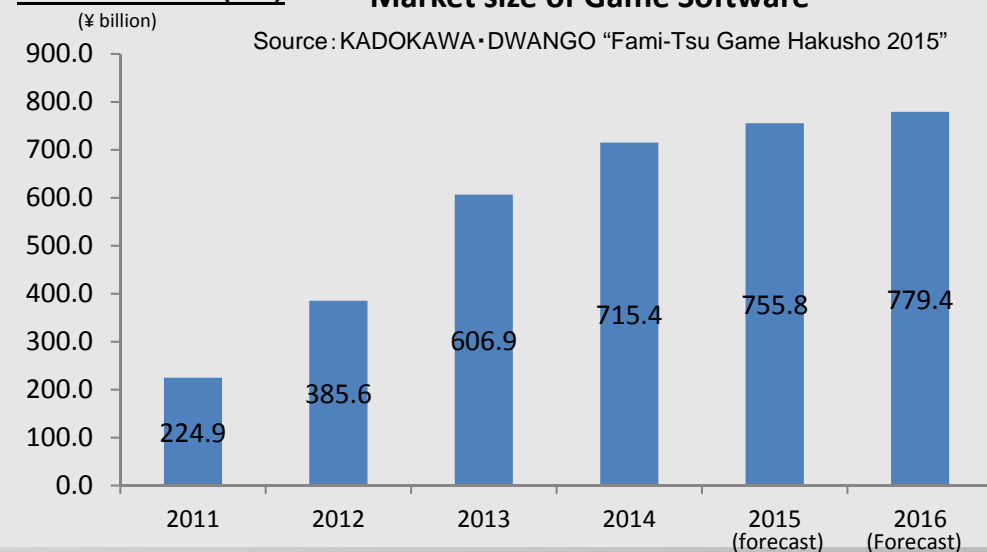
Net sales (FY)



Market Size (FY)

Market size of Game Software

Source: KADOKAWA・DWANGO "Fami-Tsu Game Hakusho 2015"





Debugging Business (AM: Amusement Unit)

Business Highlights

- ◆ Adopted voluntary restrictions for models with high gambling elements (Pachinko: Nov 2015/Pachislot: Dec 2015)
- ◆ Due to the influence of the above restriction, game title development did not recover to full-scale operation, despite gradual recovery since FY2014 2H, and resulted in the same level as previous fiscal year

Outlook of FY2015 2H

- To enhance marketing activity to acquire new customers
- Order trend is expected to remain fluid

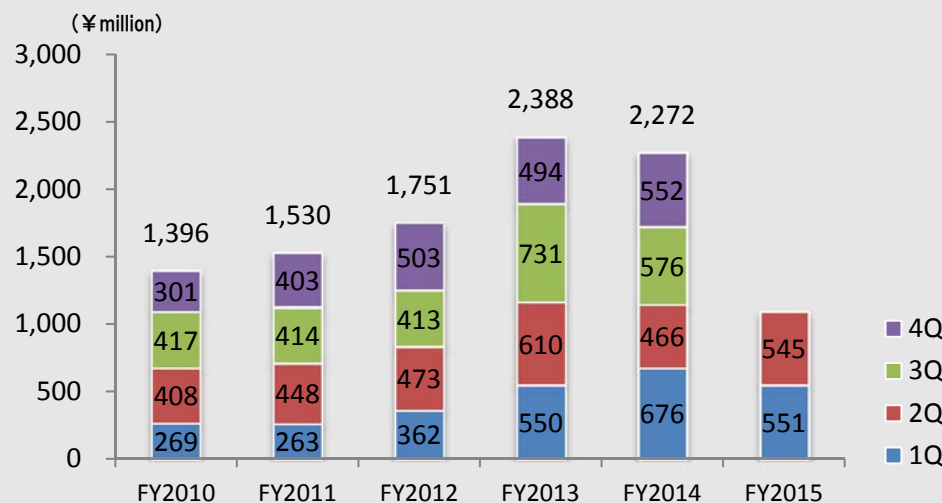
Net Sales (Year Over Year)

(¥ Million)	FY2014 2Q Actual	FY2015 2Q Actual	Y o Y Change	
Net Sales	1,142	1,097	-45	96.0%

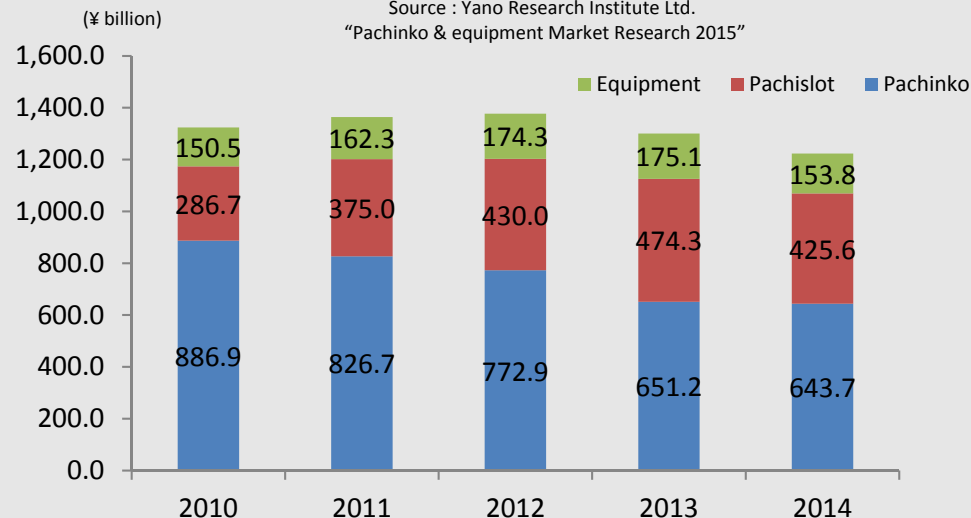
Serviced Items:

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

Net sales (FY)



Market Size (FY)





Media Business

Business Highlights

- ◆ Expanded content lineup for smartphone games
- ◆ Promoted creation of new service beyond news media
- Formed a business alliance with Shochiku Broadcasting Co., Ltd.
- Transferred 40.0 % of shares of Aetas, Inc. to Shochiku Broadcasting Co., Ltd.

Outlook of FY2015 2H

- To promote business alliance with Shochiku Broadcasting Co., Ltd.
- Solid growth expected to show after 3Q

Net Sales, Segment income (Year Over Year)

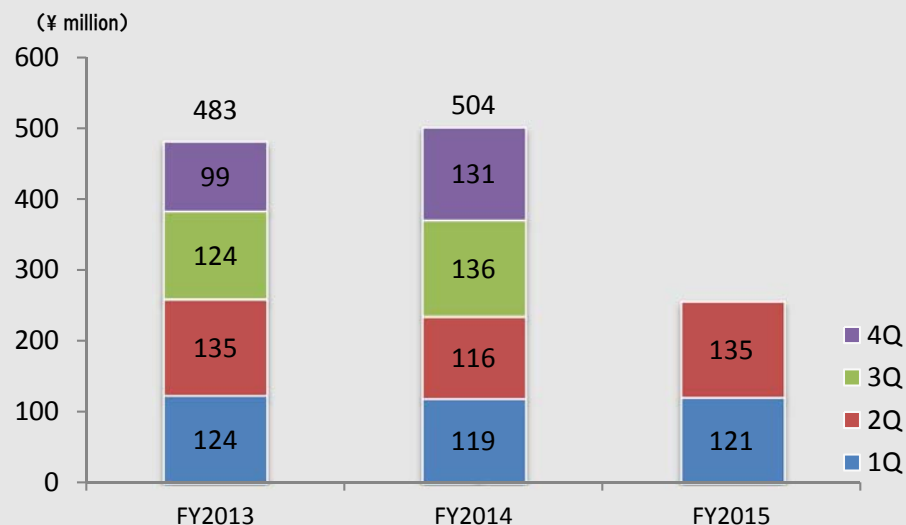
(¥ Million)	FY2014 2Q Actual	FY2015 2Q Actual	Y o Y Change	
Net Sales	235	256	21	108.9%
Segment income	0	18	18	-

Serviced Items:

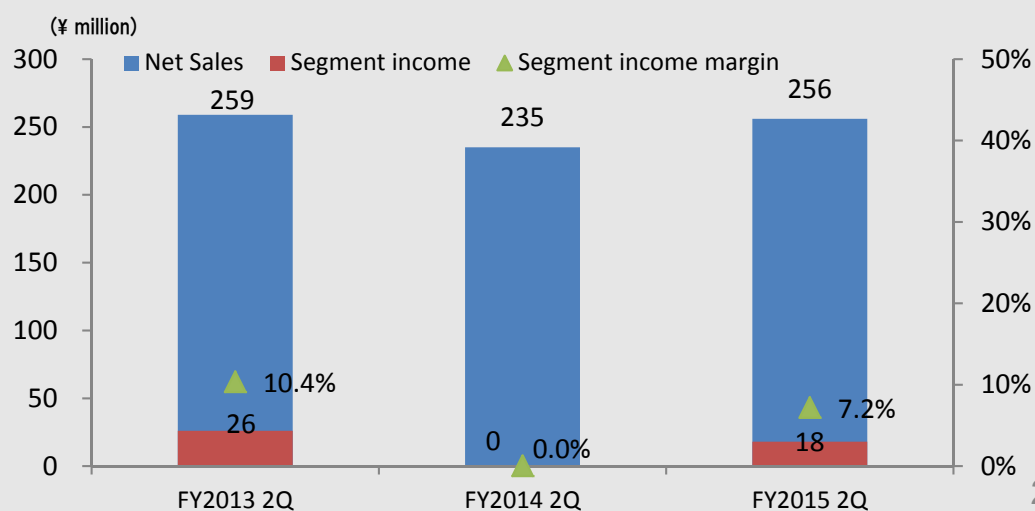
Media Business started from FY2012 3Q after consolidation of Aetas, Inc. Management of game portals (<http://www.4gamer.net/>)

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

Net Sales(FY)



Segment results





Creative Business

Business Highlights

- ◆ Sales increased due to marketing activities through collaboration with group companies
- ◆ 3DCG Contents Development Project: Improved project management and cost reduction in Premium Agency Inc. to improve its profitability
- ◆ Facilitated selection and concentration of businesses and consolidation of offices

Outlook of FY2015 2H

- Continue selection and concentration of businesses to make efficient use of management resources, considering business growth and profitability
- 3 subsidiaries will be merged in January 2016. Positive effect by office relocation and consolidation, and merger of subsidiaries will show

Net Sales, Segment Loss (Year Over Year)

(¥ Million)	FY2014 2Q Actual	FY2015 2Q Actual	Y o Y Change	
Net Sales	810	983	172	121.3%
Segment Loss	-206	-192	13	-

Serviced Items:

3DCG Contents Development Project :
Premium Agency Inc. became a subsidiary in April 2014

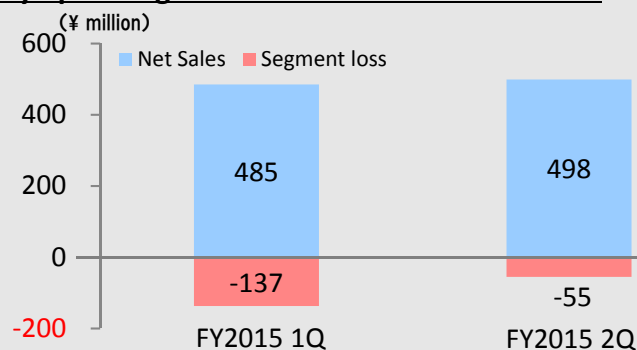
Development Outsourcing Project :
G&D Co., Ltd. was established in March 2012

Video Production Project :
DIGITAL Hearts Visual Co., Ltd. was established in May 2012

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

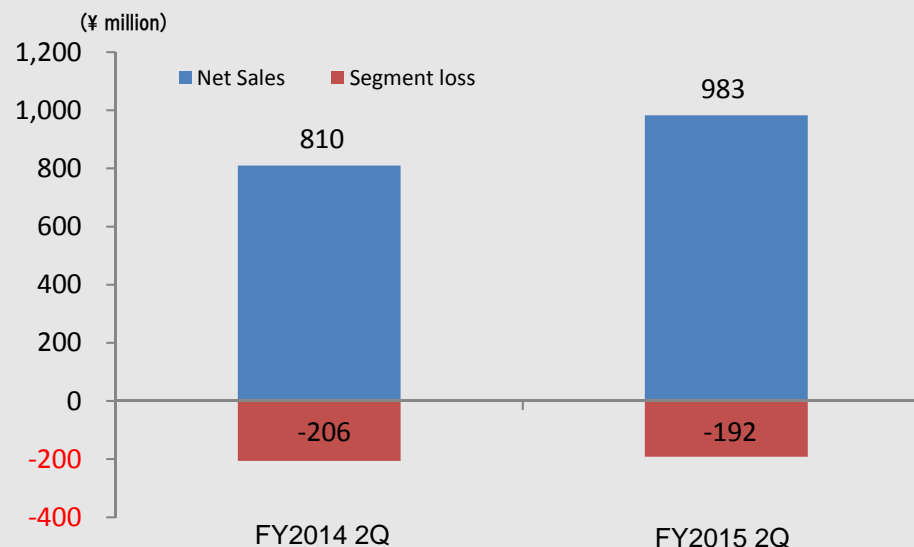
* G&D Co., Ltd., DIGITAL Hearts Visual Co., Ltd. and Premium Agency Inc. will be merged in Jan 2016 and renamed to Flame Hearts Co., Ltd.

Quarterly operating results in FY2015 and Measures



	Net Sales	Operating loss	Measures
1Q	¥485 million	¥137 million	Withdrew unprofitable business of Premium Agency Inc.
2Q	¥498 million	¥55 Million	Consolidated offices in preparation for merger
2H	Will contribute to earnings		Merger of 3 subsidiaries and increase business efficiency

Segment results





Others

Business Highlights

- ◆ NetWork21 Co., Ltd. consolidated and absorbed SYSTEM KOHBO TOKYO CORPORATION and contributed to earnings from FY2015
- ◆ Relocated office in response to an increase in employees
- ◆ Enhanced collaboration with group companies and focused to receive system verification projects in debugging business

Outlook of FY2015 2H

- System development project is expected to show solid growth continuously
- To continue to conduct M&As proactively

Net Sales, Segment income (Year Over Year)

(¥ Million)	FY2014 2Q Actual	FY2015 2Q Actual	Y o Y Change	
Net Sales	639	780	140	122.0%
Segment income	24	26	2	109.3%

Serviced Items:

System Development Project:

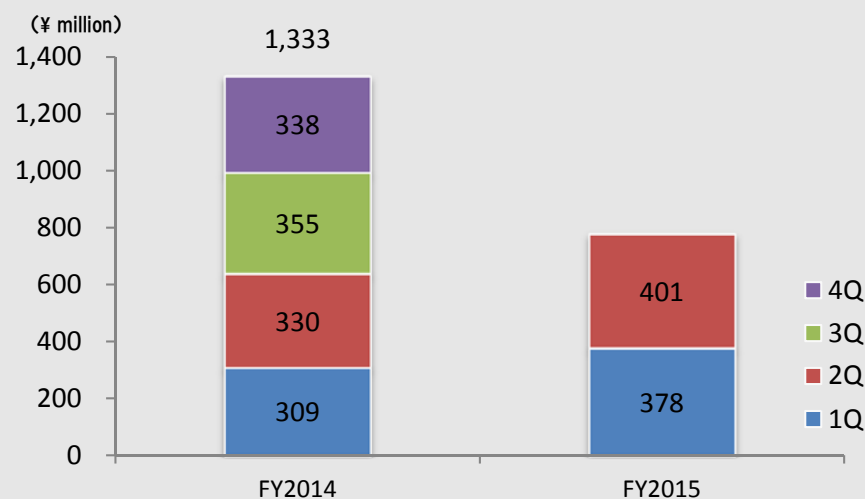
NetWork21 Co., Ltd. became a subsidiary in December 2013

Fuguai.com Project: DIGITAL Hearts Co., Ltd.

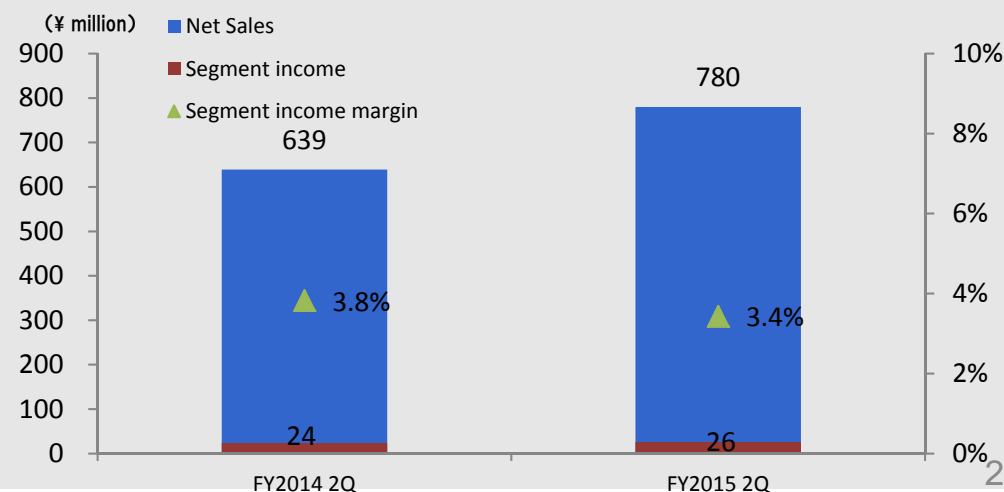
DIGITAL Hearts Creators Network Project: DIGITAL Hearts Co., Ltd.

*Segment income is net of amortization of goodwill arising from acquisition of shares of NetWork21 Co., Ltd.

Net Sales(FY)



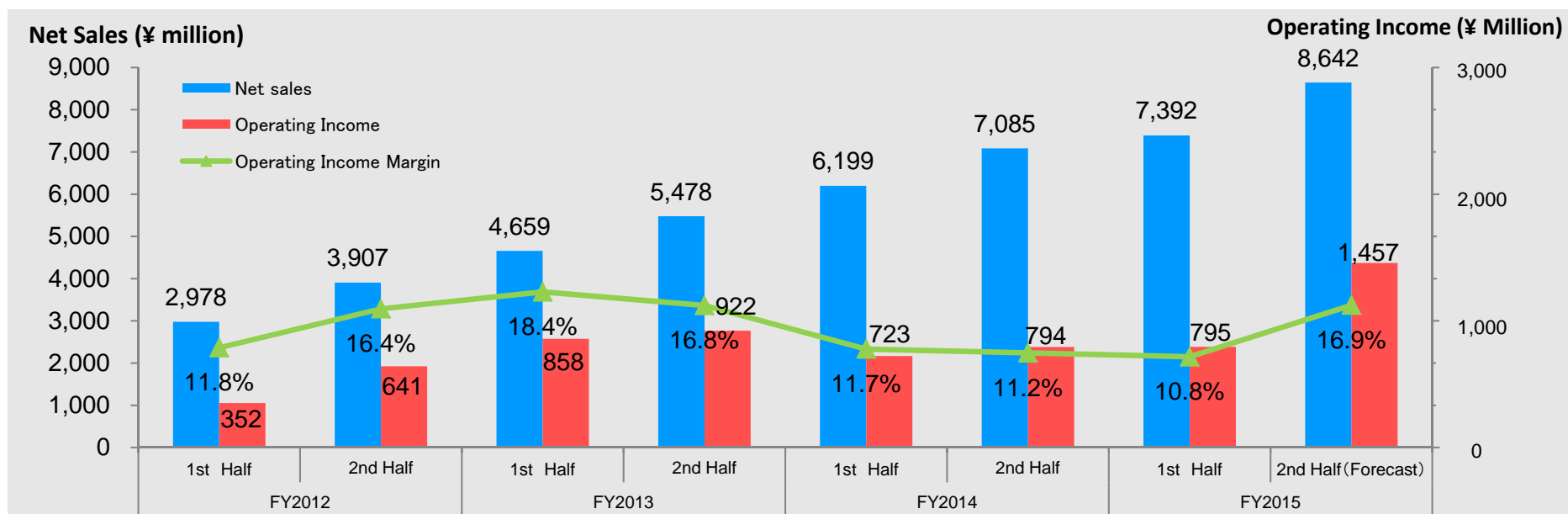
Segment results





Financial Outlook for Second Half of FY2015

Segment	Unit	Forecast of Second half	Factors
Debugging	CS/DS/AM	Net Sales ↑ / Operating income ↑	Recruiting and developing human resources in 1H will show positive results, and operating rates of testers and offices will improve
Debugging	CS	Net Sales ↑ / Operating income ↑	In addition to boost in 3Q due to year-end sales season, 4Q is expected to remain high
Debugging	DS	Net Sales ↑ / Operating income ↑	Upward trend of debugging needs will continue and solid growth is expected
Debugging	AM	Net Sales → / Operating income →	Development schedule will continue to be fluid and 2H will be the same level as 1H
Creative	-	Net Sales ↑ / Operating income ↑	Net sales and operating income are expected to increase due to an order increase
Creative	-	- / Operating income ↑	Positive effect of selection and concentration, and improvement of business efficiency is expected to show





FY2015 Consolidated Earnings and Dividends Forecast

(¥ Million)	FY2014 Actual	FY2015 Forecast at beginning of period	FY2015 Forecast announced on Sep.18	YoY Change	
Net Sales	13,285	16,034	16,034	2,749	120.7%
Operating income	1,517	2,252	2,252	734	148.4%
Operating income margin	11.4%	14.0%	14.0%	+2.6Point	
Ordinary income	1,525	2,314	2,314	788	151.7%
Profit attributable to owners of parent	539	1,437	1,239	699	229.5%

FY2015 Consolidated Earnings Forecast

Net sales and operating income will increase due to the growth of Debugging Business as core business

- Net sales ¥16,034 million (120.7% YoY) Debugging Business growth of over 120% to establish dominant share
Expected to increase significantly with growth drivers such as growing smartphone games and promising system verification/debugging service for automotive industry in Digital Solutions unit as well as the support by solid growth of Consumer Game unit
- Operating income ¥2,252 million (148.4% YoY)
Expected to increase due to sales increase of Debugging Business and improved profitability of Creative Business
- Profit attributable to owners of parent ¥1,239 million (229.5% YoY)
Consolidated earnings forecast was revised on September 18, 2015 due to recording extraordinary loss of ¥201 million in Creative Business.

FY2015 Dividends Forecast

- FY2014 Annual dividend 17 yen (DOE 5.2%) ⇒ FY2015 Annual dividend 18 yen (DOE 5.0%)



Hearts United Group Co., Ltd.

3.Future Development and The Medium-term Management plan



New measures ~Using Artificial intelligence~

- Started joint study with UBIC, Inc. for new service using artificial intelligence in debugging and cyber security services

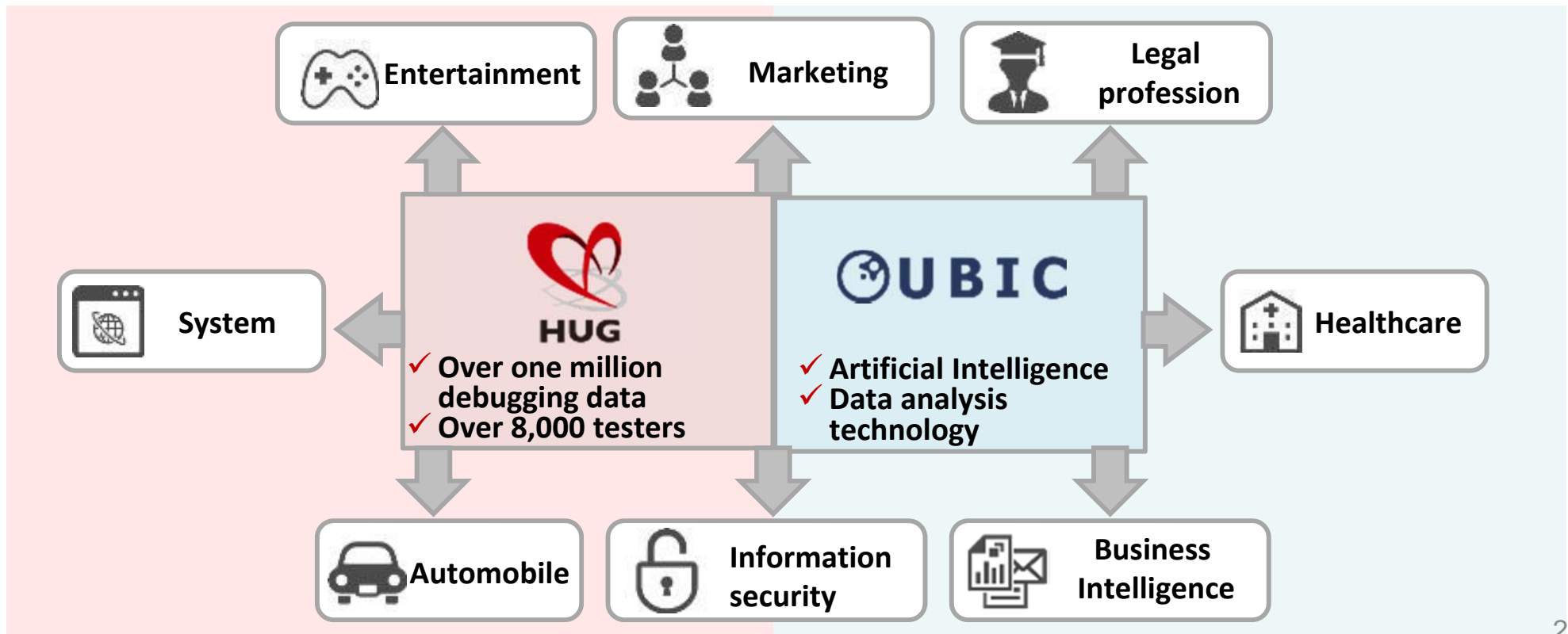
HUG

Over one million bug data and debugging professionals' sense and experience

UBIC

Data analysis using artificial intelligence that learns tacit knowledge and predicts human behavior

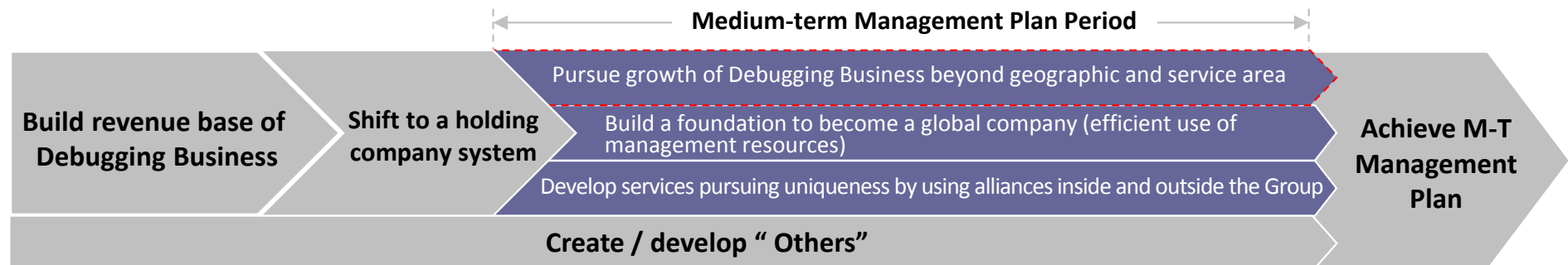
- ◆ Study unprecedented approach to software bug using artificial intelligence (AI)
- ◆ Establish advanced cybersecurity technology that supports safe and comfortable digital society





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”



Expand the target region and industries to provide debugging service

- Reinforce the system verification field
⇒ Cooperating with NetWork21 Co., Ltd. which became a subsidiary in FY2013
- New entry into the automotive industry
⇒ Established a joint venture with ZMP Inc.

Expand our services to meet customer needs and enhance related businesses

- Strengthen development support
⇒ Consolidated Premium Agency Inc.
- Promote creation of new service beyond news media
⇒ Formed a business alliance with Shochiku Broadcasting Co., Ltd.

Develop services pursuing uniqueness

- Debugging and cybersecurity
⇒ Started joint study with UBIC, Inc. for new service using artificial intelligence



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 Business	345	880	1,675	3,400		8,100	13,400
Others			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 1st year

● Future outlook

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 2014
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



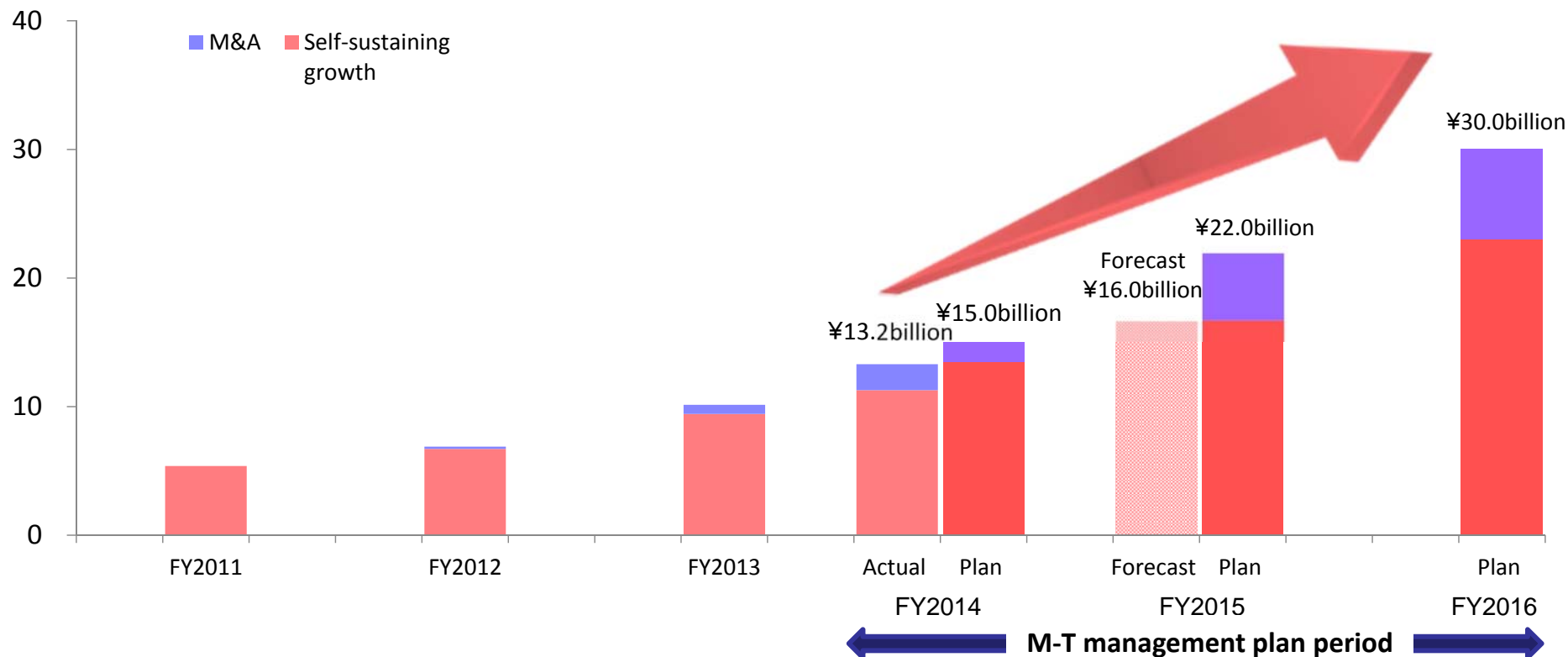
The Medium-term Management Plan: Management Vision

◆ 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)

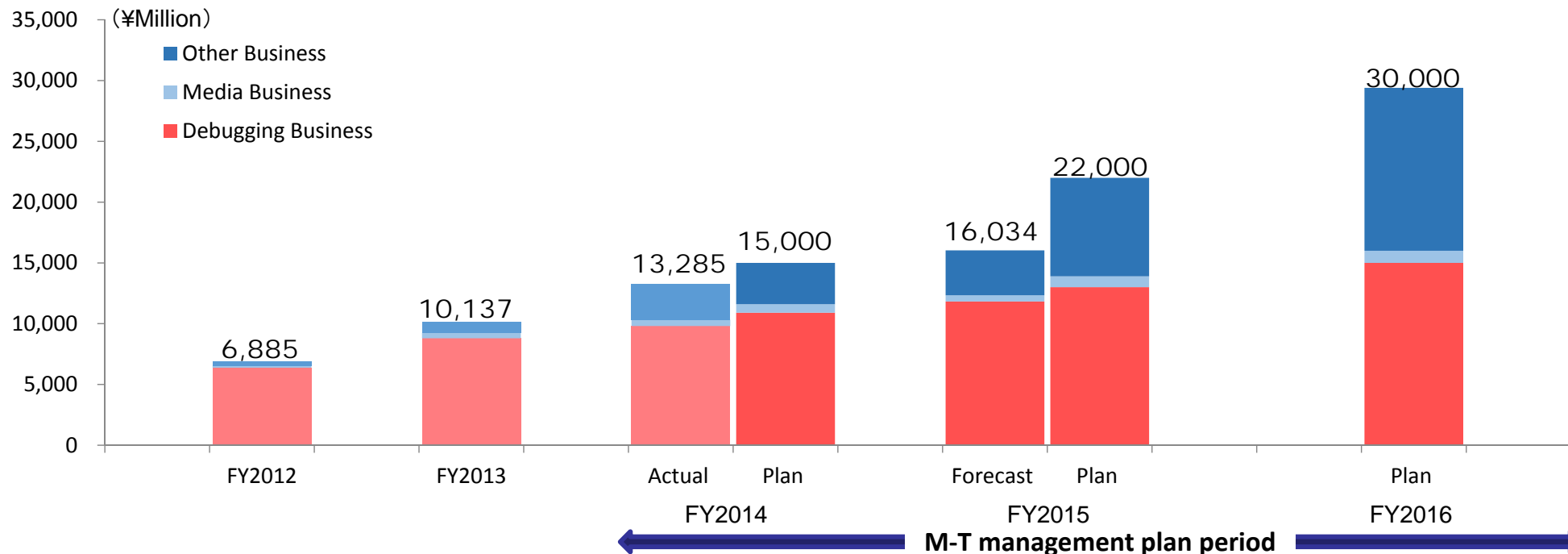


- Improve the management mobility with mobile and dynamic management decision capable of responding to environmental changes
- Improve the Group's management efficiency by efficient procurement and allocation of management resources



The Medium-term Management Plan: Target Sales by Segment

■ Images of target sales by segment are as follows:



(¥ Million)

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

*Sales of Creative Business is included in Others.



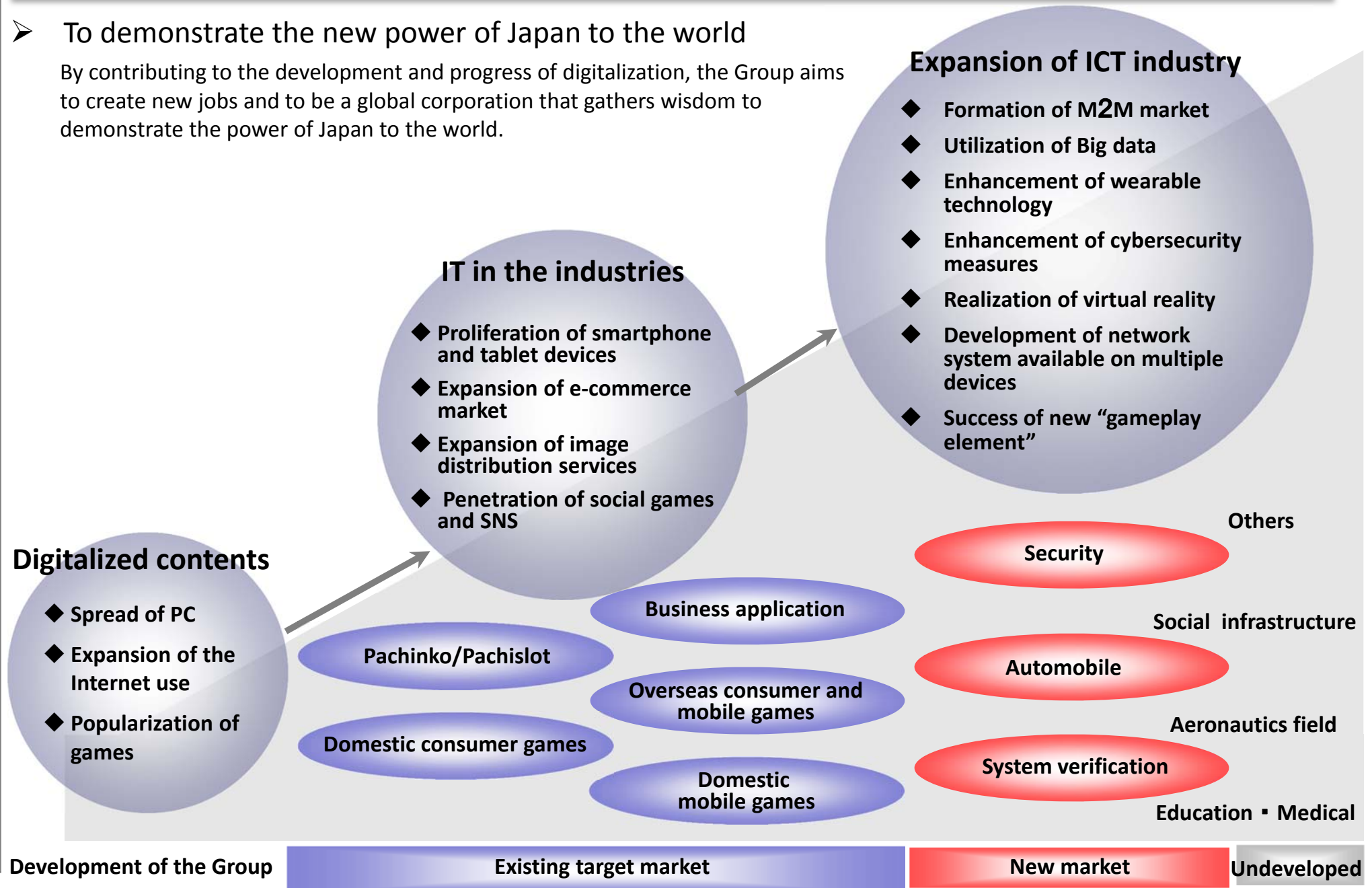
The Medium-term Management Plan: Financial Indicator of the Group

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

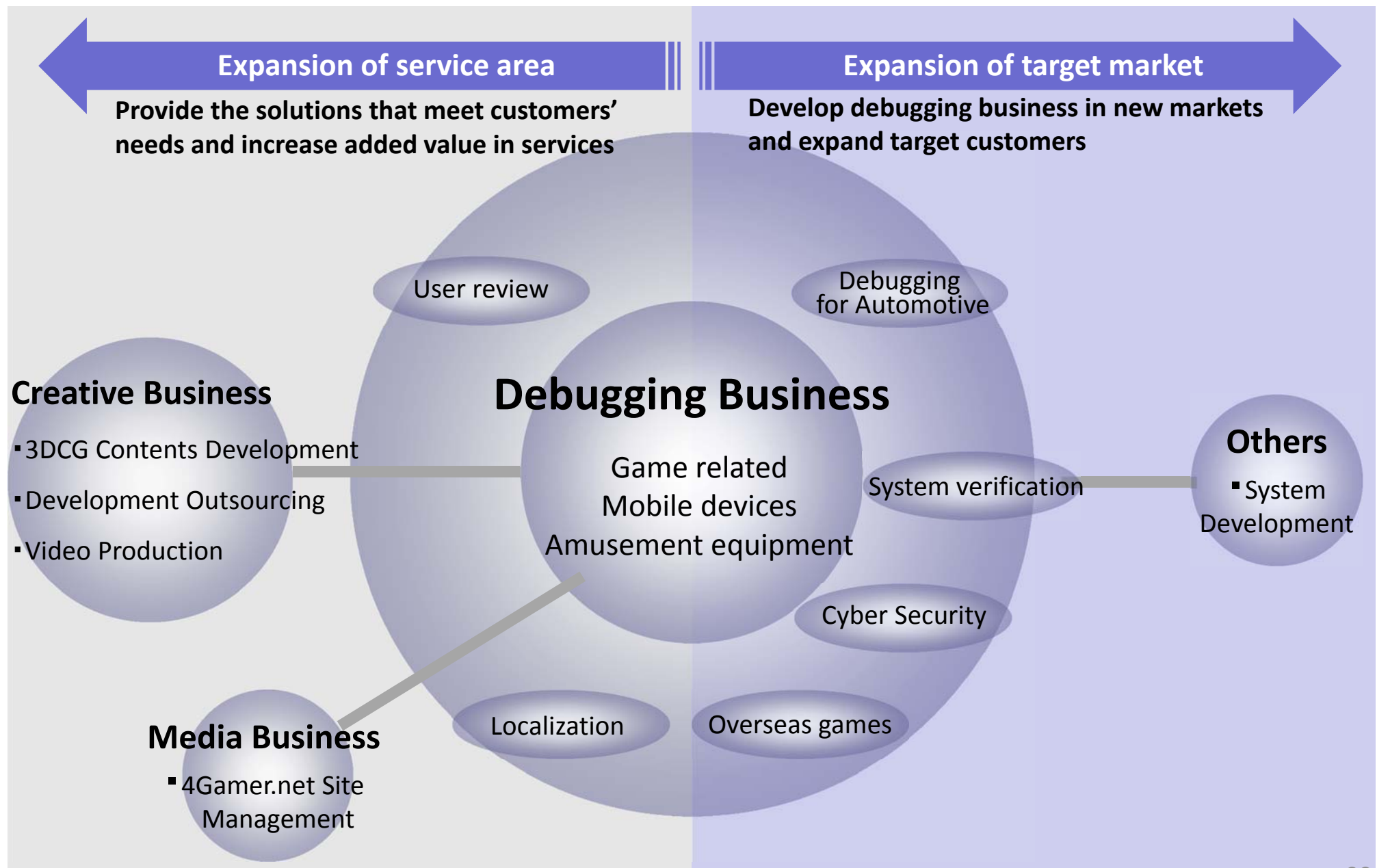
FY2013 Actual		Target increase for revenue/profit: over 150%		FY2016 Plan
Sales	¥10.1 billion	◀	+¥19.8 billion (+196%)	▶ ¥30 billion
Operating Income margin	17.6%	◀	-	▶ 16%
Ordinary Income	¥1.7billion	◀	+¥3.0 billion (+168%)	▶ ¥4.8 billion
ROE	33.6%	◀	+3%	▶ 37%
EPS	¥91.9	◀	+¥151 (+164%)	▶ ¥243
Dividend payout ratio	16.3%	◀	+4%	▶ 20%

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 -)

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

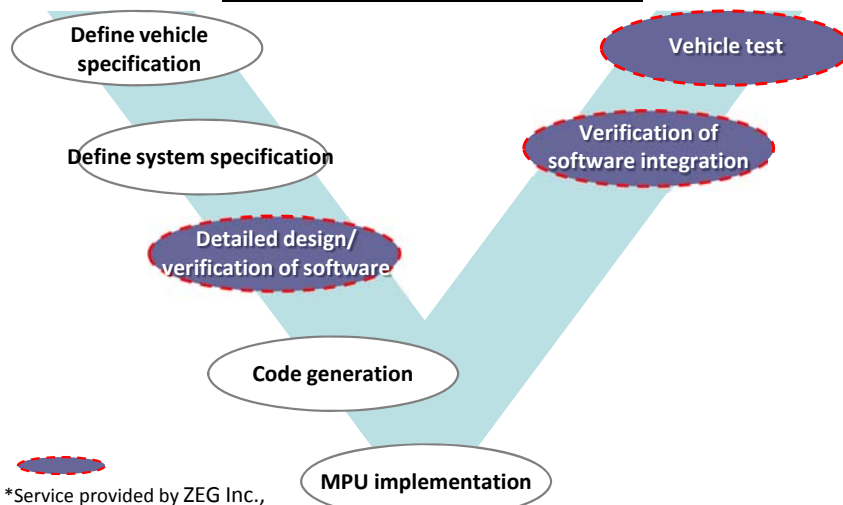
Background

- 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

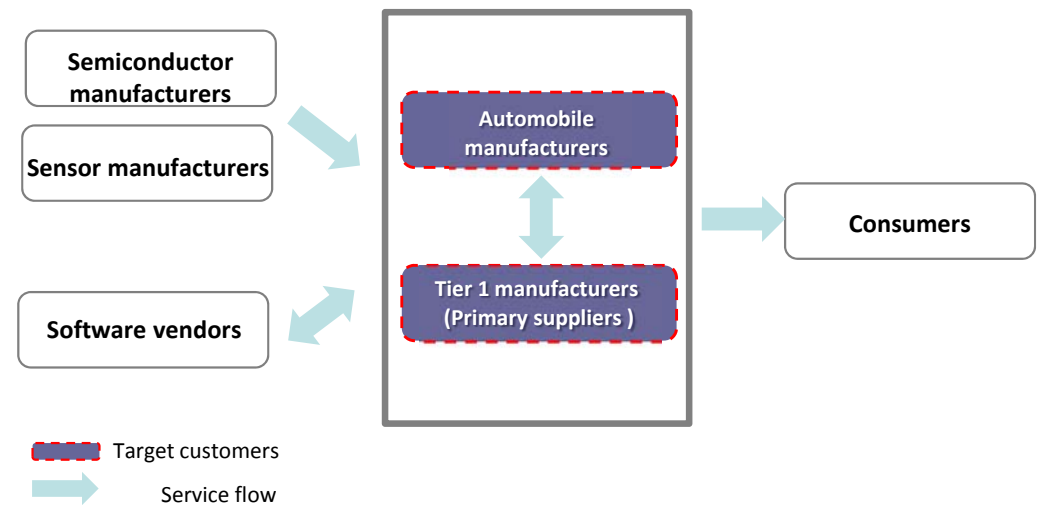
Purpose

- ◆ 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

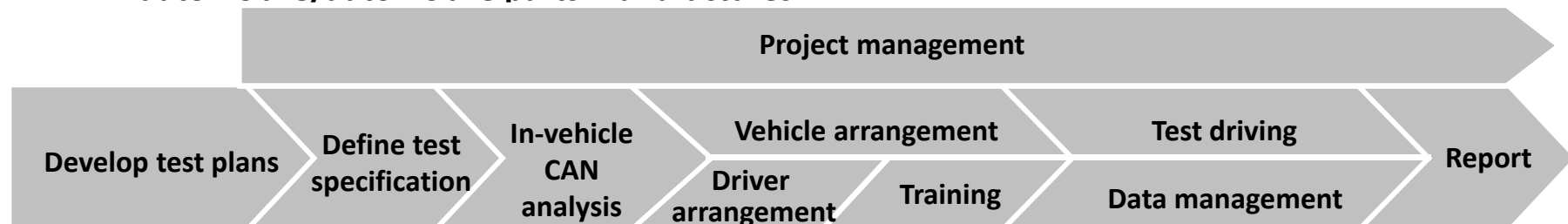
Development process and service area of automotive control software



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>

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Reference

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



Corporate Profile

(as of September 30, 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 <input checked="" type="checkbox"/> Consolidated subsidiary <input type="checkbox"/> Affiliated company	<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. <input type="checkbox"/> ZEG 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. </div> </div>	
Workforce (consolidated)	622	









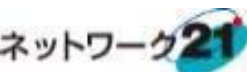



History

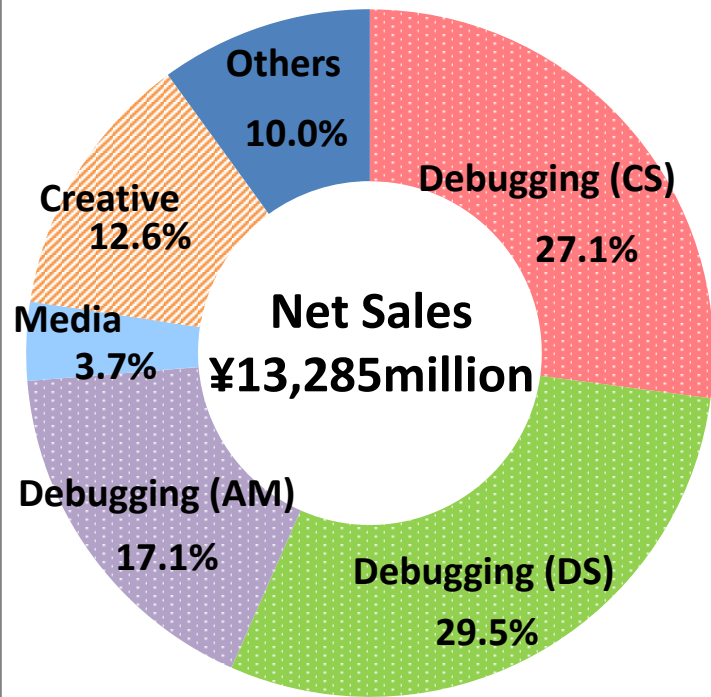
Year	Month	Corporate History
2001	April	Established DIGITAL Hearts Ltd. Began offering debugging services
2003	October	Became a public corporation
2007	September	Became first Japanese company to receive the Authorized Xbox 360 Test Program (AXTP) from Microsoft Corp. for the Xbox 360®
	October	Granted 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
	DIGITAL Hearts USA Inc.	 Provide User Debugging Service	Debugging
	DIGITAL Hearts(Thailand)Co., Ltd.	 Provide User Debugging Service	Debugging
	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
ZEG Inc.(affiliated company)		Investment ratio 49.0 %	Agency service for debugging and data collection, etc. for the automotive industry

* G&D Co., Ltd., DIGITAL Hearts Visual Co., Ltd. and Premium Agency Inc. will be merged in Jan 2016, and renamed to Flame Hearts Co., Ltd.



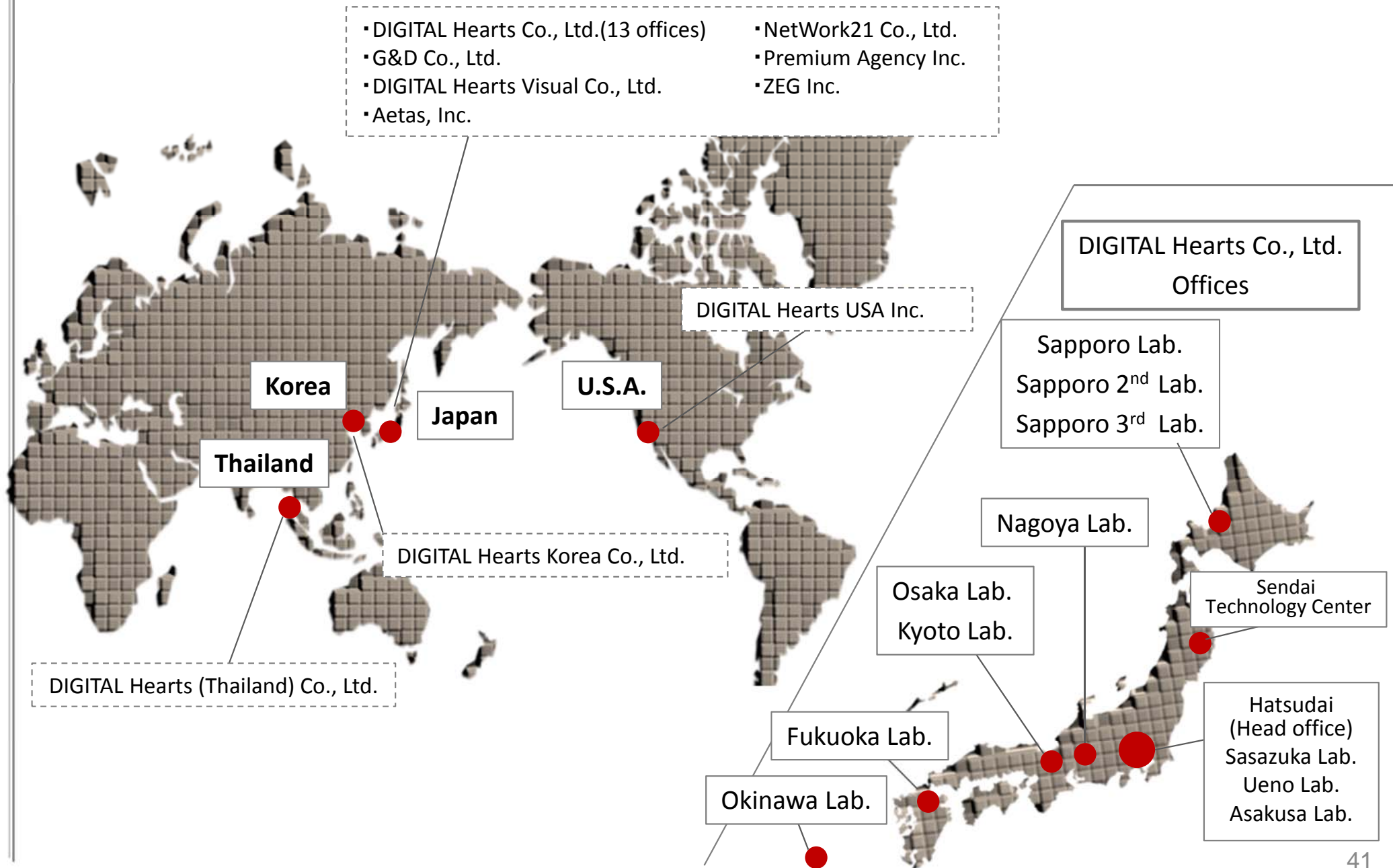
**Sales Breakdown by Segment
for FY2014**

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

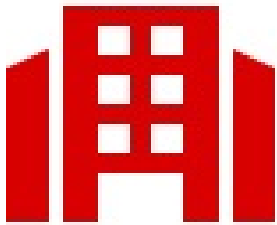
Debugging	27.1%	Consumer Games Unit (CS) Testing of Consumer game software/Online games, etc.
	29.5%	Digital Solutions Unit (DS) Testing of mobile contents/system of social game and smartphone applications, etc.
	17.1%	Amusement Unit (AM) Testing of Pachinko/Pachislot, etc.
Media	3.7%	4Gamer.net Managing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



Group Companies & Offices



Clients



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

Request to test bugs



Verification 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.

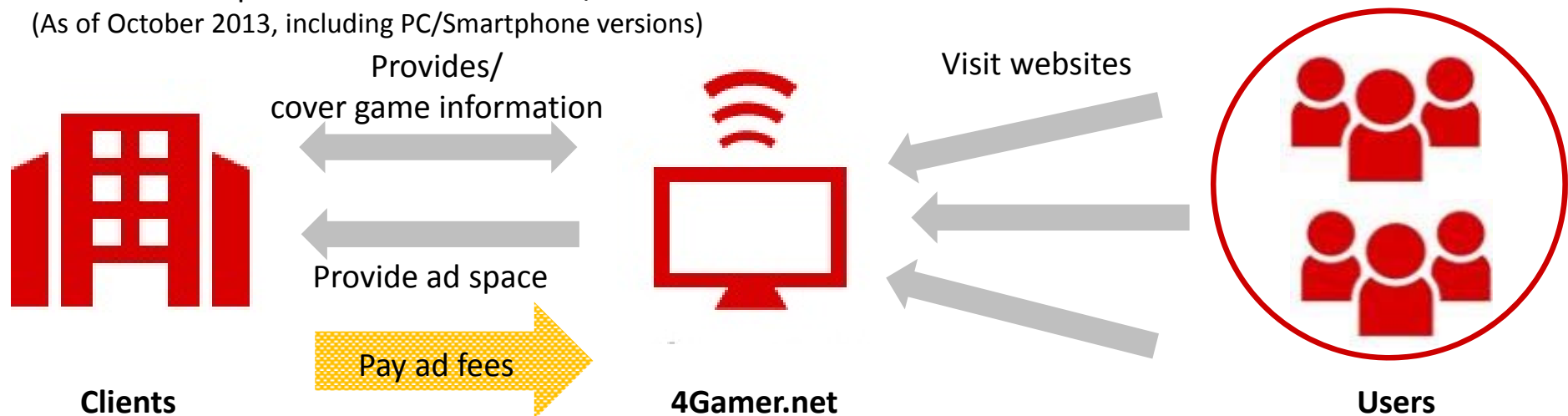
The information includes breaking news, review articles, hardware information and a series of articles uniquely featured by editors.

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>Provide various services including high quality game production using 3DCG, image production and sound production</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> 

<Others>

System Development Project	Fuguai.com Project	DIGITAL Hearts Creators Network
<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>Illustration production through creator support and game management, etc.</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.