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Hearts United Group Co., Ltd.

FY2016-FY2018 Medium-term Management Plan

Hearts United Group Co., Ltd.

May 13, 2016

Tokyo Stock Exchange First Section : Code 3676

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



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Hearts United Group Co., Ltd.

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1. Review of the Previous Medium-term Management Plan (FY2014 to FY2016)
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The Company disclosed the business results for the fiscal year ended March 31, 2016 on May 13, 2016, but partially revised them on May 25, 2016. The revised figures are reflected in this document.



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1. Review of the Previous Medium-term Management Plan (FY2014 to FY2016)

Review of the Previous Medium-term Management Plan

◆ Outline of strategy and review

Concept: Aim at Group net sales of ¥30 billion by expanding sales through strong autonomic growth and M&As

While achieving strong autonomic growth in debugging projects mainly for mobile applications and IoT-related debugging services for systems and automobiles, the effects from slowdown of development due to rapid changes in external environment in the amusement market and non-execution of originally planned M&A projects resulted in postponement of the plan.

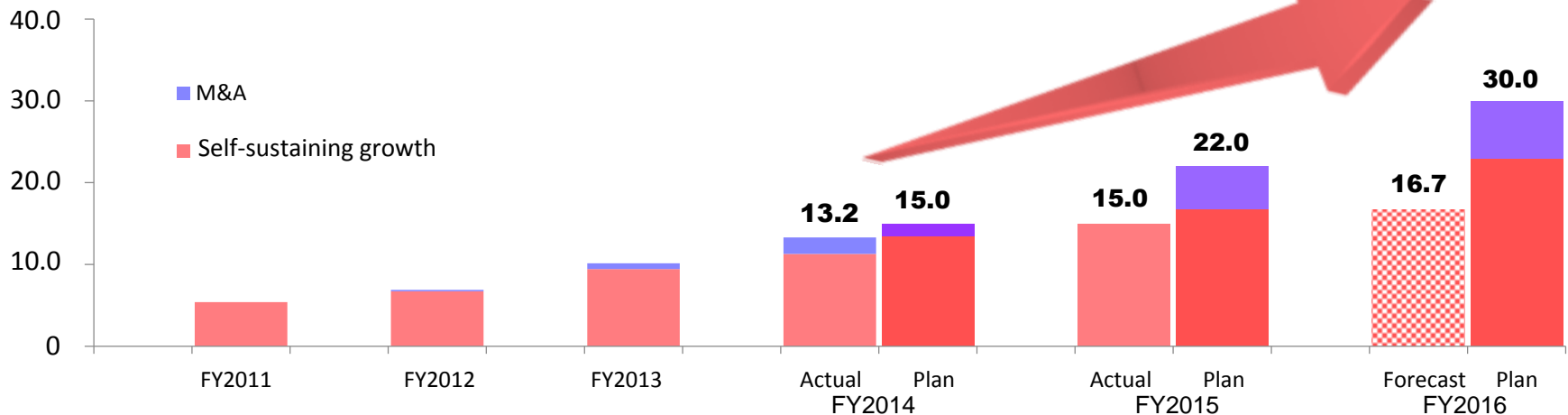
Basic policy

- ◆ Pursue growth of Debugging Business beyond geographic and service area
- ◆ Develop services pursuing uniqueness
- ◆ Strategic use of management resources

Review

- | | |
|--------|---|
| FY2014 | <ul style="list-style-type: none"> ● Full-fledged entry in the system verification field ● Consolidated a video production company and expanded creative related services ● Established a joint venture with ZMP Inc. and entered debugging service for the automotive industry |
| FY2015 | <ul style="list-style-type: none"> ● Sold part of stocks of a subsidiary engaging in media operation and formed a business alliance with Shochiku Broadcasting Co., Ltd. ● Conducted study with UBIC, Inc. on new AI service ● Merged three group subsidiaries and executed organization restructuring |

(Net Sales : ¥ Billion)



← Previous M-T management plan period →



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

FY2016

Announced figures of Previous
Medium-term Management plan

FY2016 Forecast

Sales	¥30.0 billion	¥16.7 billion
Operating Income margin	16%	15.4%
Ordinary Income	¥4.8 billion	¥2.5billion
EPS (Earnings Per Share)	¥243	¥143.7
DOE (Dividend On Equity)	7%	6.1%
Dividend payout ratio	20%	13.2%
ROE (Return On Equity ratio)	37%	45.8%



The Previous Medium-term Management Plan

: Review by Segment

(¥ Million)

Segment	FY2014		FY2015		FY2016	
	(Actual/Announced figures of Previous Medium-term Management plan)		(Actual/Announced figures of Previous Medium-term Management plan)		(Forecast/Announced figures of Previous Medium-term Management plan)	
Debugging Business	9,812	10,900	11,138	13,000	12,752	15,600
Media Business	504	700	512	900	565	1,000
Creative Businesses	1,675	3,400	1,729	8,100	1,800	13,400
Others	1,333		1,701		1,586	
Total	13,285	15,000	15,011	22,000	16,705	30,000

*As sales of each segment for FY2014 and FY2015 include inter-segment sales or transfer, the sum of each segment's sales does not necessarily match the total presented above.

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

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

➤ Slowdown of development in the amusement market and delay in business expansion in new fields

- The consumer/mobile game field grew as expected, especially sales from debugging service for mobile application showed a significant growth
- Sales from the amusement field were weak as unexpected regulations in the industry slowed down the development
- Cultivated debugging demands in new fields (system verification and automotive industry)

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

➤ Unexpected delay in development and release of new services

- Promoted new approaches through a capital and business alliance with Shochiku Broadcasting Co., Ltd. engaging in broadcasting and video related business and an alliance with Gamer Network Ltd., a global game media.

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

➤ Unexpected delay in restructure of a subsidiary acquired through M&A due to slowdown of development in the amusement field

- Completed organization restructuring for the entire segment and built sustainable and stable revenue base

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

➤ Existing System Development Project showed a steady growth, but M&A was not executed in FY2015 considering market trend and management environment



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New Medium-Term Management Plan (FY2016 to FY2018)



Positioning of the New Medium-Term Management Plan and Management Vision

Positioning of the new Medium-term Management Plan

Define the period up to the fiscal year ending March 31, 2019 as the
“period to maximize performance by utilizing our uniqueness for growth opportunities”

and continue to follow the basic policies under the previous Medium-term Management Plan, in order to aim at becoming a global company demonstrating the power of Japan to the world

Management vision

We aim at consolidated sales of ¥30 billion by exploiting growth opportunities in new fields, in addition to the strong autonomic growth

- 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



New Medium-Term Management Plan : Basic Policy and Business Strategy

Basic policy in the new Medium-term Management Plan

Basic policy #1 : Pursue growth of Debugging Business beyond geographic and service area

Basic policy #2 : Develop service pursuing uniqueness

Basic policy #3 : Strategic use of management resources

Business strategy by segment

Debugging business: Maintain autonomic growth focusing on the entertainment field and create opportunities and expand in new fields

- Accelerate to foster leader candidates and expand domestic share
- Accelerate commercialization of new market needs such as VR/AR
- Position the system verification service as the second core business
- Create added value in debugging service

Media Business: Maximize brand value of “4Gamer.net,” and provide unique service to enhance an appealing power to clients and users

- Operate multiple websites to expand business
- Create new businesses utilizing 4Gamer brand in alliance with other media companies, including video transmission of mainly game events such as e-sports as well as game event related projects

Creative Business: Pursue the rationality in the business under the concept of the selection and concentration and enhance technical capability

- Enhance the sales structure and strengthen business organization through active recruitment of mid-level employees
- Adopt the latest game development tools to enhance technical capability and corporate brand

Others: Create and expand new businesses through M&As, etc.

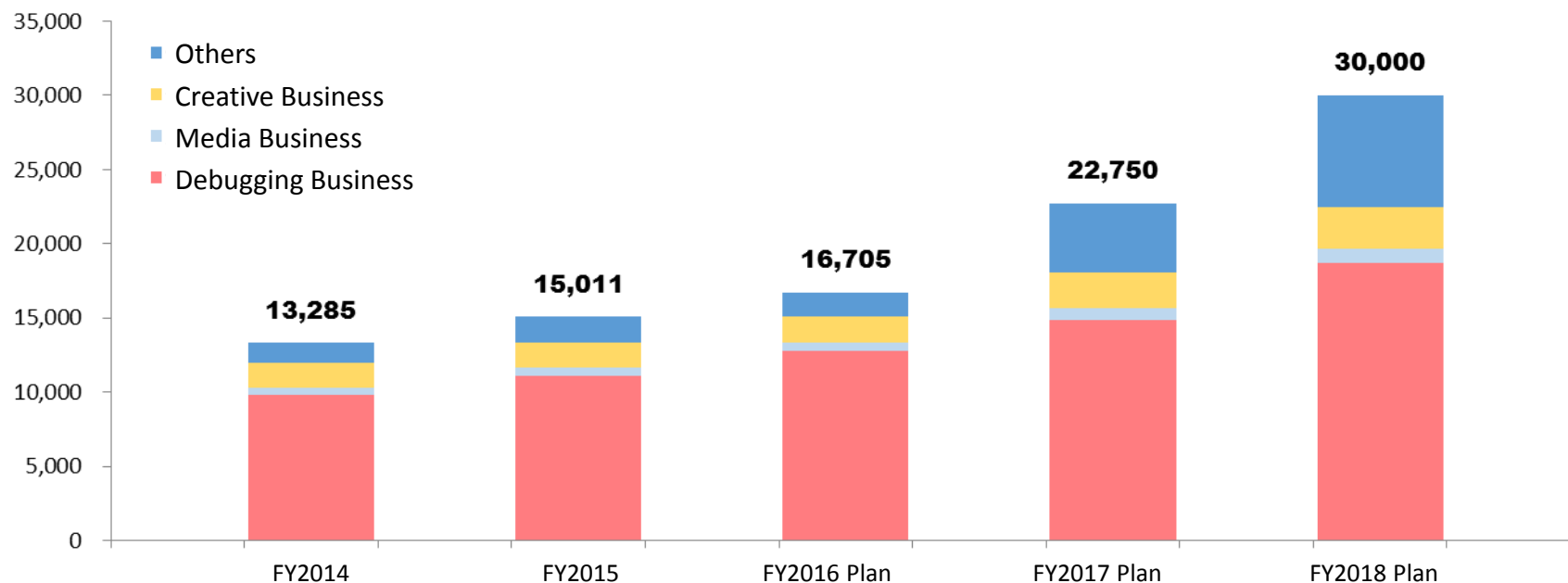
- Maintain stable growth of system development project and support the growth of system verification project
- Consider M&A for development of verification service in new fields
- Consider investment with a view of capital participation in the game market in China



New Medium-Term Management Plan

: Target Sales by Segment

(Net Sales : ¥Million)



(¥ Million)

← New M-T management plan period →

Segment	FY2014 Actual	FY2015 Actual	FY2016 Plan	FY2017 Plan	FY2018 Plan
Debugging Business	9,812	11,138	12,752	14,900	18,700
Media Business	504	512	565	800	1,000
Creative Business	1,675	1,729	1,800	2,400	2,800
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Total	13,285	15,011	16,705	22,750	30,000

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New Medium-Term Management Plan

: Financial Indicator of the Group

FY2015 Actual

FY2018 Target figure of New Medium-Term Management Plan

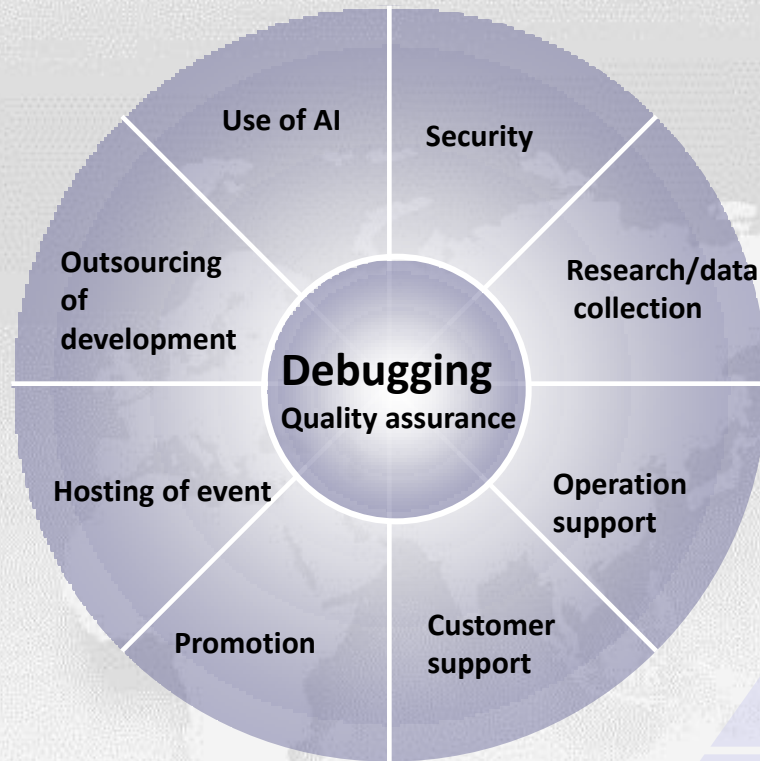
Sales	¥15.0 billion	▶	+¥14.9 billion (200%)	▶	¥30.0 billion
Operating Income margin	13.1%	▶	+3%	▶	16%
Ordinary Income	¥1.9 billion	▶	+¥2.8 billion (248%)	▶	¥4.8 billion
EPS (Earnings Per Share)	¥31.4	▶	+¥231 (835%)	▶	¥262
DOE (Dividend On Equity)	6.4%	▶	—	▶	6%
Dividend payout ratio	60.4%	▶	-44%	▶	16%
ROE (Return On Equity ratio)	10.5%	▶	+28%	▶	39%

New Medium-Term Management

: Evolution of service and expansion of target markets

- Business opportunities rapidly expanded with the development of digitalization and we offer services pursuing “users’ satisfaction for quality”

Group’s service domains



Development of technology

Develop ubiquitous network with an eye to the Tokyo Olympic/Paralympic Games in 2020

- Self-driving car, transportation telecommunication system
- Smart house

Smart city

On-line administrative services and digitization of personal data

- Social Security and Tax Number System
- My portal

E-government

ICT in aviation/education/medical fields

- Drone
- Electronic health record
- Nursing-care robot
- Digital teaching materials

Smart platinum society

Fusion of finance and ICT service

- Mobile settlement
- Cloud household accounts
- E-money

Fin Tech

Innovation in video/contents fields

- e-sports
- VR (virtual reality)
- Wearable
- Digital signage

Expansion of entertainment



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