

Presentation Material

for the Fiscal Year Ended March 31, 2017

Hearts United Group Co., Ltd.

Tokyo Stock Exchange First Section : Code 3676
URL : <http://www.heartsunitedgroup.co.jp/en/>

Contents

1. Summary of Business Results for the Fiscal Year Ended March 31, 2017	P3
2. Earnings by Segment and FY2017 Financial Forecast	P12
3. Actions and the Medium-Term Management Plan	P22

1. Summary of Business Results for the Fiscal Year Ended March 31, 2017



Business Topics for the Fiscal Year Ended March 31, 2017

Overview of results		<ul style="list-style-type: none"> Net sales ¥15,444 million (102.9% YoY) Operating income ¥1,906 million (97.1% YoY)
Topics	Debugging	<ul style="list-style-type: none"> Focused on increasing added value of a debugging service Put effort into VR-related activities <ul style="list-style-type: none"> Aug. : Started providing a VR Sickness Scoring Service Dec. : Began joint research on the safety of VR content with National Institute of Advanced Industrial Science and Technology Promoted use of AI <ul style="list-style-type: none"> June : Started providing an AI-used online posting monitoring service, “DH-AI,” through joint research with FRONTEO, Inc. (former UBIC, Inc.) Feb. : Entered into a business alliance agreement with HEROZ, Inc. for using AI in software verification work Entered the Chinese gaming market <ul style="list-style-type: none"> July : Established a subsidiary in Shanghai, China : Took part in Sony Interactive Entertainment Japan Asia’s “China Hero Project” as a quality control partner
	Media	<ul style="list-style-type: none"> Promoted new business utilizing “4Gamer.net” brand through alliance strategy Apr. : Collaborated with Gamer Network Ltd., which operates “Eurogamer.net,” for expanding the Media business, and newly opened a game industry website July : Signed a partnership agreement with an organizer of Evolution Championship Series (EVO), the world’s largest fighting game tournament Aug. : Started “Music 4Gamer,” a game music project Sep. : Decided to host “EVO Japan” in Jan. 2018 and established EVO Japan Executive Committee LLP to hold the event
Difference actual results and forecast		<ul style="list-style-type: none"> Recorded an impairment loss of ¥573 million on goodwill of two consolidated subsidiaries and fixed assets as extraordinary loss
Others		<ul style="list-style-type: none"> May 2016: Formed a business alliance with Whiz Partners Inc., and issued convertible bonds through third-party allotment in order to promote game debugging business in China
Dividends and shares		<ul style="list-style-type: none"> Conducted a 2-for-1 stock split of common shares, effective on October 1, 2016 Acquired treasury shares (Repurchase period: February to April; total number of shares repurchased: 664,500 shares; total value of shares repurchased: ¥999 million) Revised interim dividends and year-end dividends from the initial forecast of 9 yen to 11 yen and 5 yen to 6 yen, respectively

* The year-end dividends and annual dividends without taking into account the stock split on October 1, 2016 are 12 yen and 23 yen, respectively.



Summary of Business Results for the Fiscal Year Ended March 31, 2017

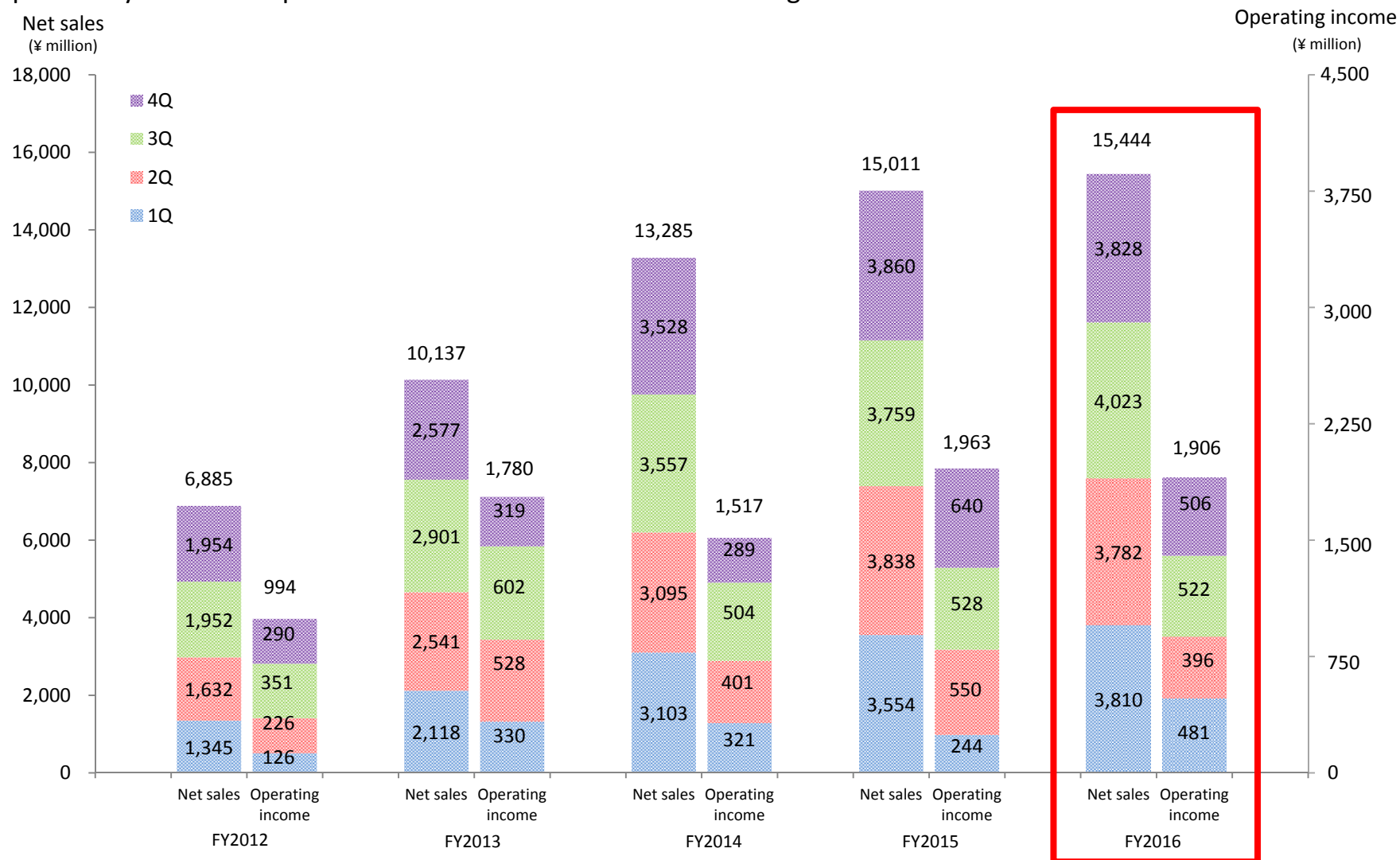
➤ Accelerated strengthening competitiveness and expanding business in new and growing areas for the realization of further growth

¥ Million	Consolidated			Summary
	FY2015 Actual	FY2016 Actual (YoY Change)	FY2016 Revised Forecast (Announced on Feb. 17, 2017) (Forecast achievement rate)	
Net sales	15,011	15,444 (102.9%)	15,677 (98.5%)	Debugging business achieved 110% growth in net sales and boosted consolidated earnings.
Cost of sales	10,690	10,938 (102.3%)	-	
Gross profit	4,320	4,506 (104.3%)	-	
Selling, general and administrative expenses	2,356	2,599 (110.3%)	-	Personnel expenses were increased as the Company focused on strengthening business base.
Operating income	1,963	1,906 (97.1%)	2,013 (94.7%)	Operating income remained at the same level as the previous year due to upfront investment in human resources.
Operating income margin	13.1%	12.3% (-0.7 points)	12.8%	
Ordinary income	1,958	1,997 (102.0%)	2,074 (96.3%)	
Profit attributable to owners of parent	361	795 (219.7%)	1,207 (65.9%)	The Company recorded an extraordinary loss of ¥573 million. [Main factors] Impairment loss on goodwill of two consolidated subsidiaries (¥346 million) and fixed assets (¥148 million)



Trend in Consolidated Sales/Operating Income (Fiscal Year)

- While net sales were increased for thirteen consecutive years, operating income remained at the same level as the previous year due to upfront investment for the future business growth

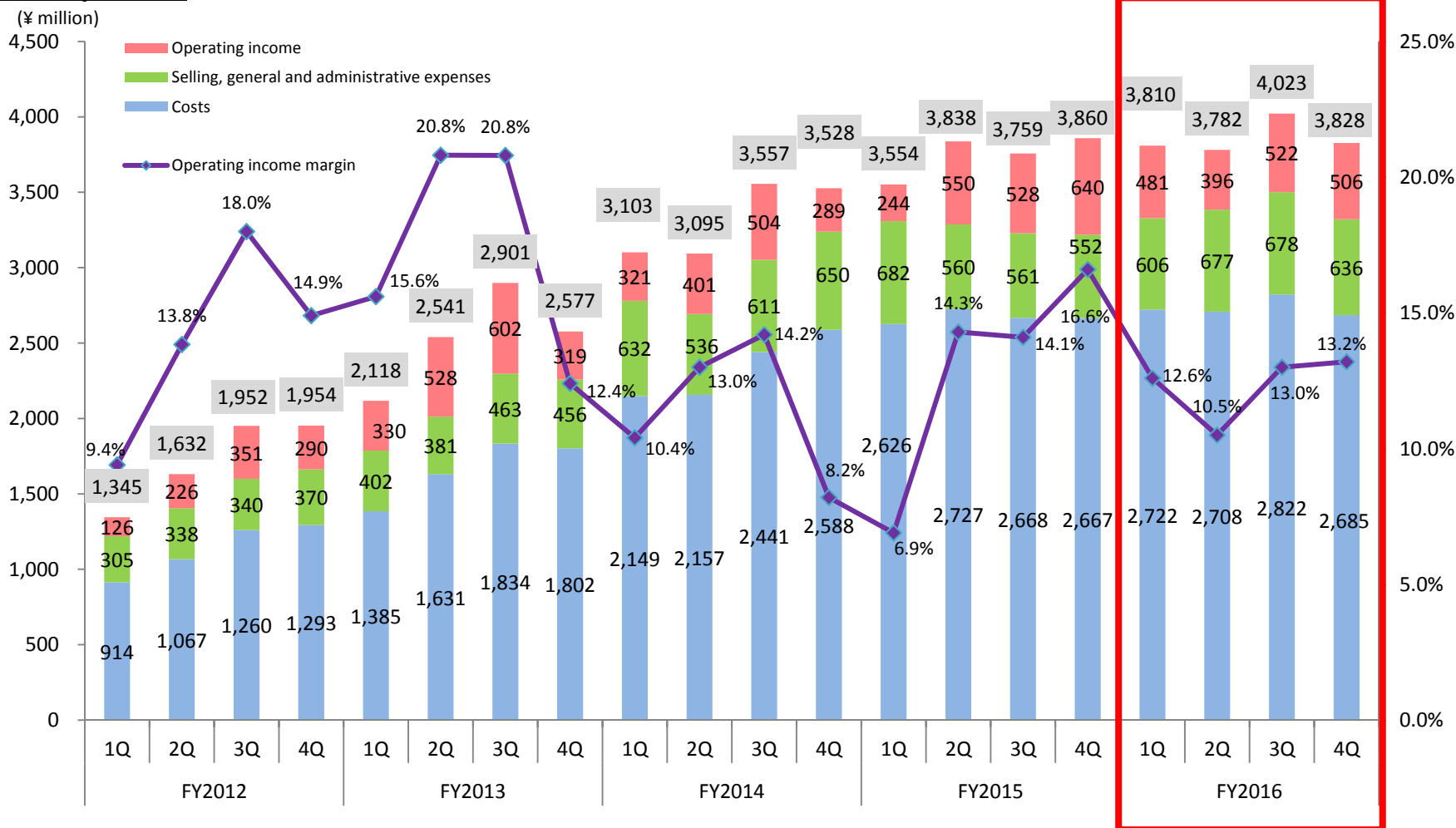




Trend in Consolidated Sales/Operating Income (Quarterly)

- Operating income margin for 2H rebounded as Debugging business's net sales increased and Creative business's operating income improved

Quarterly results





Consolidated Balance Sheets

(¥ Million)	FY2015 (As of Mar. 31, 2016)	FY2016 (As of Mar. 31, 2017)	YoY Change	(¥ Million)	FY2015 (As of Mar. 31, 2016)	FY2016 (As of Mar. 31, 2017)	YoY Change
Current assets	5,064	6,221	1,156	Current liabilities	3,374	3,759	384
(Of which)				(Of which)			
Cash and deposits	2,197	3,344	1,146	Short-term loan	1,299	1,630	331
Notes and accounts receivable-trade	2,230	1,942	-288	Noncurrent liabilities	69	1,033	963
Noncurrent assets	1,469	1,430	-38	(Of which)			
(Of which)				Convertible bonds	-	1,017	1,017
Property, plant and equipment	299	298	-1	Total liabilities	3,444	4,793	1,348
Intangible assets	580	238	-341	Shareholders' equity	2,773	2,590	-183
Investments and other assets	589	893	303	(Of which)			
Total assets	6,533	7,651	1,117	Capital stock	300	300	-
				Capital surplus	368	277	-90
				Retained earnings	3,604	4,164	560
				Treasury shares	-1,499	-2,152	-652
				Total accumulated other comprehensive income	41	42	1
				Subscription rights to shares /Non-controlling interests	274	225	-49
				Total net assets	3,089	2,858	-231
				Total liabilities and net assets	6,533	7,651	1,117

- Current assets: Increased by ¥1,156 million (up 22.8% YoY), reflected by an increase in cash and deposits, while notes and accounts receivable-trade decreased
- Noncurrent liabilities: Increased by ¥963 million due to an increase in convertible bonds
- Net assets: Decreased by ¥231 million (down 7.5% YoY) due to an increase in retained earnings by recording profit attributable to owners of parent while capital surplus decreased due to additional acquisition of subsidiary's shares and retained earnings decreased due to payment of year-end and interim dividends



Consolidated Statements of Cash Flows

(¥ Million)	FY2015 Actual	FY2016 Actual	YoY Change
Net cash provided by operating activities	1,080	1,825	745
(*Cash flows before income taxes paid)	2,278	2,237	-40
Net cash provided by (used in) investing activities	-17	-610	-593
Net cash provided by (used in) financing activities	-1,913	-69	1,843
Effect of exchange rate change on cash and cash equivalents	-10	1	12
Net increase in cash and cash equivalents	-860	1,146	2,007
Cash and cash equivalents at the beginning of period	3,058	2,197	-860
Cash and cash equivalents at the end of period	2,197	3,344	1,146

- Cash flows from operating activities: Cash inflows from income before income taxes, depreciation and amortization (including goodwill amortization) exceeded cash outflows from income tax paid
- Cash flows from investing activities: Cash outflows from purchase of investment securities, acquisition of subsidiary's shares resulting in change in scope of consolidation and payments of lease and guarantee deposits
- Cash flows from financing activities: Cash outflows from repayment of short-term loan and repurchase of treasury shares exceeded cash inflows from short-term loan and issuance of corporate bonds



Dividends Policy

- Revised interim dividends and year-end dividends from the initial forecast of 9 yen to 11 yen, *5 yen to 6 yen, respectively.

(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

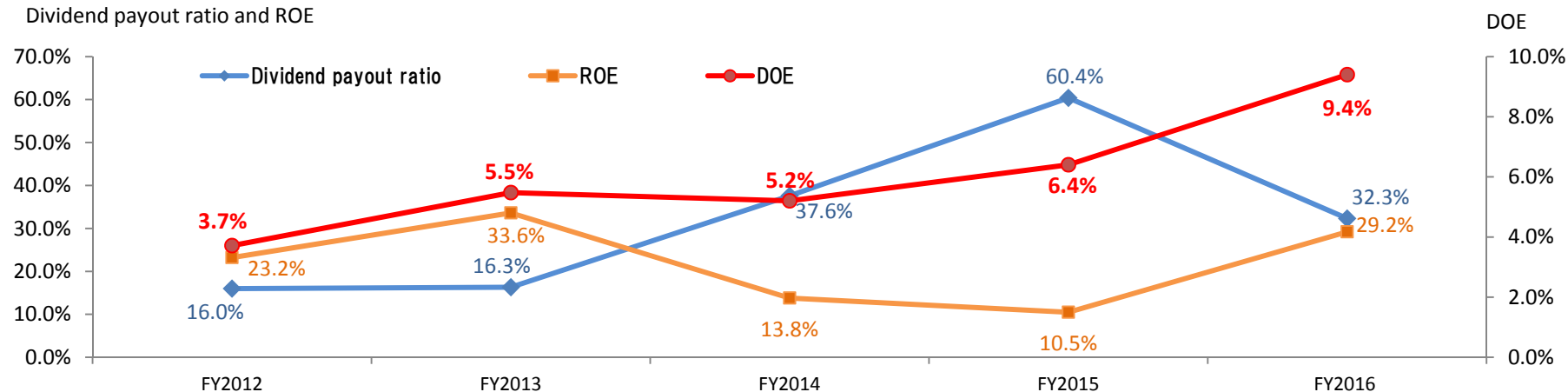
Dividend on equity (DOE) ratio = Payout ratio × Return On Equity (ROE) ratio

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) ratio indicating capital efficiency.

DOE, Dividend Payout Ratio and ROE

	FY2012	FY2013	FY2014	FY2015	FY2016
DOE	3.7%	5.5%	5.2%	6.4%	9.4%
Dividend payout ratio	16.0%	16.3%	37.6%	60.4%	32.3%
ROE	23.2%	33.6%	13.8%	10.5%	29.2%

Dividend payout ratio and ROE



* The Company conducted a 2-for-1 common stock split, effective on October 1, 2016. The year-end dividends and annual dividends without taking into account the stock split are 12 yen and 23 yen, respectively.



Dividends and Shares

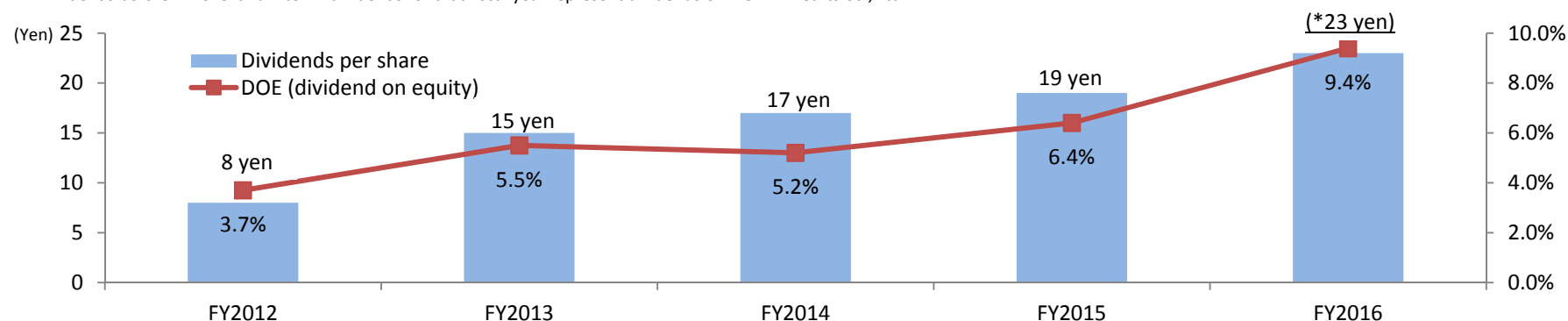
- Revised upward interim dividend and year-end dividend projections from the initial announcement, expecting to achieve a dividend increase for eight consecutive years since the first dividend payments
- Conducted a 2-for-1 common stock split, effective on October 1, 2016

Dividends per share

	FY2012	FY2013	FY2014	FY2015	FY2016
Annual dividends	8 yen	15 yen	17 yen	19 yen	(*23 yen)
Interim dividends	3 yen	7 yen	8 yen	9 yen	11 yen
Year-end dividends	5 yen	8 yen	9 yen	10 yen	6 yen (*12 yen)

***Conducted a 2-for-1 common stock split, effective on October 1, 2016. The dividend without considering stock split is shown in parenthesis.**

- Executed a 100-for-1 common stock split, effective on July 1, 2012, and a 2-for-1 common stock split, effective on October 1, 2012. Accordingly, interim dividends for FY2012 are adjusted retroactively to reflect share splits impact.
- Dividends before FY2013 and interim dividends for that fiscal year represent dividends of DIGITAL Hearts Co., Ltd.



Repurchase of treasury shares

Repurchase period: February 20, 2017 to April 13, 2017	Total number of treasury shares (As of the end of April 2017)
Total number of shares repurchased : 664,500 shares	
Total value of shares repurchased : 999,960,000 yen	2,179,904 shares

2. Earnings by Segment and FY2017 Financial Forecast

[Notes for earnings by segment]

Net sales by segment and unit include inter-segment sales or transfers.

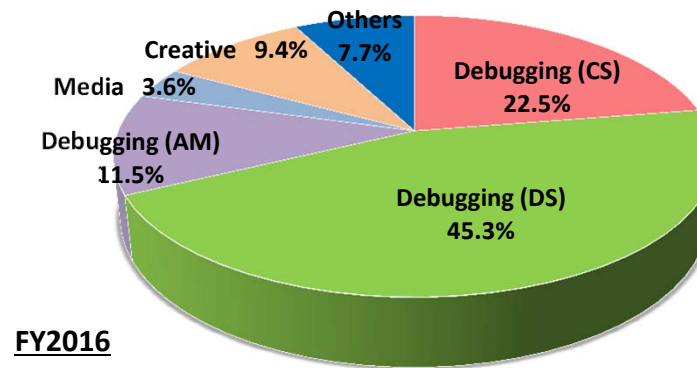
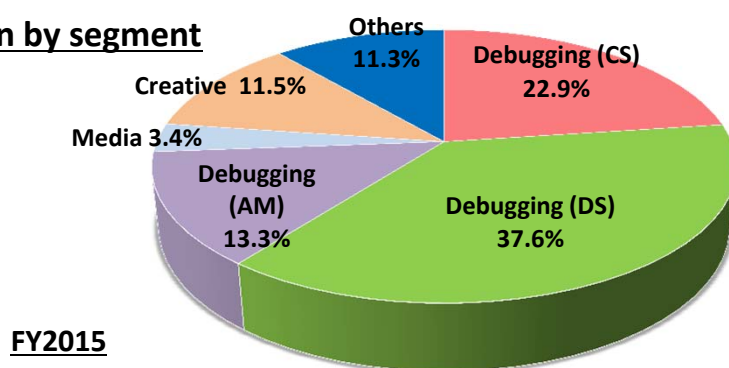
Segment income is based on operating income.



Summary of Earnings by Segment for the Fiscal Year Ended March 31, 2017

¥ Million	Business Description		FY2015	FY2016	YoY Change		
Debugging business	Checking software bugs and reporting the results to client customers	Net sales	11,138	12,283	1,145	(110.3%)	
		Segment income	2,555	2,740	184	(107.2%)	
	Consumer Games (CS)	Debugging service for consumer games, online games and arcade games	Net sales	3,449	3,483	34	(101.0%)
	Digital Solutions (DS)	Debugging service for mobile games and mobile apps, software testing of web systems, business operation systems, home appliances and automobiles and cyber security service	Net sales	5,676	7,021	1,344	(123.7%)
	Amusement (AM)	Debugging service for Pachinko and Pachislot	Net sales	2,012	1,778	-233	(88.4%)
Media business	Operating "4Gamer.net," one of Japan's largest game portals Planning and operation of game related events	Net sales	512	554	41	(108.1%)	
		Segment income (loss)	35	-24	-60	(一)	
Creative business	Development of consumer games and social network games and CG video production	Net sales	1,729	1,465	-263	(84.8%)	
		Segment loss	-224	-115	108	(一)	
Others	System Development Service Fuguai.com Service DIGITAL Hearts Creators Network Service	Net sales	1,701	1,193	-507	(70.2%)	
		Segment income	83	57	-26	(68.4%)	
Adjustment for each segment	Segment income adjustments: Corporate expense including general and administrative expenses not attributable to any reportable segment	Segment sales adjustments	-70	-52	17	(一)	
		Segment income adjustments	-486	-750	-263	(一)	
Total		Net sales	15,011	15,444	433	(102.9%)	
		Operating income	1,963	1,906	-57	(97.1%)	

Sales breakdown by segment





Debugging Business

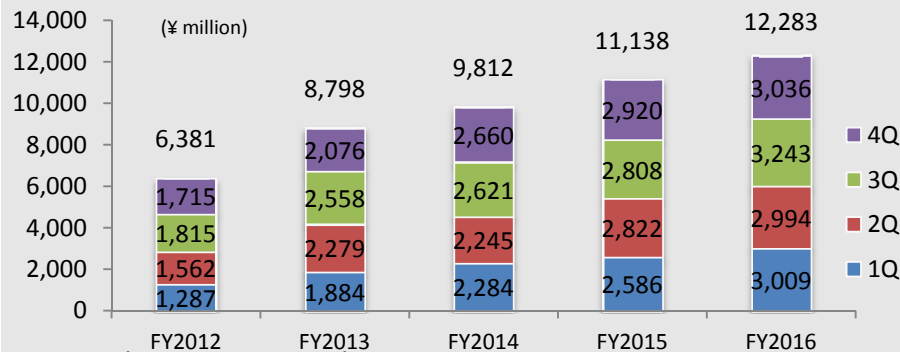
Net Sales and Segment Income (Year Over Year)

(¥ Million)	FY2015 Actual	FY2016 Actual	YoY Change	
Net sales	11,138	12,283	1,145	110.3%
Segment income	2,555	2,740	184	107.2%

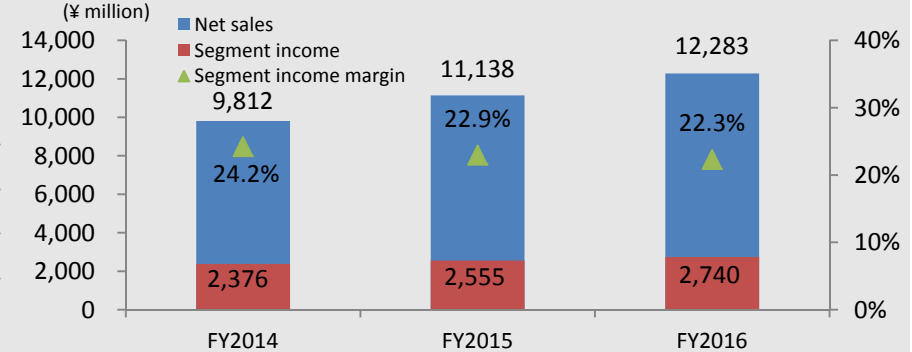
Business Highlights and Forecasts for FY2017

- ◆ Achieved a record high in net sales and segment income
- ◆ Fostered competitiveness by promoting joint research on VR and AI through external partnerships
- Amusement industry trends need to be monitored continuously, and consumer/mobile game development is actively being carried out

Net sales

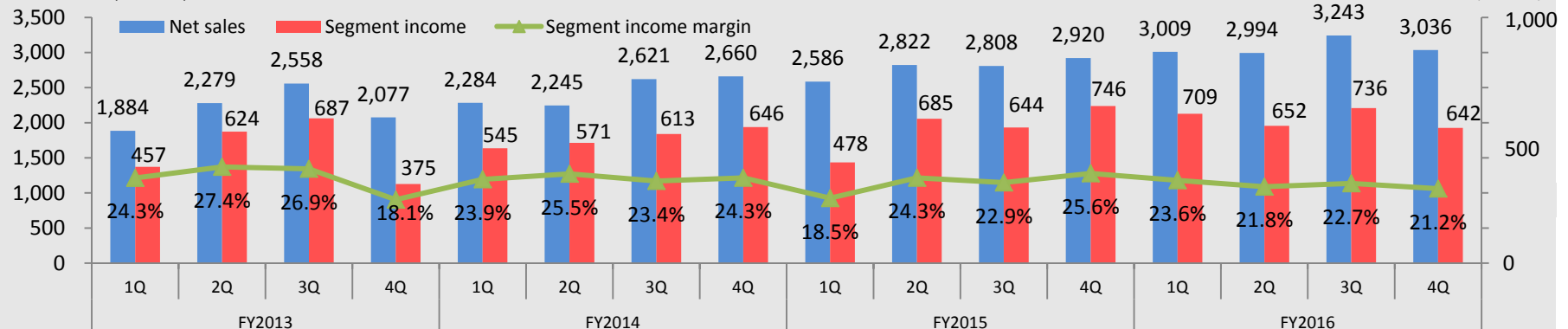


Segment results



Quarterly operating results

Net sales (¥ million)





Debugging Business (CS: Consumer Games Unit)

Business Highlights

- ◆ Net sales remained at the same level as the previous year, affected by an unexpected change in game development schedule of a client company
- ◆ Looking ahead to increasing needs of VR game development, enhanced the capability to respond to those needs by promoting joint research with National Institute of Advanced Industrial Science and Technology
- ◆ Entered the Chinese gaming market and actively conducted sale activities by taking part in Sony Interactive Entertainment Japan Asia's project

Forecasts for FY2017

- Focus on obtaining contracts for debugging for Nintendo Switch's game titles that are expected to be actively developed
- Establish stronger competitive advantages by promoting research on unique debugging methods for VR content and by accumulating related know-how
- Accelerate business expansion in the Chinese gaming market

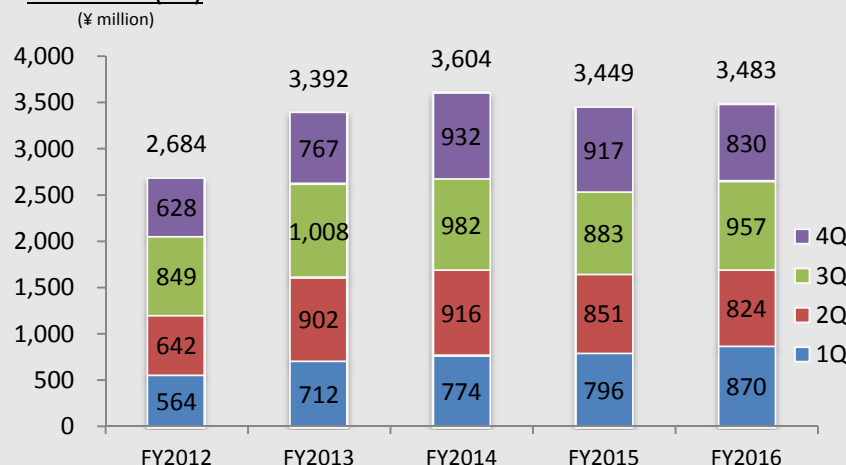
Net Sales (Year Over Year)

(¥ Million)	FY2015 Actual	FY2016 Actual	YoY change	
Net sales	3,449	3,483	34	101.0%

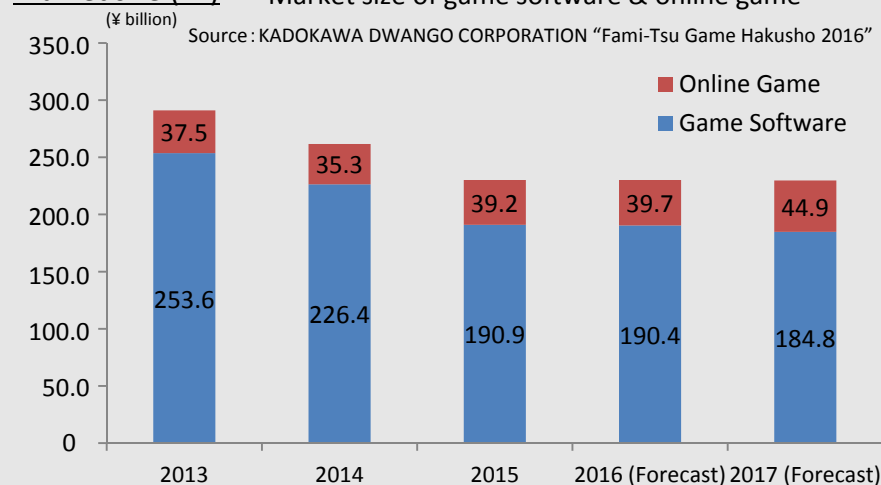
Serviced items:

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

Net sales (FY)



Market size (FY)





Debugging Business (DS: Digital Solutions Unit)

Business Highlights

- ◆ Saw a continuous year-over-year sales increase of above 120%
- ◆ Built a strong revenue base by continuously capturing debugging demands for the management phase after game release
- ◆ The system verification business showed a steady growth

Forecasts for FY2017

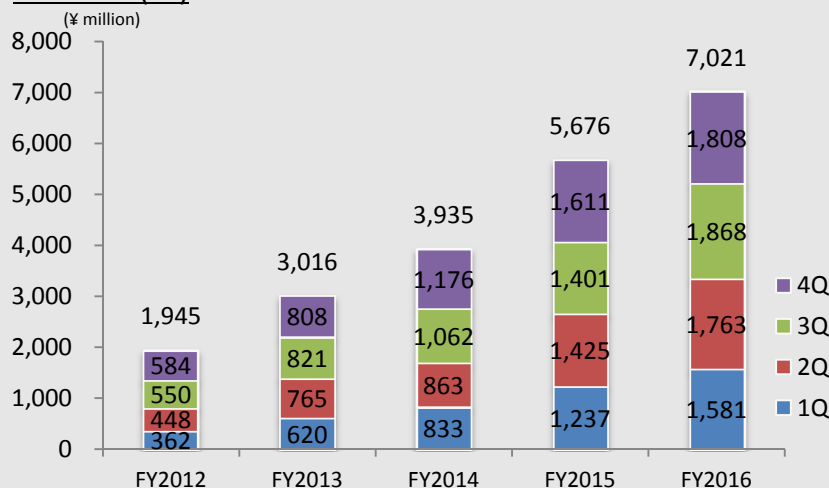
- DS unit is forecasted to keep consistent growth as needs for debugging are expected to increase continuously because of increases in development activities of game-oriented applications with high quality
- Focus on capturing growing needs for system verification, with increases of IoT-related software and increasing development activities of autonomous automobiles
- Promote use of AI in the area of system verification through establishing business alliance with HEROZ, Inc.

Net Sales (Year Over Year)

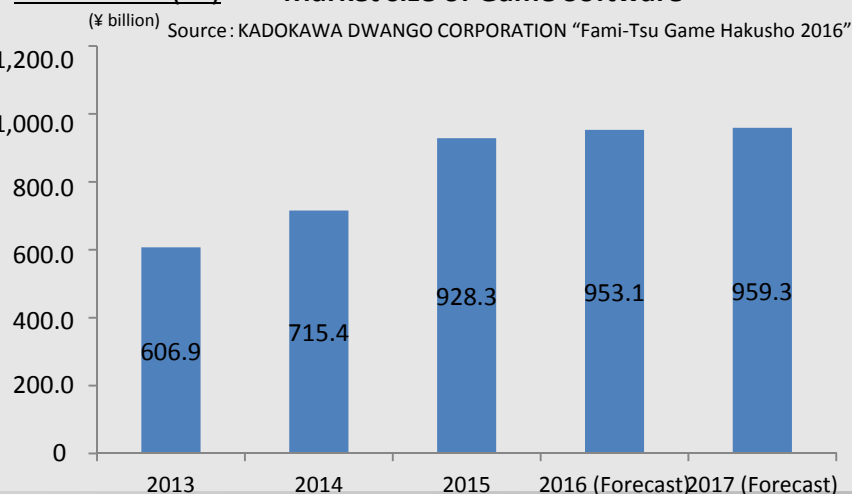
(¥ Million)	FY2015 Actual	FY2016 Actual	YoY change		Served Items:
Net sales	5,676	7,021	1,344	123.7%	

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

Net sales (FY)



Market size (FY)



Market size of Game Software



Debugging Business (AM: Amusement Unit)

Business Highlights

- ◆ There remains uncertainty about development schedules, affected by gradual tightening of regulations
- ◆ Strengthened sales activities to acquire new contracts

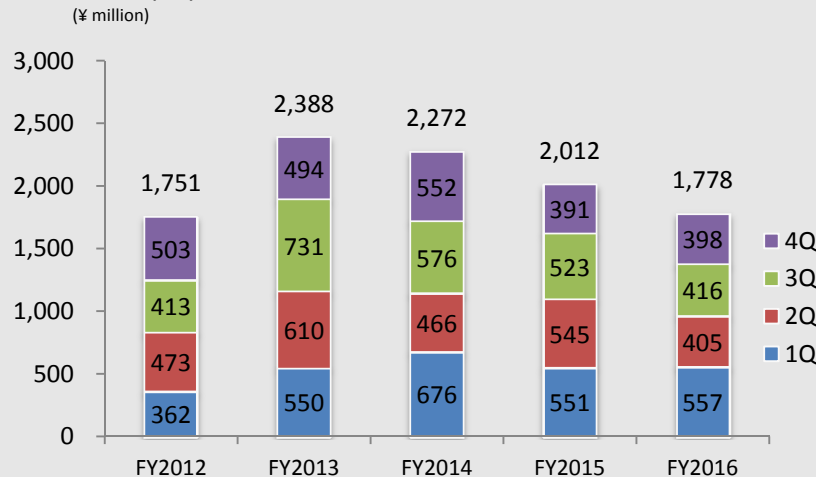
Forecasts for FY2017

- Need to continue to closely monitor pachinko/pachislot development trends
- There may be positive effects on the business as the Japanese Diet passed a bill to promote implementation of specified integrated resort areas including casinos

Net Sales (Year Over Year)

(¥ Million)	FY2015 Actual	FY2016 Actual	YoY change		Served Items:
Net sales	2,012	1,778	-233	88.4%	
					<ul style="list-style-type: none"> ■ Debugging - pachinko ■ Debugging - pachislot ■ Other development support services

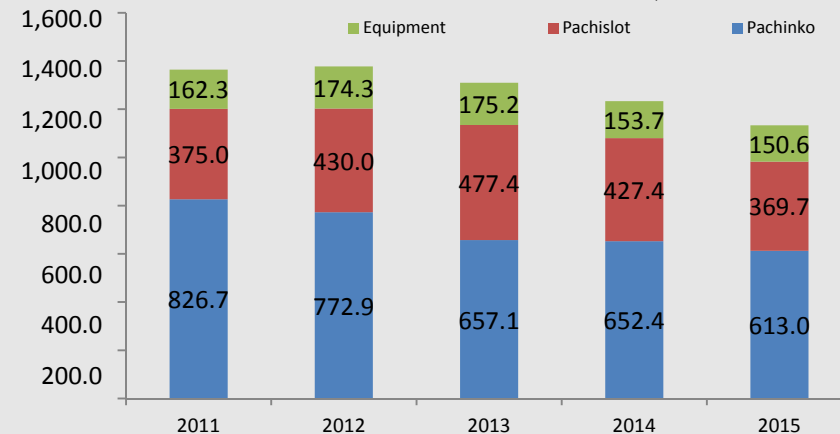
Net sales (FY)



Market size (FY)

(¥ billion) Source : Yano Research Institute Ltd.

"Trend and Market Share of Pachinko-related Manufacturers, 2016 Edition"





Media Business

Business Highlights

- ◆ Concluded a partnership agreement with the organizer of “EVO,” the world’s largest fighting game tournament, to hold “EVO Japan” in January 2018
⇒ Although upfront investment for promotion activities, etc., was conducted in association with establishment of EVO Japan Executive Committee LLP, sales increases exceeded the expenses for those activities in 4Q.
- ◆ Began “Music 4Gamer,” a game music project
⇒ Held a game music concert for the first time in March 2017
More than 2,000 audience attended the concert

Forecasts for FY2017

- Put a focus on activities for holding other game-related events including “EVO Japan” and the game music project
- Continue to focus on generating new business with “4Gamer.net” brand

Net Sales and Segment Income/Loss (Year Over Year)

(¥ Million)	FY2015 Actual	FY2016 Actual	YoY Change	
Net sales	512	554	41	108.1%
Segment income (loss)	35	-24	-60	—

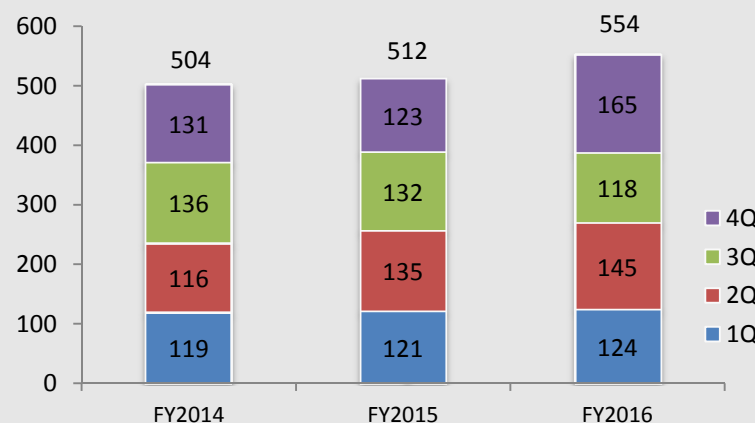
[Business description]

Operation of "4Gamer. net," a comprehensive game information website (<http://www.4gamer.net/>)

- Media Business started after Aetas, Inc. became a subsidiary in FY2012 3Q.

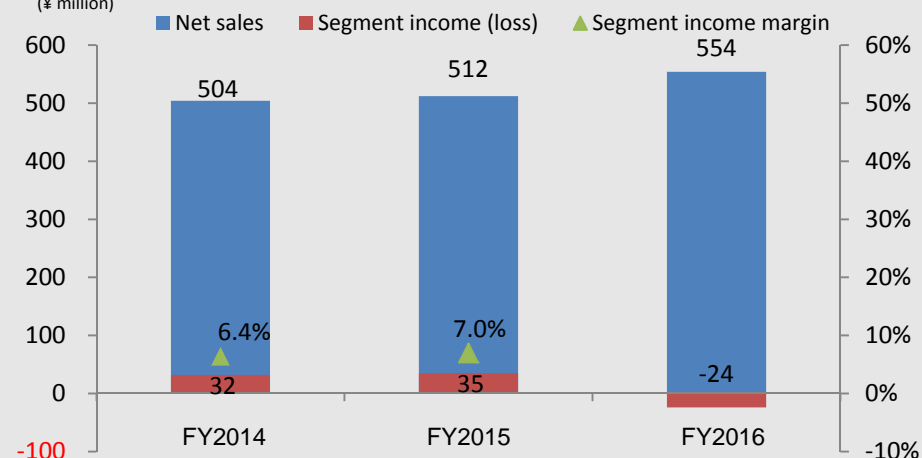
Net sales (FY)

(¥ million)



Segment results

(¥ million)





Creative Business

Business Highlights

- ◆ Received a revenue share model project which is this fiscal year's new measure centering on collaborative management with a game developer
⇒ Although costs increased temporarily in 1H due to delay of game development, business performance has significantly improved in 2H – Creative business segment made profit in 4Q.
- ◆ Renewed management structure, including the representative director, through proactive recruitment of human resources with sufficient insights and experience in global game development, and established flexible business management structure to expand business in the Chinese market

Forecasts for FY2017

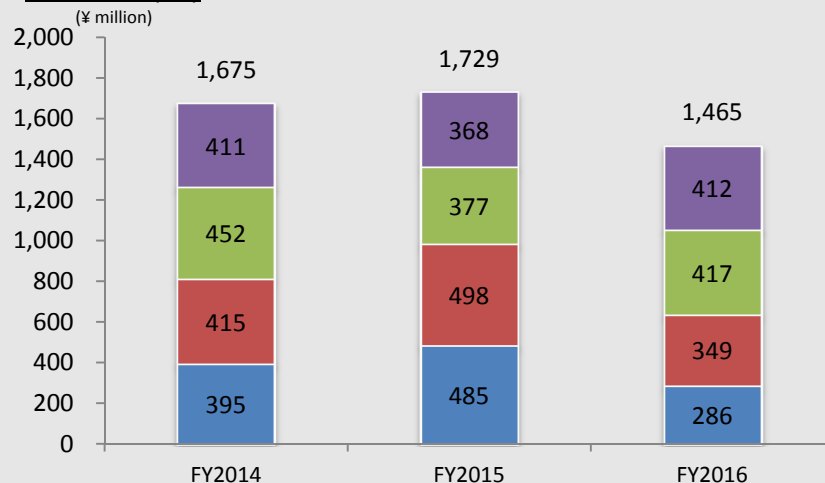
- Continue to put a focus on effective business operations in order to realize profit contribution on a full-year basis
- Actively promote new initiatives including IP business for Chinese companies, in order to further strengthen revenue bases

Net Sales and Segment Loss (Year Over Year)

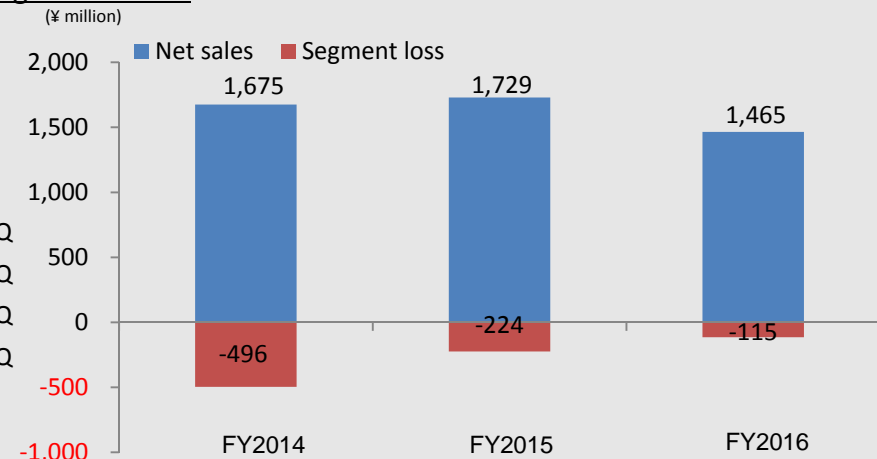
(¥ Million)	FY2015 Actual	FY2016 Actual	YoY Change	
Net sales	1,729	1,465	-263	84.8%
Segment loss	-224	-115	108	—

- [Business description]** Game development/CG video production: FLAME Hearts Co., Ltd.
- April 2014: Acquired Premium Agency Inc. as a subsidiary
 - January 2016: Merged with G&D Co., Ltd. and DIGITAL Hearts Visual Co., Ltd., both engaging in similar business, and renamed to FLAME Hearts Co., Ltd.
 - February 2017: Absorbed PG Universe Co., Ltd., which became a subsidiary of Hearts United Group Co, Ltd. in August 2016.

Net sales (FY)



Segment results





Others

Business Highlights

- ◆ Main clients' demands for system development decreased
- ◆ Consistently obtained contracts for system verification through strengthening intergroup cooperation

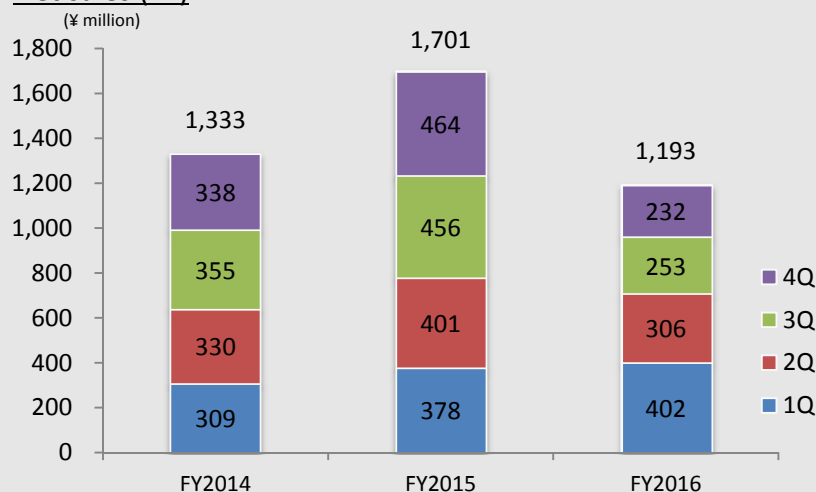
Forecasts for FY2017

- Focus on sales activities in order to increase contract volumes from existing clients and to gain contracts from new clients
- Promote expanding debugging business in system verification field

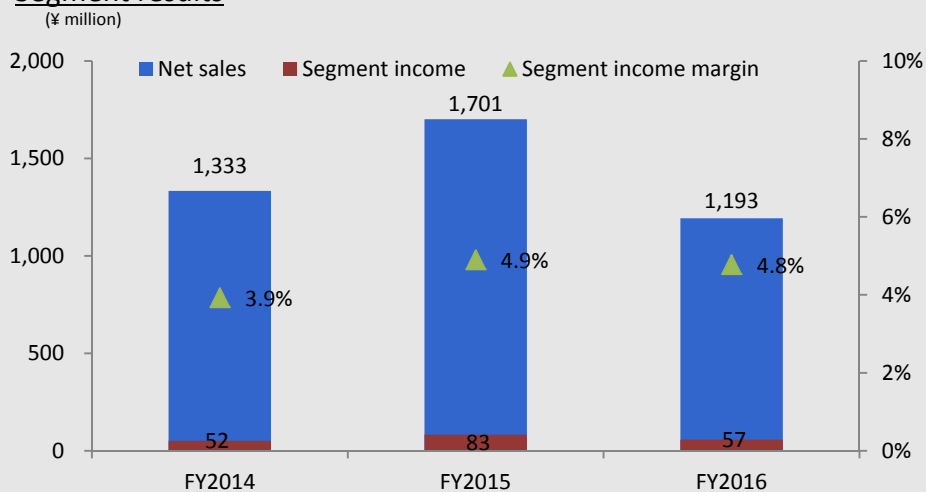
Net Sales and Segment Income (Year Over Year)

(¥ Million)	FY2015 Actual	FY2016 Actual	YoY Change		[Business description] System Development Service : NetWork21 Co., Ltd. became a subsidiary in December 2013 Fuguai.com Service : DIGITAL Hearts Co., Ltd. DIGITAL Hearts Creators Network Service : DIGITAL Hearts Co., Ltd.
Net sales	1,701	1,193	-507	70.2%	
Segment income	83	57	-26	68.4%	

Net sales (FY)



Segment results





FY2017 Consolidated Financial Forecast

(¥ Million)	FY2016 Actual	FY2017 Forecast	YoY Change	
Net sales	15,444	17,622	2,177	114.1%
Operating income	1,906	2,200	293	115.4%
Operating income margin	12.3%	12.5%	+0.1 points	
Ordinary income	1,997	2,225	227	111.4%
Profit attributable to owners of parent	795	1,382	587	173.8%

FY2017 Consolidated Financial Forecast

Aim for over 110% increases in net sales and operating income

Strengthen business base and move into the second stage for further growth

● **Net sales: ¥17,622 million [114.1% YoY]**

- Debugging business is expected to grow continuously by over 110%.
- Accelerate business expansion in non-entertainment fields, such as system verification and automobile testing that are expected to grow greatly in the future.

● **Operating income: ¥2,200 million [115.4% YoY]**

- Operating income is forecasted to be increased because of sales increase in Debugging business segment and operating income improvement in Media business and Creative business segments.

FY2017 Dividends Forecast

● **FY2016 Annual dividend 11.5 yen (DOE 9.4%) ⇒ FY2017 Annual dividend 11.5 yen (DOE 8.3%)**

*The Company conducted a 2-for-1 common stock split, effective on October 1, 2016. The annual dividend for FY2016 reflects the stock split and is adjusted retrospectively.

3. Actions and the Medium-Term Management Plan



Debugging Business in System Verification Field

Expand Debugging Business in System Verification Field

Hypothesis

- ◆ An expansion of IoT market leads to an increase in the demands of debugging/third-party verification which is a labor-intensive process for the systems in all industries
- ◆ An approach to work with system engineers promotes outsourcing of debugging process for enterprise systems which used to have a high barriers

Results

- ✓ Chronic engineer shortages in IT industry makes it difficult to secure human resource with project management skills, requiring continuous investment in human resources
- ✓ Profitability improvement becomes challenging due to increasing difficulties and volume in test design as a result of an increase in scale and complexity of system development

Develop new services by utilizing AI

Hypothesis

- ◆ An approach focusing on labor-intensive needs utilizing technology as a leverage, rather than an approach from upstream, generates stable profit
- ◆ Secure unique competitive advantage by combining the Company's long-time accumulated know-how with technologies such as AI

Results

- ✓ Using AI technology within a range limited to help predict user behavior is most effective to get an immediate result
- ✓ A search of a highly compatible field in various software shows high performance in fields other than entertainment

Shift from “Engineer” × “Debugging” to “Human resources” × “Technologies”

Future Actions

- Improve profitability structurally through “shift from labor-intensive business model to technology-intensive business model” mainly in Debugging business in the system verification field
 - Start shifting our business model from labor-intensive to technology-intensive under the leadership of the newly formed R&D team
 - Measure effects of the internal efficiency for improvement, through new solutions using AI technology
 - Realize a proactive approach to clients’ issues by offering technology-based services

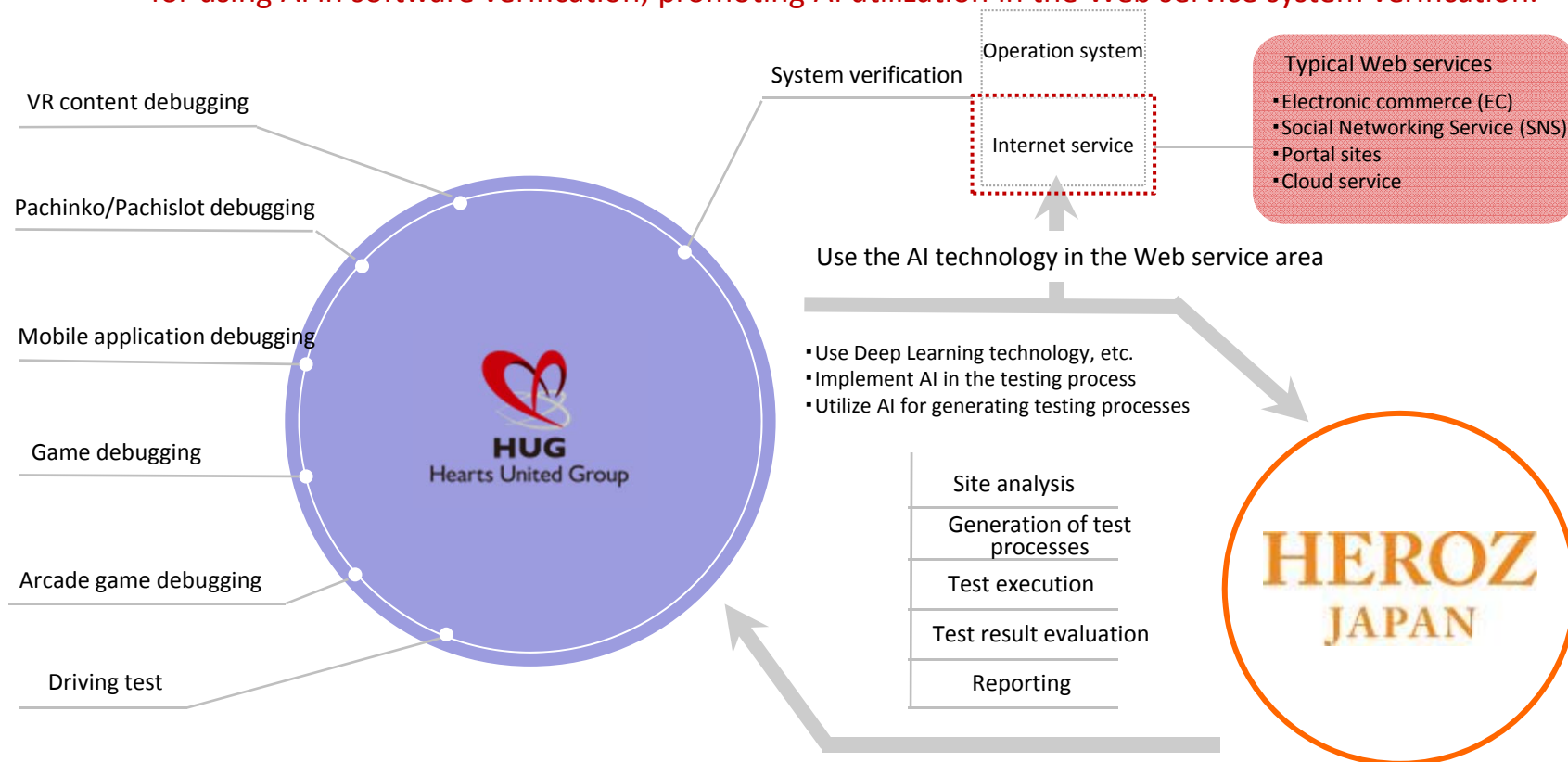


Use of AI in System Verification Field

- The Web business market is expected to grow with CAGR of 17% for the next 10 years and to expand to 47 trillion yen in 2020.
- Rapid expansion of this market will lead to a business opportunity in the Web service system verification field as demands for quality enhancement increase.
- Shortage of man-power in the IT area is becoming serious. As a result, the jobs-to-applicants ratio of Internet specialists rose five times over the past few years.

(Source: "Next-generation highly-reliable/energy saving basic IT technologies " by Ministry of Economy, Trade and Industry)

On February 2017, the Company entered into a business alliance agreement with HEROZ, Inc., a leading company in AI, for using AI in software verification, promoting AI utilization in the Web service system verification.





Positioning of the New Medium-term Management Plan (FY2016 to FY2018) and Management Vision

- May 2016: Announced a new Medium-term Management Plan (FY2016 to FY2018) after reviewing the previous Medium-term Management Plan in light of progress of M&As and changes in business environment

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 and aim to become 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 flexible 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 (FY2016 to FY2018): 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 market 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

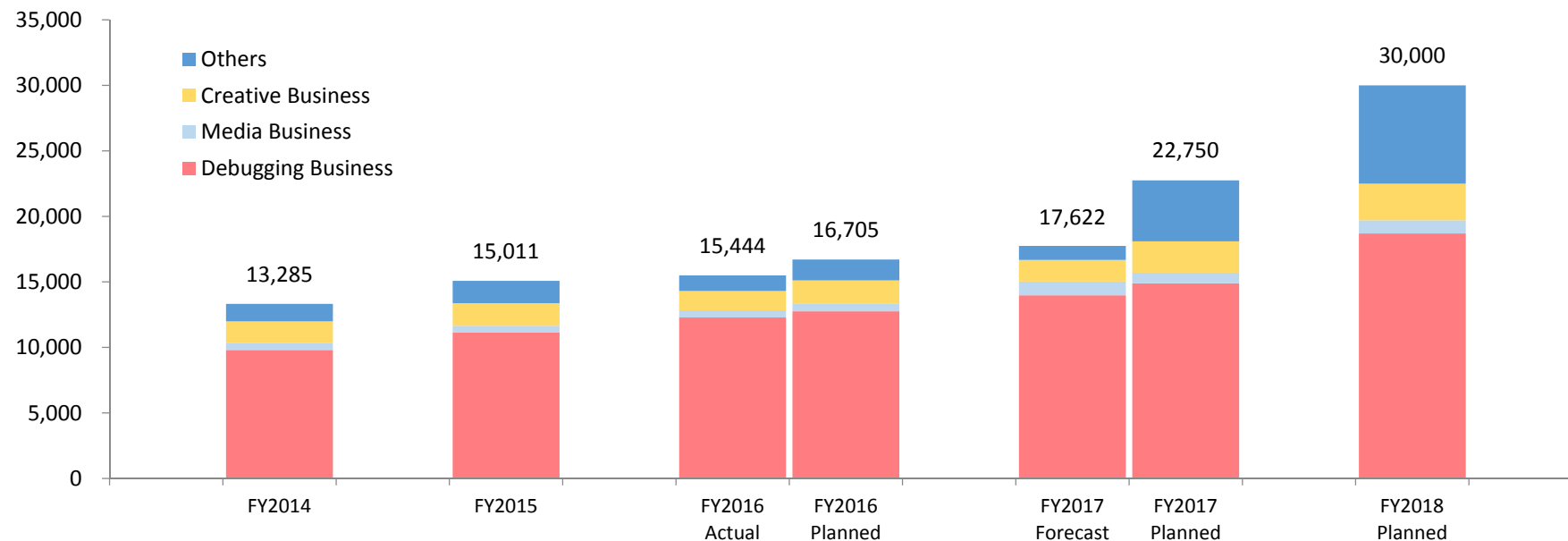
Others: Create and expand new businesses through M&As, etc.

- Maintain stable growth of system development service and support the growth of system verification service
- 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 (FY2016 to FY2018): Target Sales by Segment

(Net sales: ¥ Million)



(¥ Million)

← New medium-term management plan period →

Segment	FY2014 (Actual)	FY2015 (Actual)	FY2016 (Actual/Announced figures of medium-term management plan)		FY2017 (Forecast/Announced figures of medium-term management plan)		FY2018 (Planned)
Debugging Business	9,812	11,138	12,283	12,752	17,622	14,900	18,700
Media Business	504	512	554	565		800	1,000
Creative Business	1,675	1,729	1,465	1,800		2,400	2,800
Others	1,333	1,701	1,193	1,586		4,650	7,500
Total	13,285	15,011	15,444	16,705	17,622	22,750	30,000

*As actual sales figures of each segment for FY2014, FY2015 and FY2016 include inter-segment sales or transfers, the sum of each segment's sales does not necessarily match the total presented above.



New Medium-term Management Plan (FY2016 to FY2018): Financial Indicators of the Group

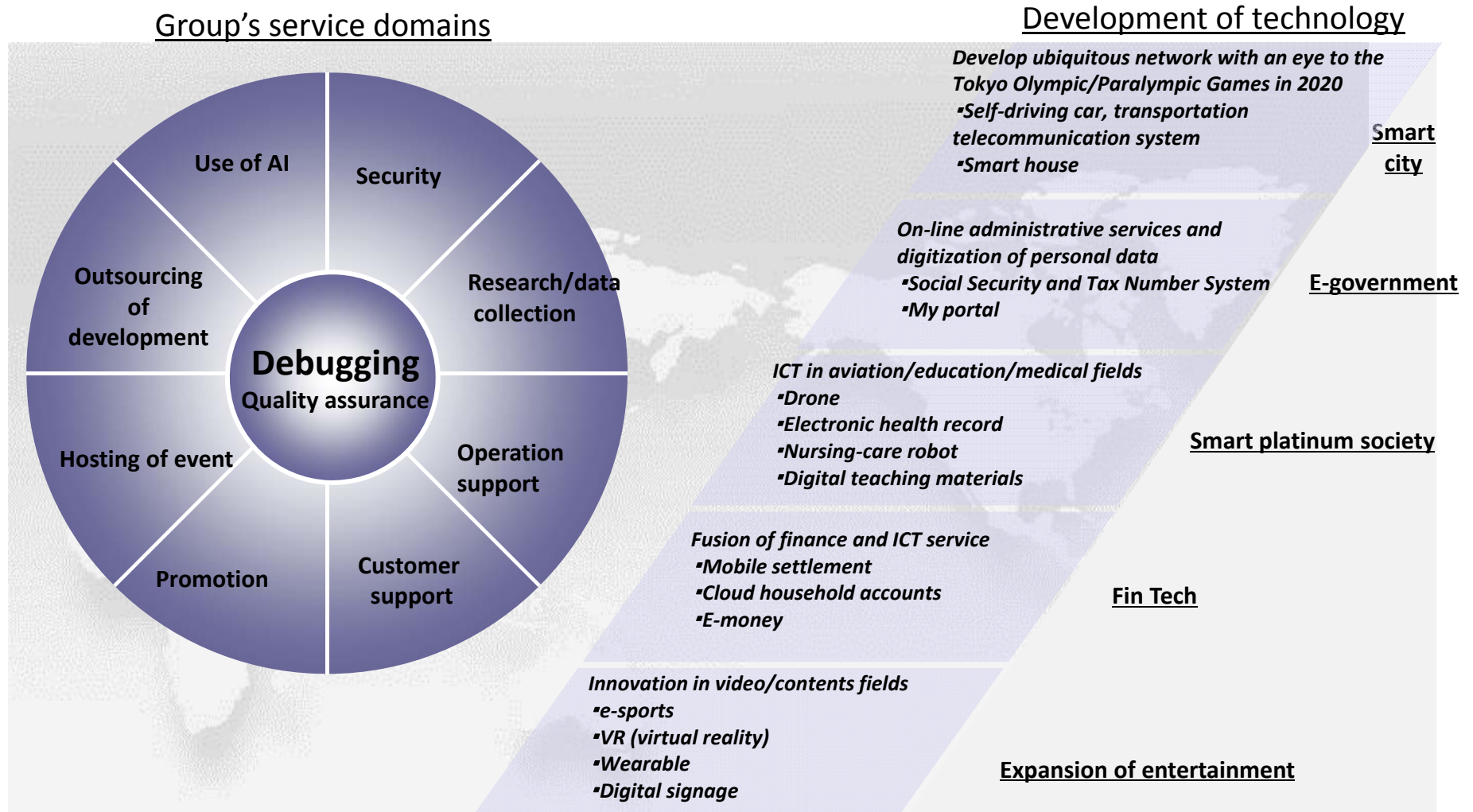
	FY2015 Actual		FY2018 Target figure of New Medium-Term Management Plan
Sales	¥15 billion	▶ +¥14.9 billion (200%) ▶	¥30 billion
Operating Income margin	13.1%	▶ +3% ▶	16%
Ordinary Income	¥1.9 billion	▶ +¥2.8 billion (248%) ▶	¥4.8 billion
EPS (Earnings Per Share)	¥31.4	▶ +¥231 (835%) ▶	¥262*
DOE (Dividend On Equity)	6.4%	▶ — ▶	6%
Dividend payout ratio	60.4%	▶ -44% ▶	16%
ROE (Return On Equity ratio)	10.5%	▶ +28% ▶	39%

*Not considering a 1:2 stock split of common shares effective on October 1, 2016



New Medium-term Management Plan (FY2016 to FY2018): 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”





Hearts United Group Co., Ltd.

<Contact>

Management Planning Division

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**
- **Corporate History**
- **Group Companies**
- **Segment**
- **Group Companies & Offices**
- **Debugging Business**
- **Media Business**
- **Creative Business**
- **Others**
- **FYI (Glossary)**



Corporate Profile

(As of March 31, 2017)

Company 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
Business Activities	Business management of subsidiaries, etc. and other service incidental or related thereto.
Description of the Group's Businesses	<ul style="list-style-type: none"> ■ Debugging Service ■ Game Development/CG Video Production Service ■ "Fuguai.com" Site Management ■ "4Gamer.net" Site Management ■ System Development Service ■ Supporting creators: Managing online user participation type games
Capitalization	¥300,686,000
Shares Issued	23,890,800 Shares
Group Companies	<ul style="list-style-type: none"> ■ DIGITAL Hearts Co., Ltd. ■ DIGITAL Hearts USA Inc. ■ DIGITAL Hearts (Shanghai) Co., Ltd. ■ Aetas, Inc. ■ NetWork21 Co., Ltd. ■ DIGITAL Hearts Korea Co., Ltd. ■ DIGITAL Hearts (Thailand) Co., Ltd. ■ EVO Japan Executive Committee LLP ■ FLAME Hearts Co., Ltd. □ ZEG Inc.
<ul style="list-style-type: none"> ■ Consolidated subsidiary □ Affiliated company 	
Number of Employees (consolidated)	648



Corporate 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	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
2016	January	Merged G&D Co., Ltd., DIGITAL Hearts Visual Co., Ltd. and Premium Agency Inc., renamed to FLAME Hearts Co., Ltd.
	July	Established a subsidiary DIGITAL Hearts (Shanghai) Co., Ltd., in Shanghai, China
	August	Acquired all of the shares of PU Universe Co., Ltd. and made it a subsidiary
	September	Established EVO Japan Executive Committee LLP
2017	February	Conducted an absorption-type merger with FLAME Hearts Co., Ltd. as the surviving company and PG Universe Co., Ltd. being dissolved

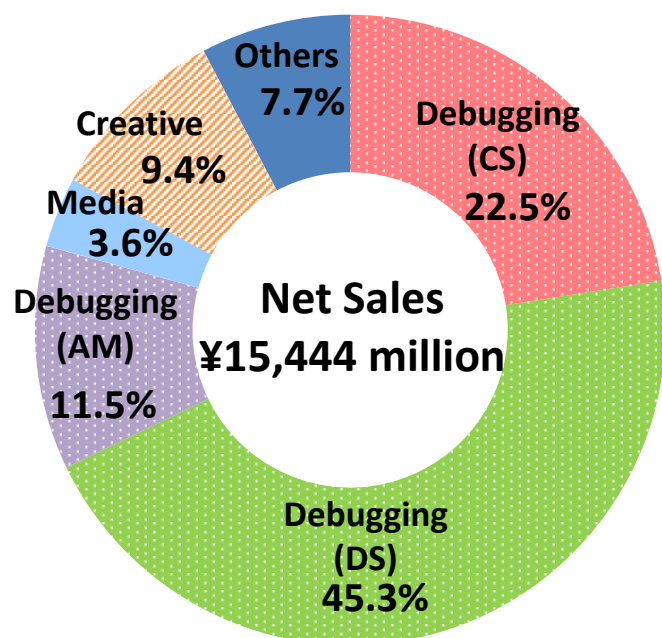


Group Companies

	Company Name		Business Activities	Segment
 Hearts United Group Co., Ltd.	DIGITAL Hearts Co., Ltd.		Provide User Debugging Service	<div>Debugging</div> <div>Others</div>
	DIGITAL Hearts Korea Co.,Ltd.		Provide User Debugging Service	<div>Debugging</div>
	DIGITAL Hearts USA Inc.		Provide User Debugging Service	<div>Debugging</div>
	DIGITAL Hearts (Thailand) Co.,Ltd.		Provide User Debugging Service	<div>Debugging</div>
	DIGITAL Hearts (Shanghai) Co.,Ltd.		Provide User Debugging Service	<div>Debugging</div>
	Aetas, Inc.		Planning/operation of a PC/online game information site "4Gamer.net," etc.	<div>Media</div>
	EVO Japan Executive Committee LLP		Hosting and operating EVO Japan	<div>Media</div>
	FLAME Hearts Co., Ltd.		Game Development and Video Production Service, etc.	<div>Creative</div>
	NetWork21 Co., Ltd.		Develop variety of systems including content program, core system, etc.	<div>Others</div>
	ZEG Inc.(affiliated company)	Investment ratio 49.0%	Agency service for debugging and data collection, etc. for the automotive industry	



Business Segment



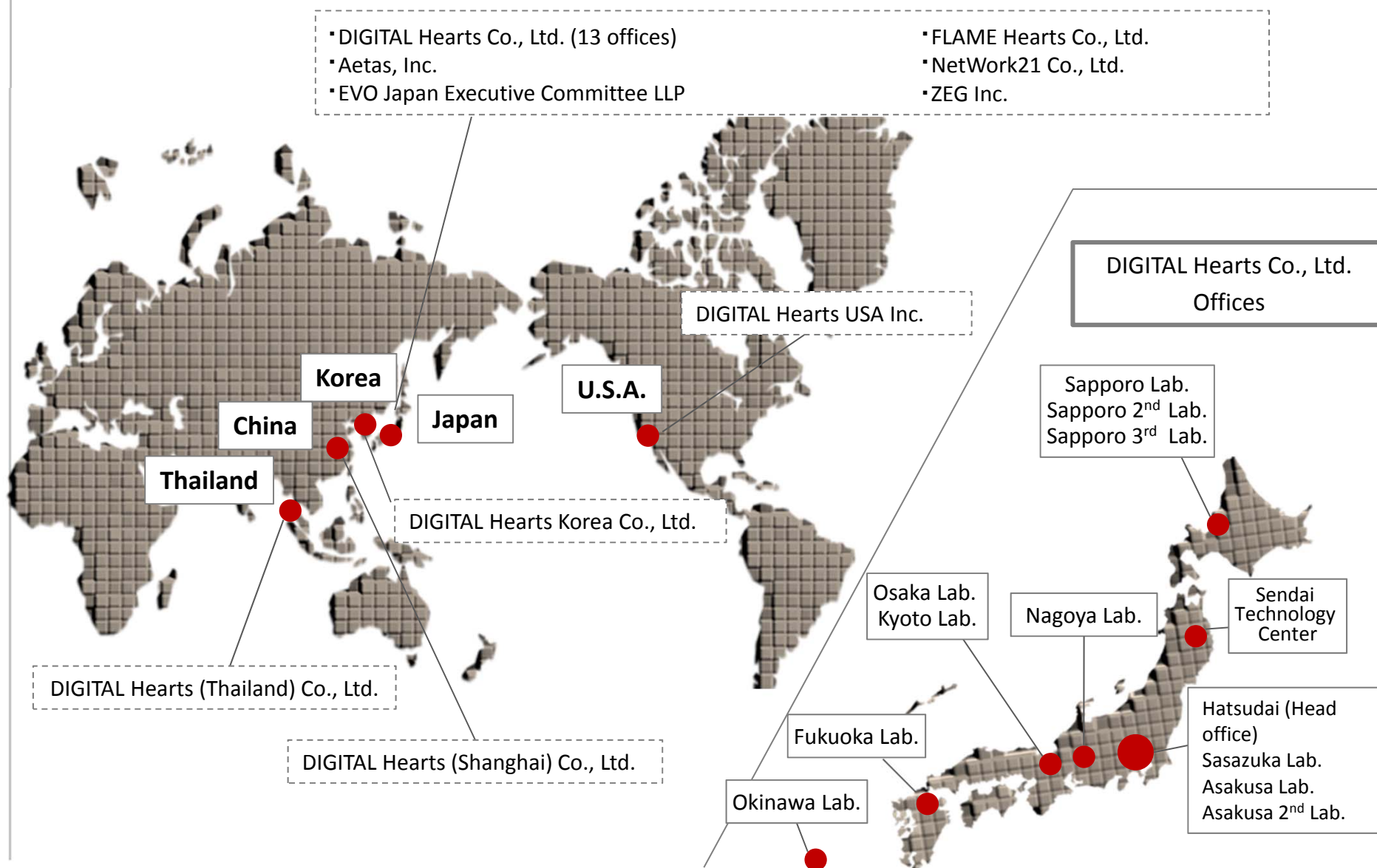
Sales Breakdown by Segment for FY2016

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

Debugging	22.5%	Consumer Games Unit (CS) Testing of consumer game software/online games, etc.
	45.3%	Digital Solutions Unit (DS) Testing of systems and mobile content, i.e., social network games, and automobile driving test, etc.
	11.5%	Amusement Unit (AM) Testing of Pachinko/Pachislot, etc.
Media	3.6%	4Gamer.net Operation of one of Japan's largest game portals
Creative	9.4%	Game Development/ CG Video Production Service
Others	7.7%	System Development Service Fuguai.com Site Management Service DIGITAL Hearts Creators Network Service



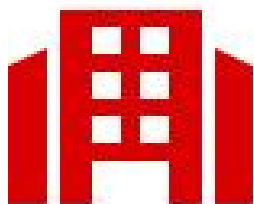
Group Companies & Offices





Debugging Business

Clients



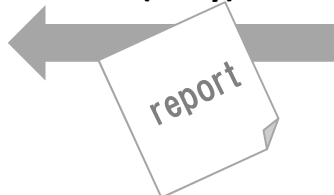
- Game Industry
- Mobile Device Industry
- Pachinko & Pachislot Industry
- Home Appliance Industry
- System Industry
- Others

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 Companies

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



Registered staff



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

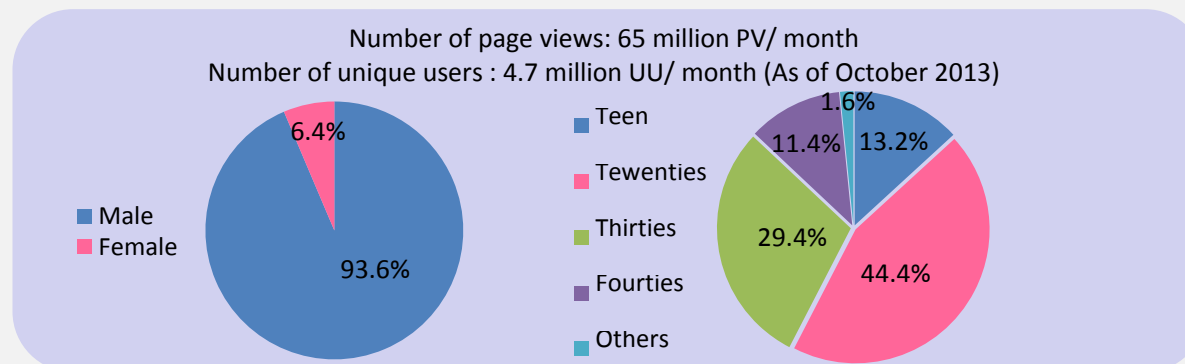
Media management

4Gamer.net

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

The comprehensive game information website for gaming fans:

- Contains a wide variety of game-related information from all over the world, i.e., breaking news, review articles, hardware related information and a series of articles chosen by different types of editors.
- Is frequently updated.



gamesindustry.biz
— japan edition —

<http://jp.gamesindustry.biz/>

Distributes and collects information on gaming industry trend and technology news through “4Gamer.net” and “GamesIndustry.biz.”

Event planning/management



“EVO Japan,” a worldwide fighting game tournament, is scheduled to be held in January 2018.



♪ Music 4Gamer ♪
Planning and holding a game music concert, etc.

* Evo & Shoryuken. All Rights Reserved.

* EVO Japan Executive Committee LLP conducts management and planning of “EVO Japan.”



Creative Business/Others




<Creative Business>

Game Development/CG Video Production Service

Provide various production services for overall creative fields in customers' digital contents production, including contracted development of consumer games and social games and video production using CG



<Others>

System Development Service	Fuguai.com Service	DIGITAL Hearts Creators Network Service
<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 our group companies 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.	Our group companies refer to the location for debugging work as "Lab."
Tester	Our group companies refer to staff who carries out debugging service as a "tester." Our group companies adopt the part-time registration system, and a "registered tester" refers to a staff registered with our group companies.
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.
Virtual reality (VR)	A technology to artificially create an environment that feels like real. Users are able to feel as if they are in 3D space with the use of wearable devices and computer generated images and sound.
Augmented reality (AR)	A word referring to a technology that augments a reality environment perceived by people using computer, or a reality environment itself augmented by computer.