

Presentation Material

for the First Half of Fiscal Year Ending March 31, 2018

Hearts United Group Co., Ltd.

Tokyo Stock Exchange First Section : Code 3676

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

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1. Summary of Business Results for the First Half of FY2017



Summary of Business Results for the First Half of FY2017

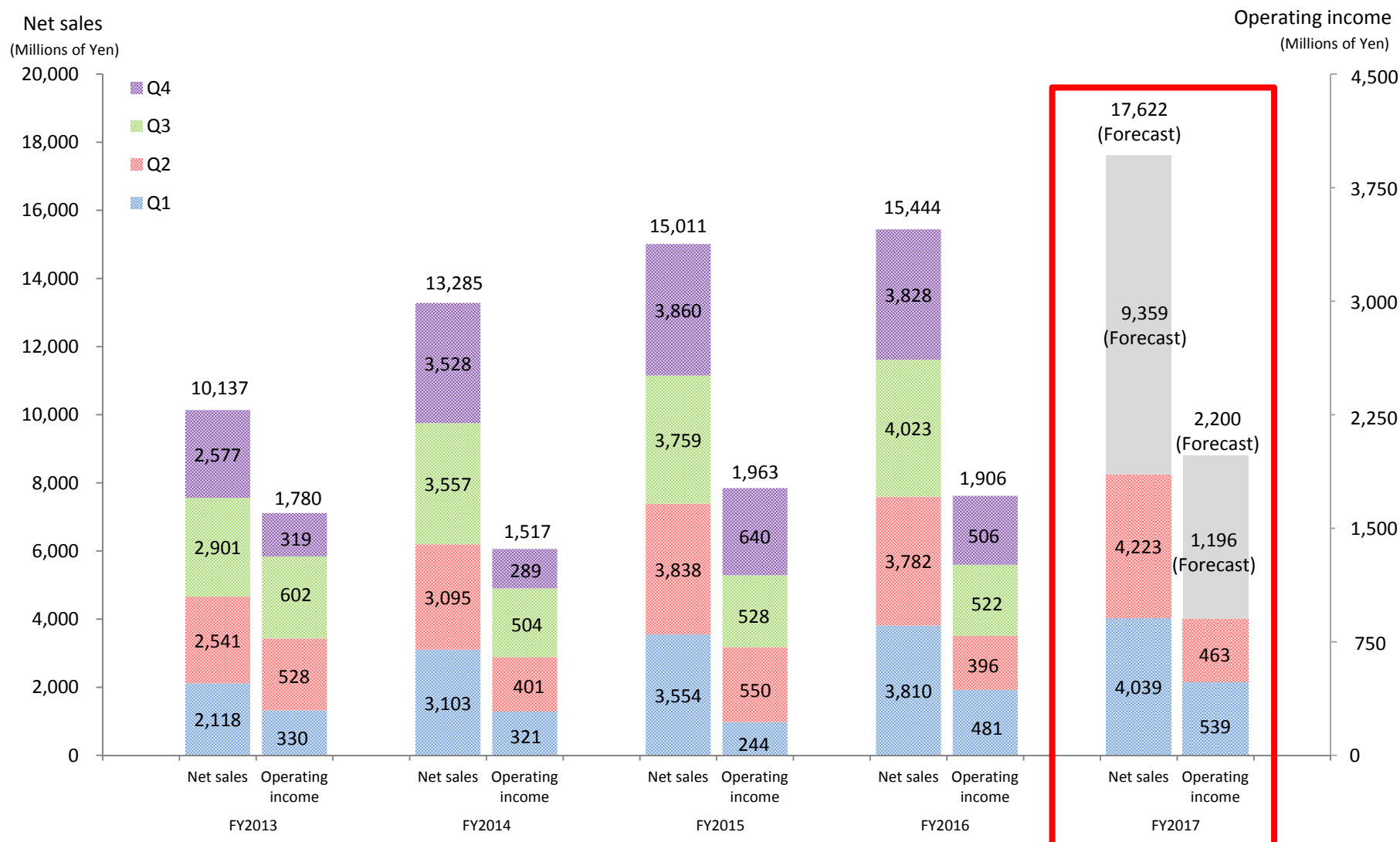
- Net sales and operating income both increased as Debugging business achieved over 110% in sales and segment income growth.

(Millions of Yen)	Consolidated			Summary
	FY2016 Q2 Actual	FY2017 Q2 Actual (YoY Change)	FY2017 Full-Year Forecast (YoY Change)	
Net sales	7,592	8,263 (108.8%)	17,622 (114.1%)	Debugging business achieved sales growth of over 110% and boosted earnings.
Cost of sales	5,430	5,784 (106.5%)	-	
Cost of sales (%)	71.5%	70.0% (-1.5 points)	-	
Gross profit	2,161	2,478 (114.6%)	-	
Selling, general and administrative expenses	1,284	1,475 (114.9%)	-	With the transition to new management structure, SG&A expenses increased because of management-level employees increases and collocating group companies' offices
Operating income	877	1,003 (114.3%)	2,200 (115.4%)	Operating income increased as Debugging business's sales increased and Creative business's net sales improved.
Operating income margin	11.6%	12.1% (+0.6 points)	12.5% (+0.1 points)	
Ordinary income	935	1,008 (107.8%)	2,225 (111.4%)	
Profit attributable to owners of parent	557	674 (120.9%)	1,382 (173.8%)	



Trend in Consolidated Sales/Operating Income (Fiscal Year)

➤ 1H results for both net sales and operating income hit a record high and are on track with full-year forecast.

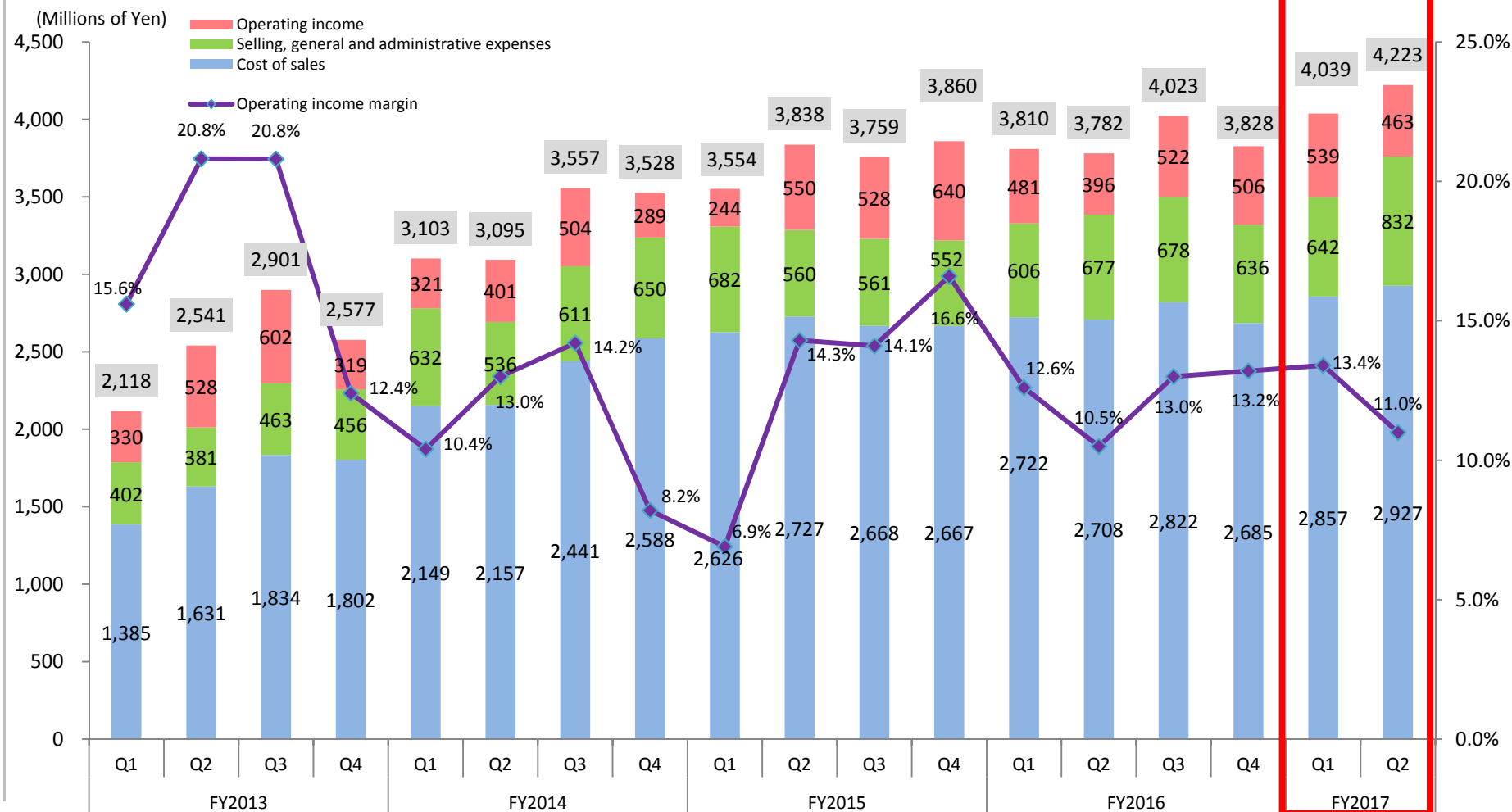




Trend in Consolidated Sales/Operating Income (Quarterly)

- Quarterly net sales hit a record high.
- With the transition to a new management structure in June, the management base was fostered by making investment in human resources including management-level employees.

Quarterly results





Consolidated Balance Sheets

(Millions of Yen)	FY2016 (As of March 31, 2017)	FY2017 (As of September 30, 2017)	YoY Change	(Millions of Yen)	FY2016 (As of March 31, 2017)	FY2017 (As of September 30, 2017)	YoY Change
Current assets	6,221	6,297	75	Current liabilities	3,759	3,801	41
(Of which)				(Of which)			
Cash and deposits	3,344	3,706	361	Short-term loans	1,630	1,600	-30
Notes and accounts receivable - trade	1,942	2,181	239	Noncurrent liabilities	1,033	1,030	-3
Noncurrent assets	1,430	1,725	295	(Of which)			
(Of which)				Convertible bond-type bonds with subscription rights to shares	1,017	1,017	—
Property, plant and equipment	298	427	129	Total liabilities	4,793	4,831	38
Intangible assets	238	204	-34	Shareholders' equity	2,590	2,935	344
Investments and other assets	893	1,093	200	(Of which)			
Total assets	7,651	8,022	371	Capital stock	300	300	—
				Capital surplus	277	332	55
				Retained earnings	4,164	4,706	541
				Treasury shares	-2,152	-2,405	-252
				Total accumulated other comprehensive income	42	43	1
				Non-controlling interests	225	212	-12
				Total net assets	2,858	3,191	332
				Total liabilities and net assets	7,651	8,022	371

- Current assets increased by ¥ 75 million (up by 1.2% YoY) due to an increase in cash and deposits.
- Fixed assets increased by ¥ 295 million (up by 20.7% YoY) as tangible fixed assets increased.
- Net assets resulted in a ¥ 332 million increase (up by 11.6% YoY) as retained earnings increased due to net income attributable to owners of parent, with a decrease in net assets due to treasury share purchase.



Consolidated Statements of Cash Flows

(Millions of Yen)	FY2016 Actual Q2	FY2017 Actual Q2	YoY Change
Net cash provided by operating activities	932	858	-74
(*Cash flows before income taxes paid)	930	927	-2
Net cash used in investing activities	-413	-332	81
Net cash provided by (used in) financing activities	1,080	-152	-1,232
Effect of exchange rate change on cash and cash equivalents	-11	-11	0
Net increase (decrease) in cash and cash equivalents	1,587	361	-1,225
Cash and cash equivalents at the beginning of period	2,197	3,344	1,146
Cash and cash equivalents at the end of period	3,785	3,706	-78

- Cash flows from operating activities resulted in a year-over-year slight decrease as cash outflows from a large amount of accounts receivable exceeded an increase in quarterly net income.
- Cash flows from investment activities: Cash outflows from HEROZ, Inc.'s convertible bond underwriting as well as a deposit payment and fixed assets purchases due to head office relocation.
- Cash flows from financing activities: Cash outflows mainly from the previous year end dividends payout, etc.

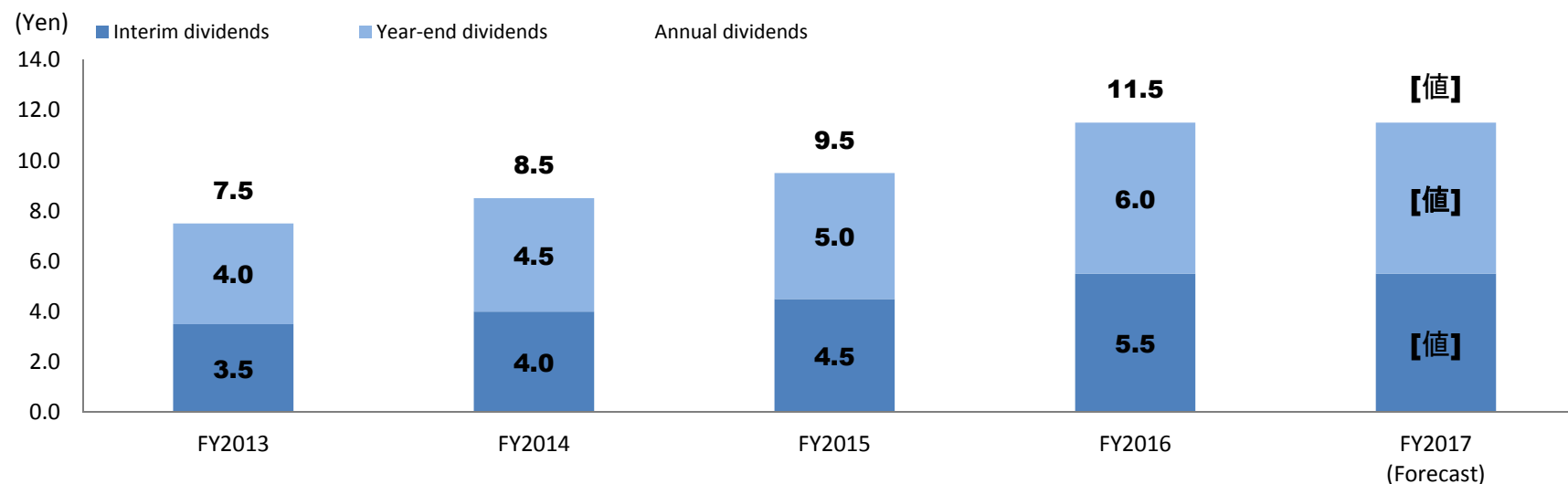


Dividend Information

- 5.5 yen of interim dividends will be paid as initially expected.
- No changes from 6.0 yen of the initial year-dividend forecasts and the same amount of dividends from the previous year is scheduled to be paid with annual dividends of 11.5 yen.

Dividends per share

	FY2013	FY2014	FY2015	FY2016	FY2017 (Forecast)
Annual dividends	7.5 yen	8.5 yen	9.5 yen	11.5 yen	11.5 yen
Interim dividends	3.5 yen	4.0 yen	4.5 yen	5.5 yen	5.5 yen
Year-end dividends	4.0 yen	4.5 yen	5.0 yen	6.0 yen	6.0 yen



* As the company conducted a 2-for-1 common stock split, effective on October 1, 2016, dividends before the interim dividends for FY2016 are accordingly adjusted retroactively to reflect the share splits impact.

2. Earnings by Segment and FY2017 Financial Forecast

[Note for earnings by segment]

Sales of each segment and unit include intersegment sales or transfers.

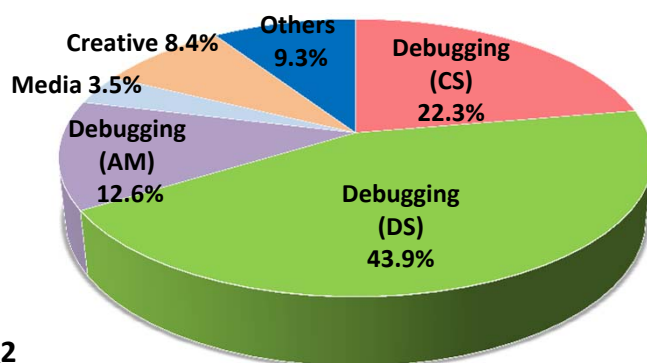
Segment income is based on operating income.



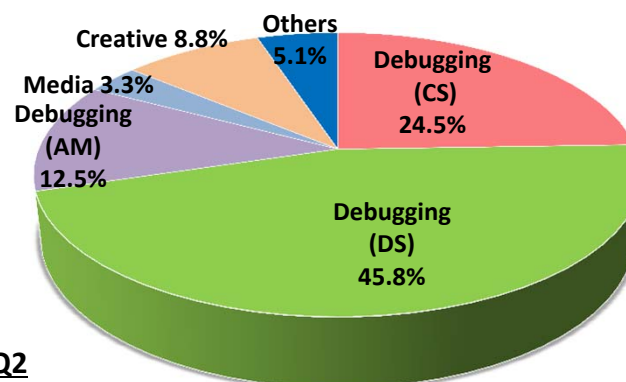
Summary of Earnings by Segment for the First Half of FY2017

(Millions of Yen)	Business Description		FY2016 Q2	FY2017 Q2	YoY Change (Value)	YoY Change (%)	
Debugging business	Checking for software defects and reporting results to clients	Net sales	6,003	6,944	941	(115.7%)	
		Segment income	1,361	1,594	233	(117.1%)	
	Consumer Games (CS)	Software debugging for consumer games, online games, and arcade games	Net sales	1,695	2,056	360	(121.3%)
	Digital Solutions (DS)	Software debugging for mobile games and mobile applications, software testing of web systems and automobiles, and cyber security service	Net sales	3,344	3,840	495	(114.8%)
	Amusement (AM)	Software debugging for Pachinko/Pachislot machines	Net sales	963	1,047	84	(108.8%)
Media business	Managing "4Gamer.net," one of Japan's largest game information sites Planning and managing game related events	Net sales	269	271	2	(100.9%)	
		Segment loss	-17	-80	-62	(-)	
Creative business	Development of consumer games and social network games and CG image production	Net sales	635	739	104	(116.4%)	
		Segment income (loss)	-154	81	236	(-)	
Other business	System development	Net sales	708	427	-280	(60.4%)	
		Segment income (loss)	31	-38	-69	(-)	
Intersegment adjustments	Segment income adjustments consist of corporate expenses including general and administrative expenses not attributable to any reportable segment.	Segment sales adjustments	-24	-120	-96	(-)	
		Segment income adjustments	-342	-554	-211	(-)	
Total		Net sales	7,592	8,263	670	(108.8%)	
		Operating income	877	1,003	125	(114.3%)	

Sales breakdown by segment



FY2016 Q2



FY2017 Q2



Debugging Business

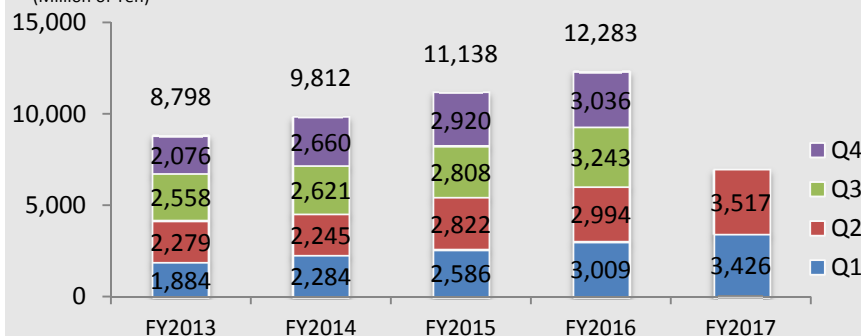
Net Sales and Segment Income (Year Over Year)				
(Millions of Yen)	FY2016 Q2	FY2017 Q2	YoY Change	
Net sales	6,003	6,944	941	115.7%
Segment income	1,361	1,594	233	117.1%

Business Highlights and Forecasts for FY2017

- ◆ Achieved double-digit growth both in net sales and segment income due to all units achieve sales increases.
- ◆ Investments made in human resources in anticipation of AM Unit's busy period.
- Debugging segment will show further growth in the second half year as debugging demands continue to expand.

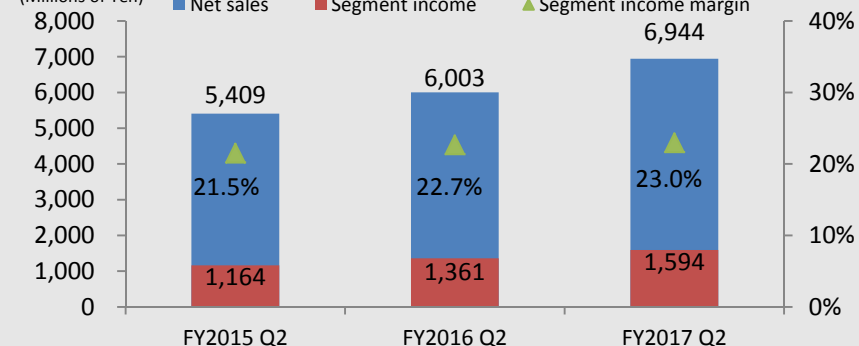
Net sales

(Million of Yen)



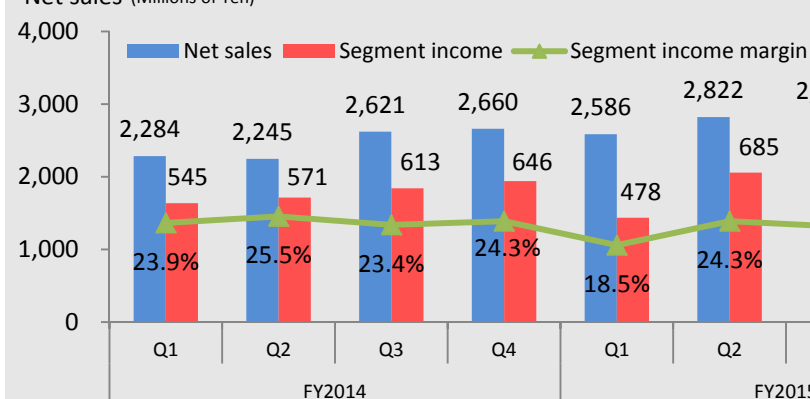
Segment results

(Millions of Yen)

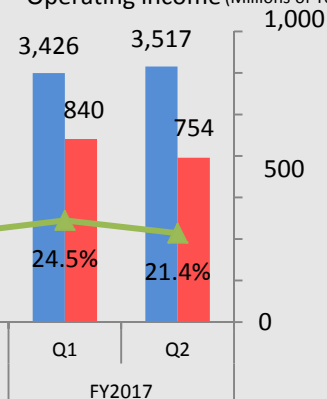


Quarterly operating results

Net sales (Millions of Yen)



Operating income (Millions of Yen)





Debugging Business (CS: Consumer Games Unit)

Business highlights

Large-title projects remained in high operation in Q1 and new title projects were also obtained in Q2, which resulted in year-over-year sales increases of over 120%.

Forecasts for FY2017

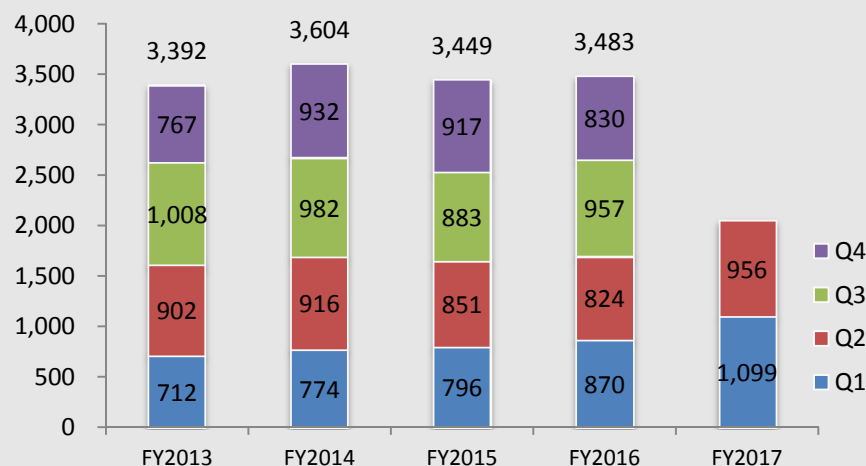
Share will continue to stay high in the second half of the year with continuous strong growth.

Net Sales (Year Over Year)

(Millions of Yen)	FY2016 Q2	FY2017 Q2	YoY Change		Serviced Items: <ul style="list-style-type: none"> ■ Debugging - consumer game software (Japan/overseas) ■ Debugging - online games ■ Debugging - arcade games ■ Translation of consumer game software (localization)
Net sales	1,695	2,056	360	121.3%	

Net sales (FY)

(Millions of Yen)

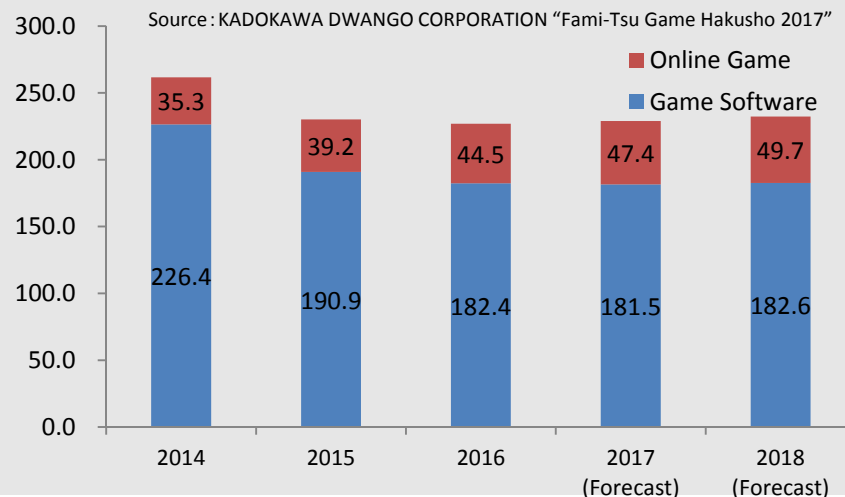


Market size (FY)

(Billions of Yen)

Market size of consumer game & online game

Source: KADOKAWA DWANGO CORPORATION "Fami-Tsu Game Hakusho 2017"





Debugging Business (DS: Digital Solutions Unit)

Business highlights

Successfully expanded debugging orders for new mobile games and for debugging after game release by developing strong relationship with client companies and continued to achieve a year-over-year over 110% growth.

Forecasts for FY2017

Sales are expected to increase as orders for mobile games increase and new services such as vulnerability diagnoses and stress testing are launched.

Net Sales (Year Over Year)

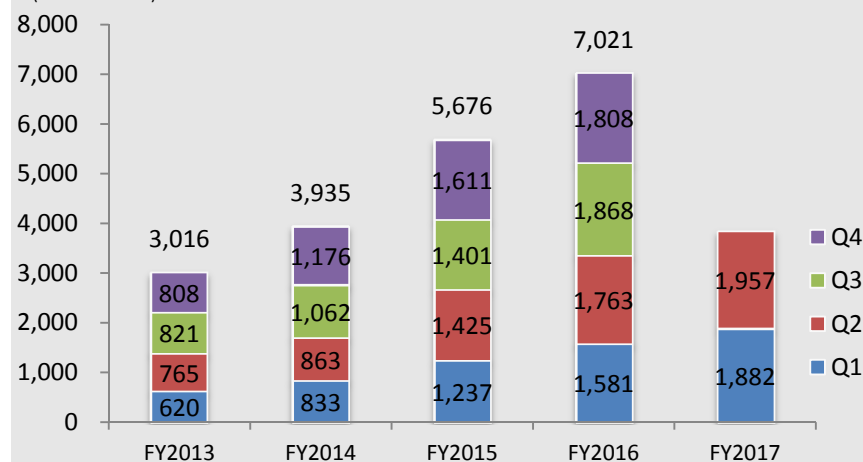
(Millions of Yen)	FY2016 Q2	FY2017 Q2	YoY Change		Served Items:
Net sales	3,344	3,840	495	114.8%	

Served Items:

- Debugging - applications (Japan/overseas)
- Debugging - Social Network System (SNS) games, localization, operation support (Japan/overseas)
- Software testing of web systems and operation systems and automobiles
- Cyber security services

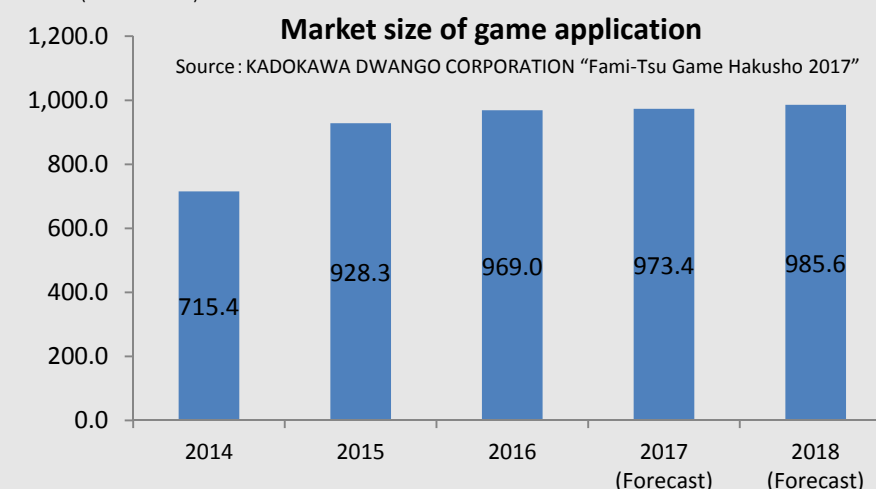
Net sales

(Millions of Yen)



Market size (FY)

(Billions of Yen)





Debugging Business (AM: Amusement Unit)

Business highlights

Achieved sales increases by capturing last-minute needs in anticipation of changes to related regulations in February 2018.

Forecasts for FY2017

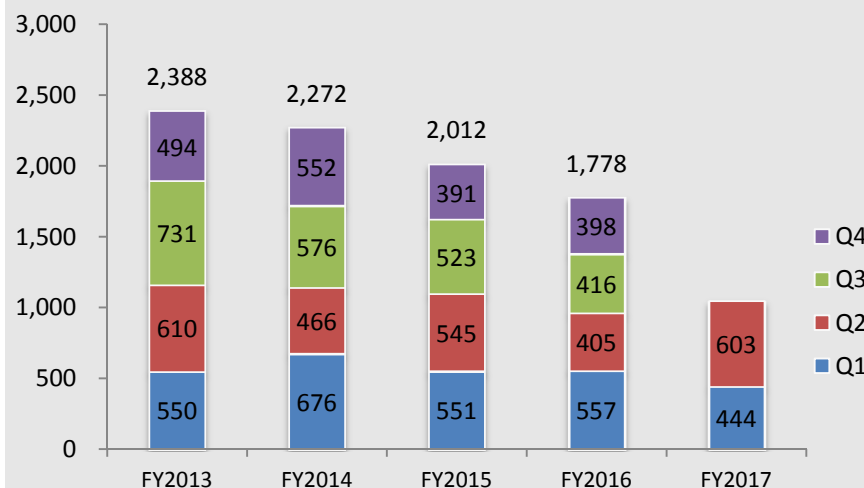
Last-minute needs increase are expected in Q3 but may decrease in Q4 as a reaction, and the situation is expected to be continuously fluid.

Net Sales (Year Over Year)

(Millions of Yen)	FY2016 Q2	FY2017 Q2	YoY Change		Served Items:
Net sales	963	1,047	84	108.8%	
					<ul style="list-style-type: none"> ■ Debugging - pachinko ■ Debugging - pachislot ■ Other development support services

Net sales

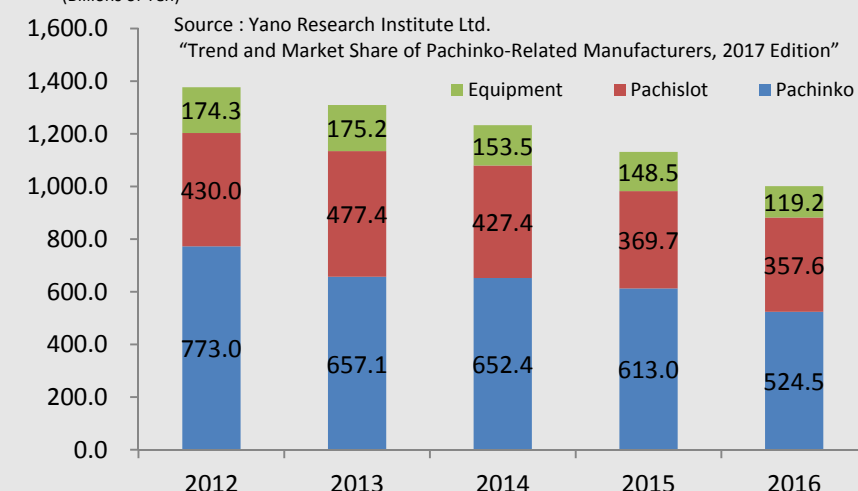
(Millions of Yen)



Market size (FY)

(Billions of Yen)

Market size of Pachinko and Pachislot





Media Business

Business highlights

Advertising services of game information site, “4Gamer.net,” showed stable growth, but losses were incurred due to prior investment in January 2018 “EVO Japan” game tournament.

Forecasts for FY2017

“4Gamer.net” advertising services will grow stably. Sales and income from EVO Japan will be recognized in Q4.

Net Sales and Segment Loss (Year Over Year)

(Millions of Yen)	FY2016 Q2	FY2017 Q2	YoY Change	
Net sales	269	271	2	100.9%
Segment loss	-17	-80	-62	—

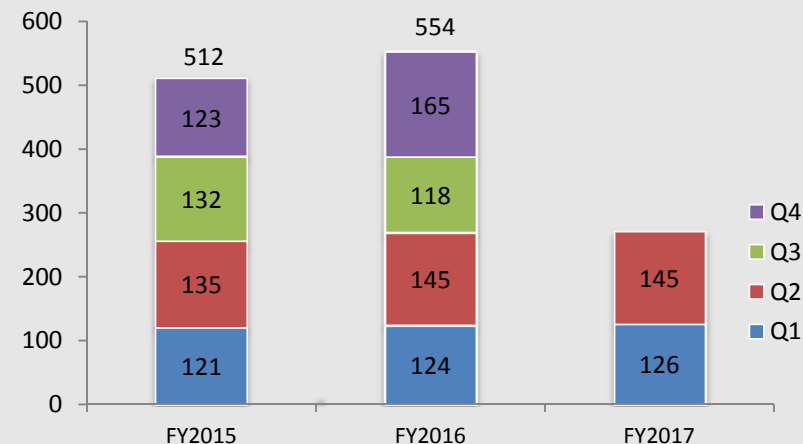
[Business description]

Managing “4Gamer. net,” a game information website

- Media Business was launched after Aetas, Inc. became a subsidiary in FY2012 Q3.
- Established EVO Japan Executive Committee LLP to hold an EVO Japan event

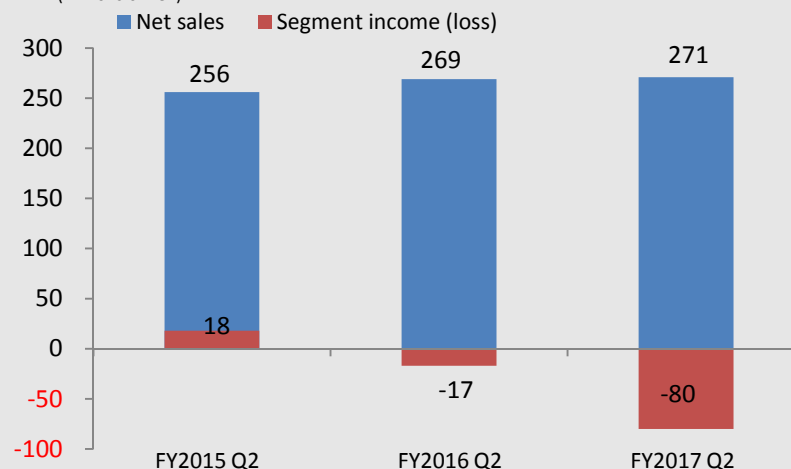
Net sales

(Millions of Yen)



Segment results

(Millions of Yen)





Creative Business

Business highlight

Profitability significantly improved due to obtaining new projects and strict project management. Stable profit structure was created.

Forecasts for FY2017

Creative Business segment will show firm growth by further strengthening production team structure.

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

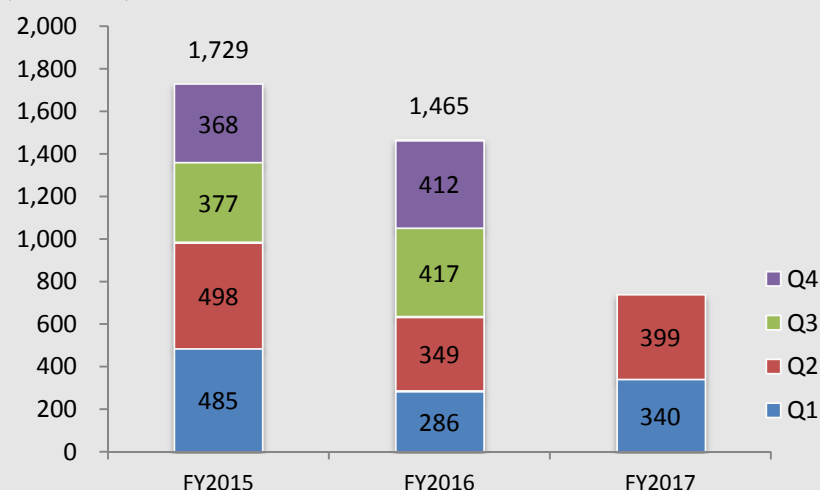
(Millions of Yen)	FY2016 Q2	FY2017 Q2	YoY Change	
Net sales	635	739	104	116.4%
Segment income (loss)	-154	81	236	—

[Business description] Game development/CG image 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.

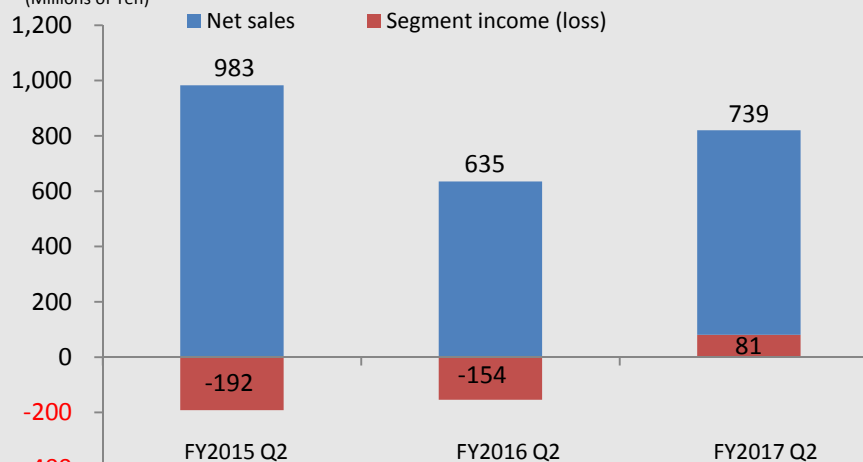
Net sales

(Millions of Yen)



Segment results

(Millions of Yen)





Other Business

Business highlights

Sales and income both decreased as sales from system engineering services decreased. NetWork21 was relocated to the same office as debugging company DIGITAL Hearts to expand system testing business.

Forecasts for FY2017

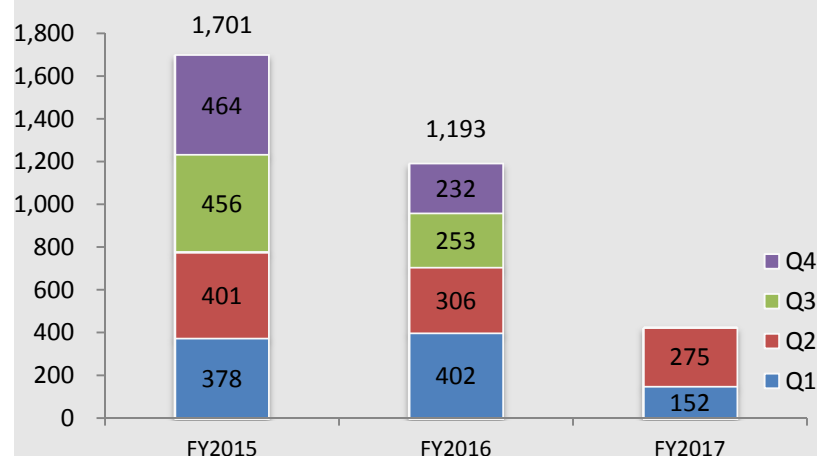
Profit structure was improved due to indirect cost reduction through the merger of NetWork21 and DIGITAL Hearts.

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

(Millions of Yen)	FY2016 Q2	FY2017 Q2	YoY Change		[Business description] System development and testing business ▪ Acquired NetWork21 Co., Ltd. in December 2013. Began system development business
Net sales	708	427	-280	60.4%	
Segment income (loss)	31	-38	-69	—	

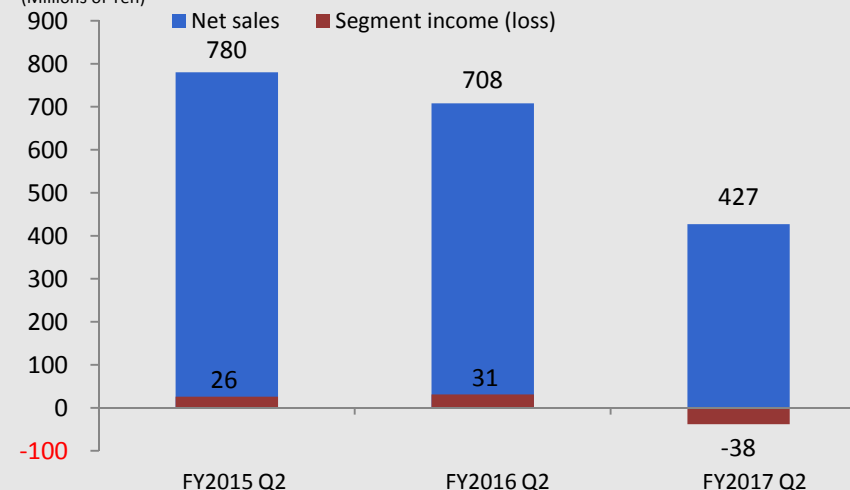
Net sales

(Millions of Yen)



Segment results

(Millions of Yen)





FY2017 Consolidated Financial Forecast

(Millions of Yen)	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 Next Business Development Term 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, which are expected to grow greatly in the future.

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

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

FY2017 Dividends Forecast

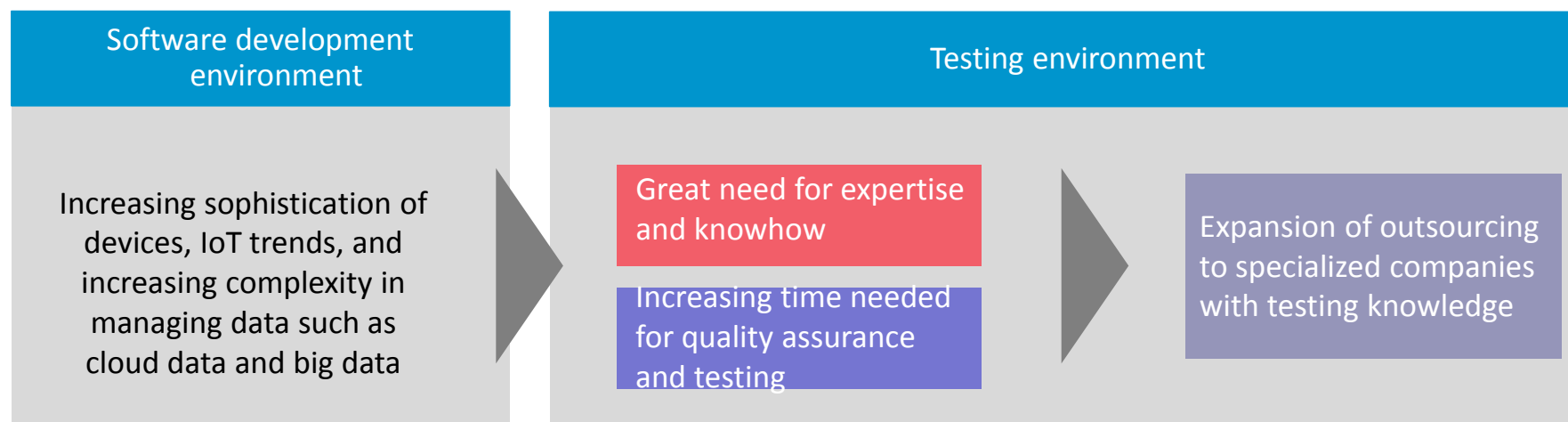
● **FY2016 Annual dividend 11.5 yen ⇒ FY2017 Annual dividend 11.5 yen**

*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.

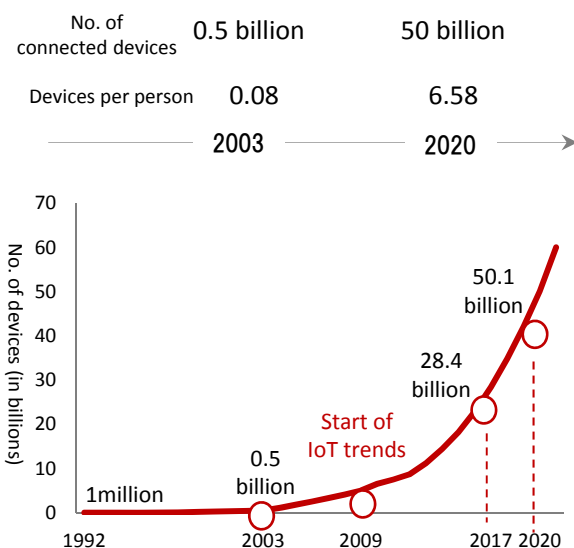
3. Future Strategies for Next Business Development Term



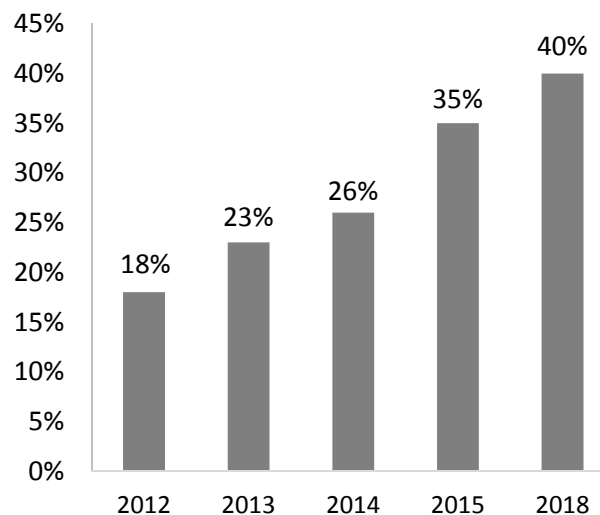
Next Business Development: Surrounding Business Environment



No. of Connected Devices due to IoT Trends



Budget Allocation as Percentage of Software Testing



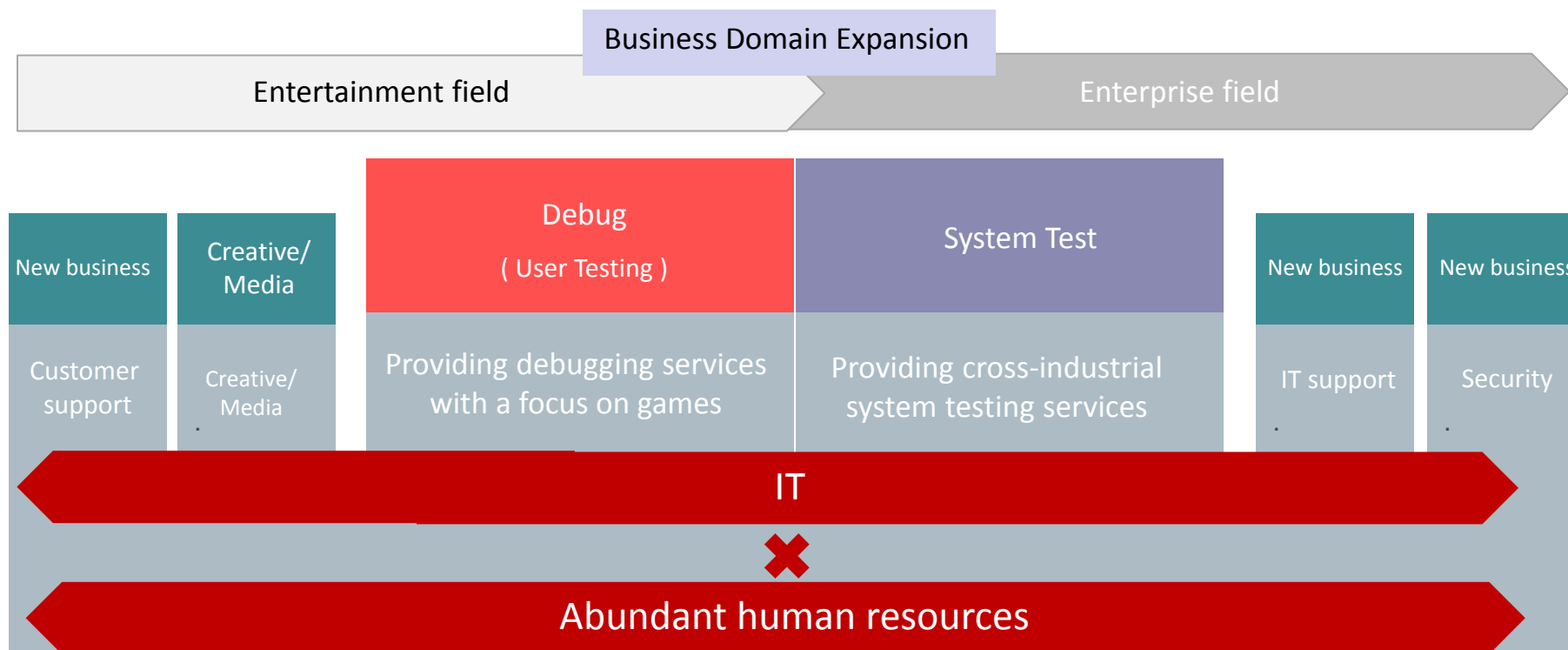
Factors Driving Outsourcing





Next Business Development: Group Business Strategies

- With testing environment changes and the need for more outsourcing, growth will be accelerated by expanding business domains.



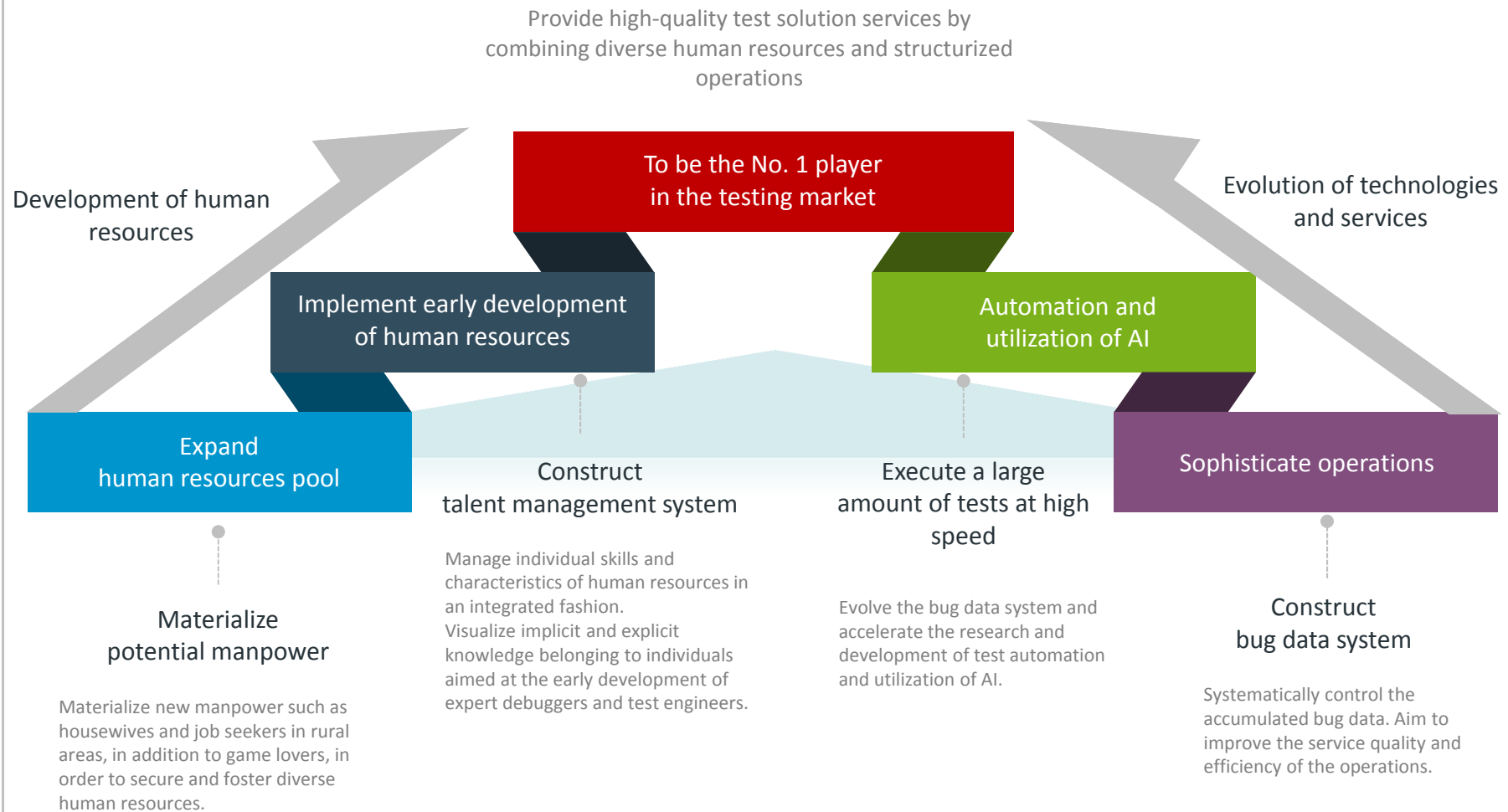
- ✓ Expand the system testing business for enterprise field by leveraging accumulated debugging experience
- ✓ Enhance service quality by improving workforce's technical skills as well as promoting test automation and AI utilization
- ✓ Start new businesses highly related with testing to provide solution services in combination with testing



Next Business Development :

Development of human resources and evolution of technologies and services

- Focus on the development of human resources and the evolution of the services centered on the debug system test.





Next Business Development : Securement and development of human resources

- Construct a talent management system to accelerate the structuring of human resource management and human resource development.

Structurizing

Build a human resources database

Evolve into a talent management system

- Construct a talent management system that enables management of optimal assignment and career development through coordination with the bug data system.
- Introduce our own personnel test to systematize and quantify the technologies and skills.

Development of diverse human resources

Develop diverse human resources into professionals

Amplify and enrich career paths

Debugging
management

Expert debugger

Test engineer

IT support
engineer

Security engineer

etc.

Expansion of the pool of human resources

Further expand the number of registered testers, which is over 8,000, and the nationwide network consisting of 15 sites (part-time workers, students, IT human resources in rural areas, housewives, elderly people)

Materialize the potential manpower and focus on the creation of employment in rural areas



Next Business Development :

Evolution of technologies / services and enhancement of sales force

Evolution of technologies and services

Expansion of services

- ❑ Develop solution services combining our human resources services with the latest tools from the collaboration with technology partners.
- ❑ Expand and develop security services that are highly compatible with tests.

Expansion of systemization

- ❑ Construct a bug database system that enables trend analysis and man-hour prognostic concerning customer needs and tests by utilizing the bug data through machine learning and mining.
- ❑ Assign human resources in an optimal manner and control the supply system through coordination with the talent management system.

Automation and utilization of AI

- ❑ Focus on research and development and service development in fields where function tests, regression tests and similar tests are expected to be automated or to utilize AI.
- ❑ Develop human resources capable of providing test services utilizing technologies such as automation and AI.

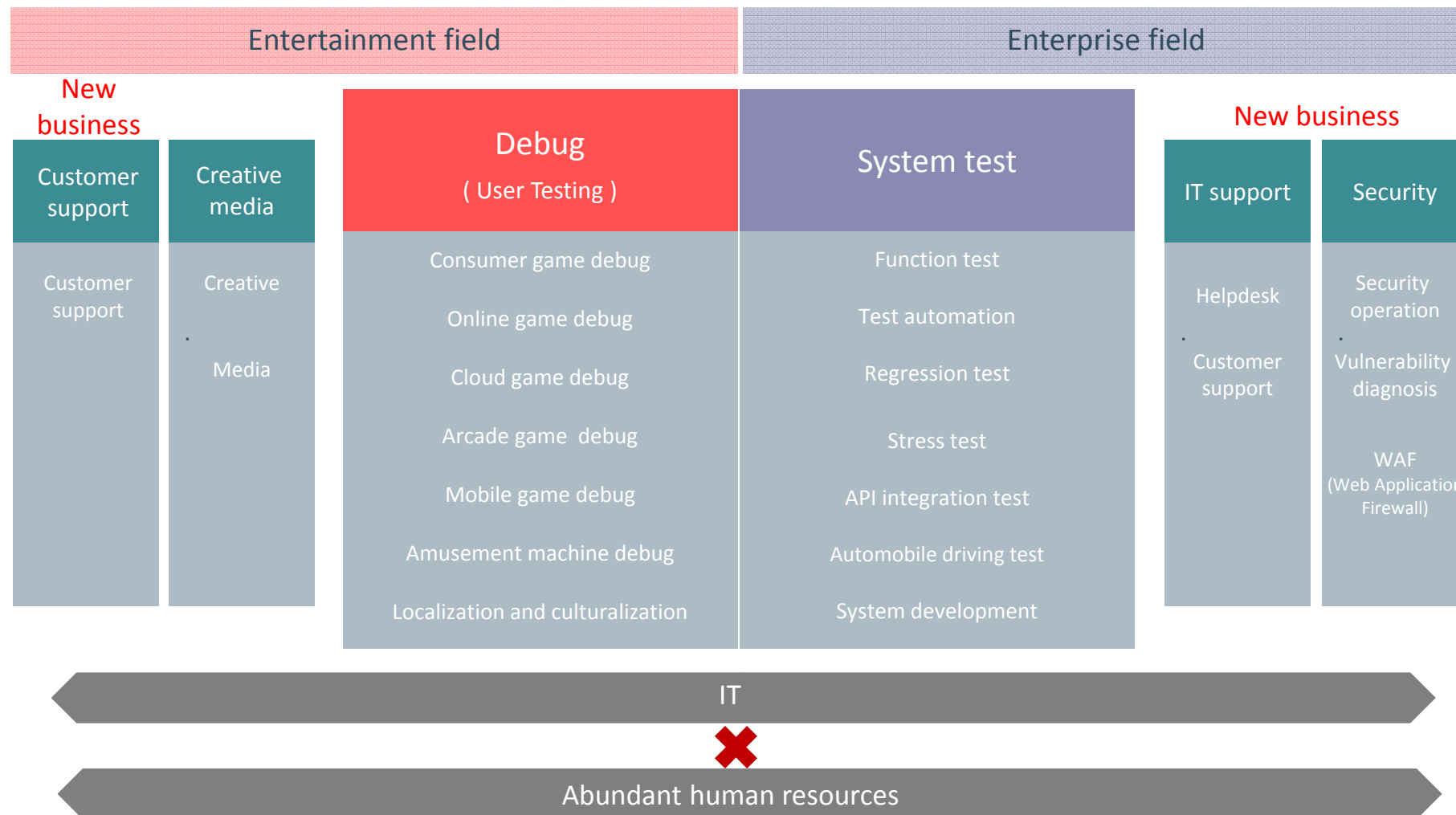
Enhancement of sales system

- Build and enhance the direct selling system targeting the major clients including the top sales.
- Enhance the approach to the SME market through alliance (OEM) with communications and information technology companies that have customers in a wide array of sectors.



Next Business Development : Group's business strategy - Services by business field -

- Accelerate investment in human resources and technologies and develop the technology and labor-intensive business based on customer needs.

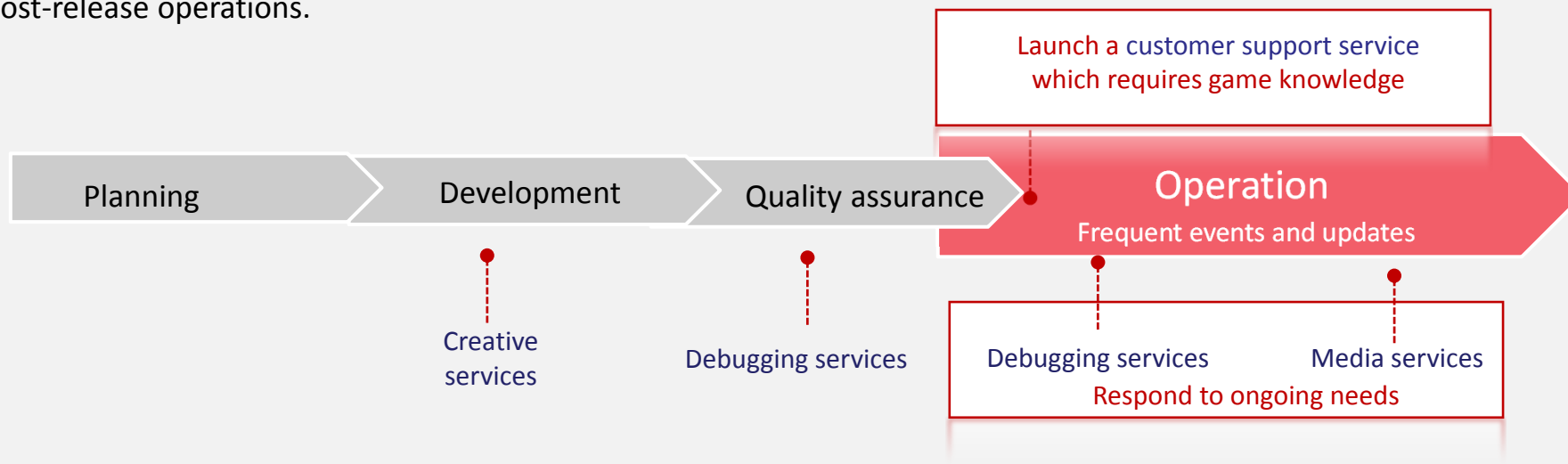




Next Business Development: Group Business Strategies - Business Development in Entertainment Field -

Maximizing business opportunities utilizing extensive knowledge in gaming and unique position in industry to become the top supporting player in the field

Due to proliferation of mobile games and their online capabilities, long-term reforms are needed to keep up with post-release operations.



Debugging services

- Accelerate growth of title leaders and expert debuggers
- Visualize and share personal knowledge to further improve quality of services

Creative/ Media services

- Lead both creative and media services into profit-making phase
- Scheduled to introduce a new media service that utilizes gamers themselves

NEW Customer support service

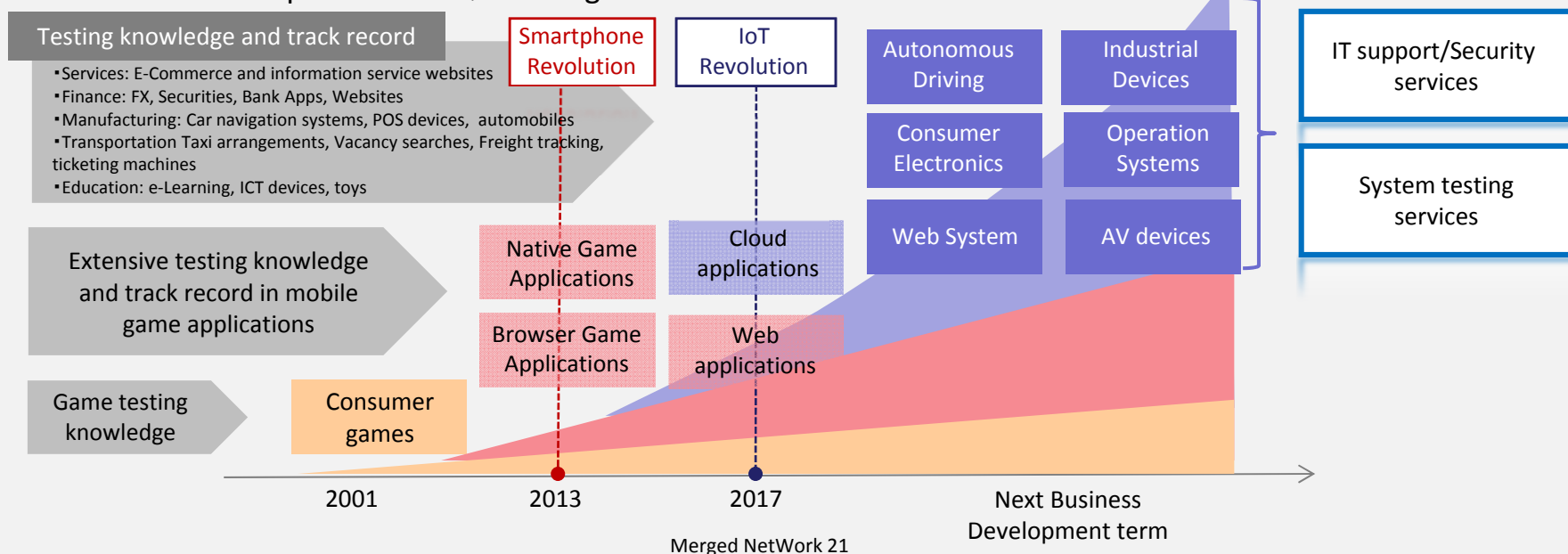
Link bug testing information with customer support and deliver high-quality and unique customer support through linked information



Next Business Development: Group Business Strategies - Business Development in Enterprise Field -

Accelerating the exploration of new markets in the enterprise field and turning it into the second pillar of business by leveraging existing strengths

Target segments of test services will be expanded by leveraging testing knowledge and targeting expanding markets where the importance of QA is rising.



System test services

Provide unique solution services that facilitate AI and automated testing processes combined with human testing for an organic feel

IT support services

Promote IT support services from former NetWork 21 through cross selling with system testing and security services.

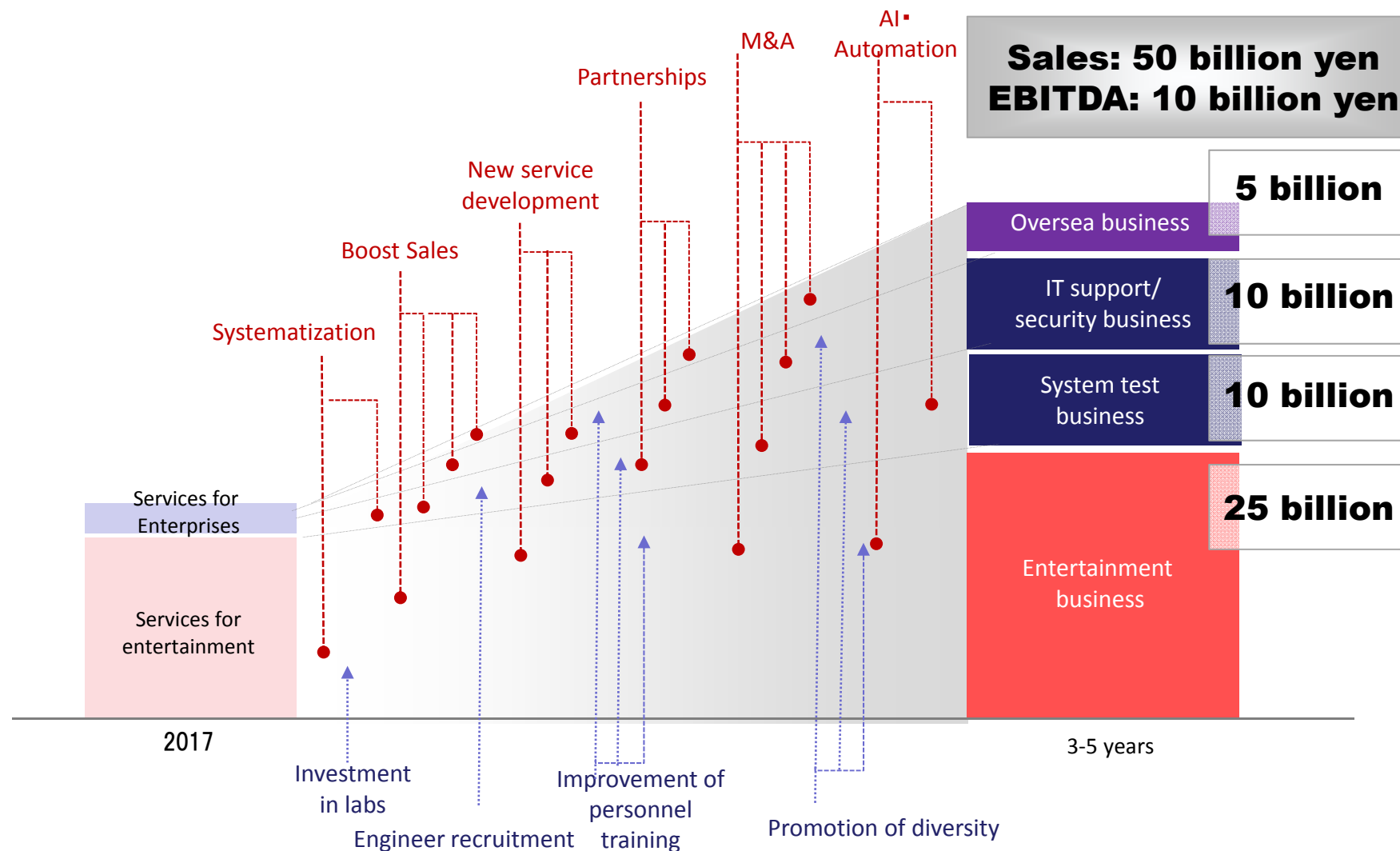
NEW Security services

Introduce security tests and services with security engineers to meet a rising demand in cyber security.



Next Business Development: Quantified Targets

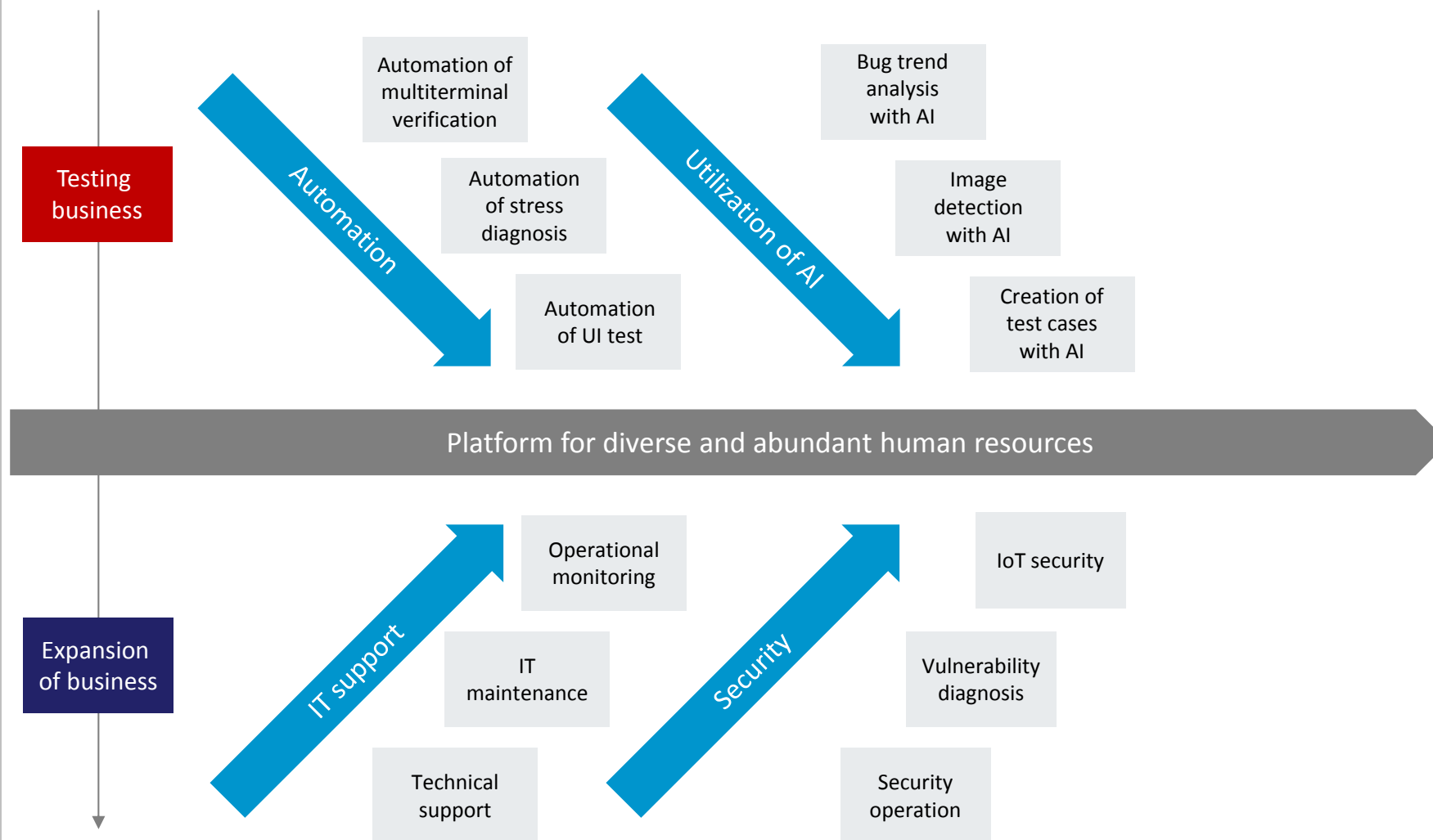
- Aiming to achieve target in 3 to 5 years by emphasizing speed





(Reference) Evolution of services by utilizing technologies and improving technological capabilities

- Implement comprehensive solutions by combining “tests by humans” and “efficient tests by automation and AI.”

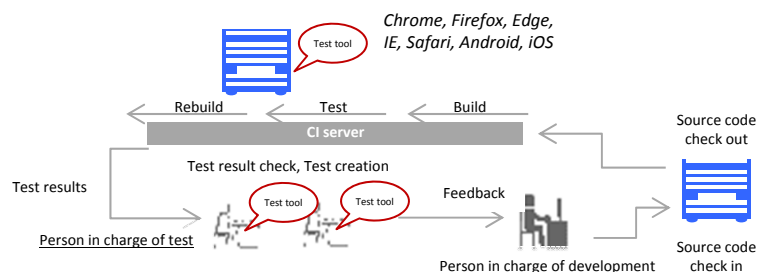




(Reference) About utilization of technologies - Debug system test -

Automation of function test

Automate parts of the function test by using IDE and scripts and use them for regression tests



Technologies in use

Selenium

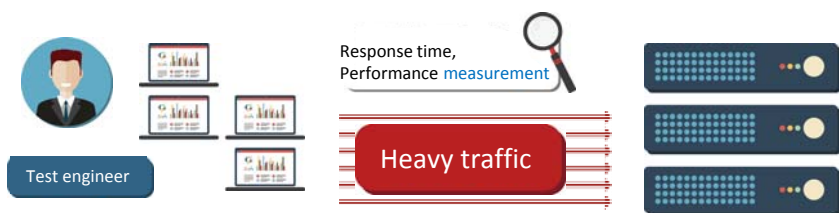
Appium

Service providers



Stress diagnosis

Measure the stress and performance of servers by creating stress test scenarios and generating multiple virtual requests with a stress generator



Micro Focus LoadRunner



×



Utilization of AI

Artificial intelligence analyzes sites and automatically generates test cases.

Artificial intelligence
(Machine learning)



×

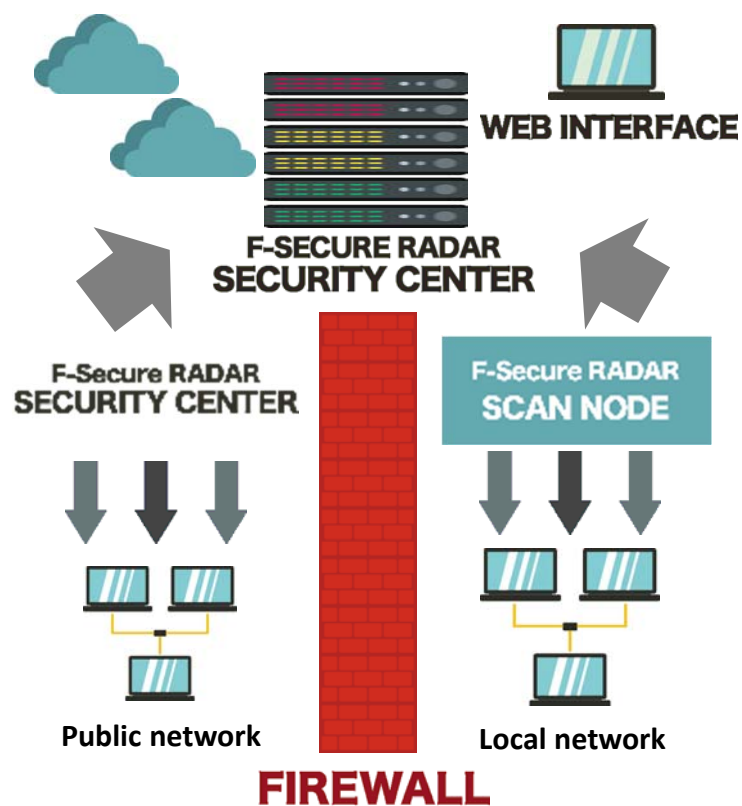
HEROZ
JAPAN



(Reference) About utilization of technologies - Security -

Vulnerability diagnosis

Check vulnerability in OS and middleware components and their resistance to general cyber attacks by utilizing vulnerability diagnostic tools.



Technologies in use

F-Secure Radar

Burp Suite

OWASP ZAP

Service providers



Reference

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



Corporate Profile

Company Name	Hearts United Group Co., Ltd.
Incorporated	October 1, 2013
Date Listed	October 1, 2013 Listed on the First Section of Tokyo Stock Exchange (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: Genichi Tamatsuka
Location	41F Tokyo Opera City Bldg., 3-20-2 Nishi-Shinjuku, Shinjuku-ku, Tokyo, 163-1432
Business Activities	Business management of subsidiaries, etc. and other service incidental or related thereto.
Description of the Group's Businesses	<div> <div>■ Debugging Service</div> <div>■ Game Development/CG Video Production Service</div> </div> <div> <div>■ "4Gamer.net" Site Management</div> <div>■ System Development Service</div> </div>
Capitalization	¥300,686,000
Shares Issued	23,890,800 Shares
Group Companies	<div> <div> <div>■ Consolidated subsidiary</div> <div>□ Affiliated company</div> </div> <div> <div>■ DIGITAL Hearts Co., Ltd.</div> <div>■ DIGITAL Hearts USA Inc.</div> <div>■ DIGITAL Hearts (Shanghai) Co., Ltd.</div> <div>□ ZEG Inc.</div> </div> <div> <div>■ Aetas, Inc.</div> <div>■ EVO Japan Executive Committee LLP</div> <div>■ FLAME Hearts Co., Ltd.</div> </div> </div>
Number of Employees (consolidated)	662



Corporate History

Year	Month	Corporate History
2001	April	Established DIGITAL Hearts Ltd. Began offering debugging services
2003	October	Became a public corporation
2007	September October	Became first Japanese company to receive the Authorized Xbox 360 Test Program (AXTP) from Microsoft Corp. for the Xbox 360® Granted privacy mark certification
2008	February	Listed on the Mothers Market on the Tokyo Stock Exchange
2011	February July October December	Listed on the First Section of the Tokyo Stock Exchange Established a subsidiary DIGITAL Hearts Korea Co., Ltd., in Korea Established a subsidiary DIGITAL Hearts USA Inc., in the United States of America Established a subsidiary DIGITAL Hearts (Thailand) Co., Ltd., in Thailand
2012	March May November	Established a subsidiary G & D Co., Ltd., in Shinjuku Ward, Tokyo Established a subsidiary DIGITAL Hearts Visual Co., Ltd., in Shinjuku Ward, Tokyo Acquired all of the company shares of Aetas, Inc. and made it a subsidiary
2013	October November	Established a pure holding company, Hearts United Group Co., Ltd., by means of a stock transfer and transitioned to a pure holding company structure 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 July August September	Merged G&D Co., Ltd., DIGITAL Hearts Visual Co., Ltd. and Premium Agency Inc., renamed to FLAME Hearts Co., Ltd. Established a subsidiary DIGITAL Hearts (Shanghai) Co., Ltd., in Shanghai, China Acquired all of the shares of PU Universe Co., Ltd. and made it a subsidiary Established EVO Japan Executive Committee LLP
2017	February July October	Conducted an absorption-type merger with FLAME Hearts Co., Ltd. as the surviving company and PG Universe Co., Ltd. being dissolved Relocated the head office to the same office as its subsidiary, which is engaging in debugging business (Shinjuku-ku, Tokyo) Conducted a merger of subsidiaries, DIGITAL Hearts Co., Ltd. and NetWork21 Co., Ltd. Closed the offices of DIGITAL Hearts Korea Co., Ltd. and DIGITAL Hearts (Thailand) Co., Ltd.

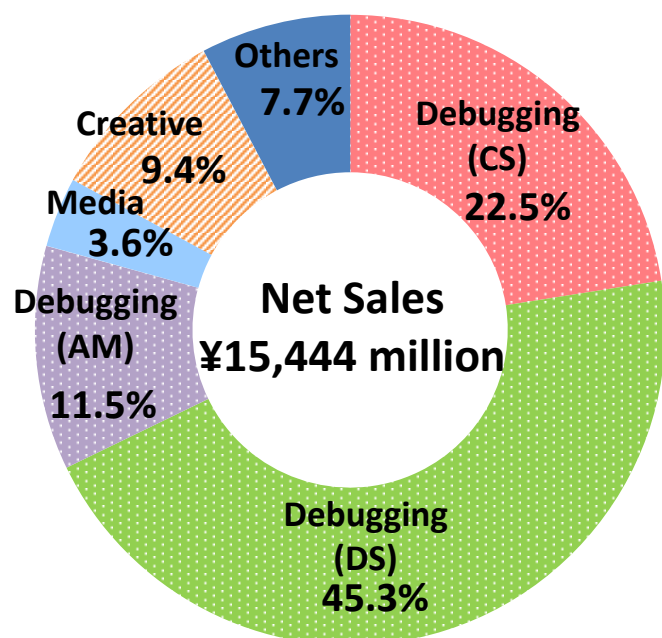


Group Companies

	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 USA Inc.		Provide User Debugging Service	<div>Debugging</div>
	DIGITAL Hearts (Shanghai) Co., Ltd.		Provide User Debugging Service	<div>Debugging</div>
	Aetas, Inc.		Management of 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 CG content development	<div>Creative</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

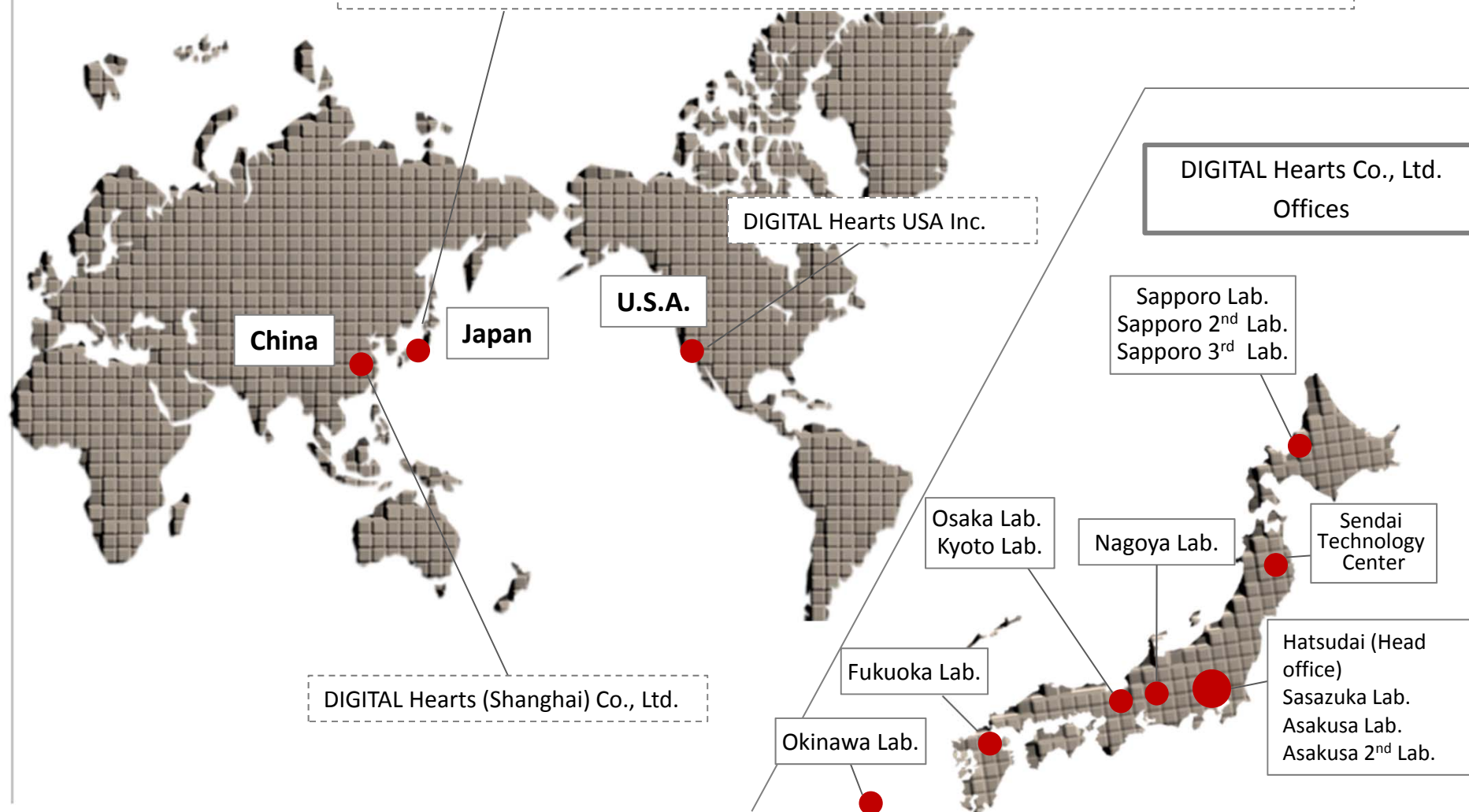
Debugging	22.5%	Consumer Games Unit (CS) Software testing of consumer game software/online games, etc.
	45.3%	Digital Solutions Unit (DS) Software testing of mobile content, i.e., social network games, system testing and automobile driving test, etc.
	11.5%	Amusement Unit (AM) Software testing of Pachinko/Pachislot, 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, etc.



Group Companies & Offices

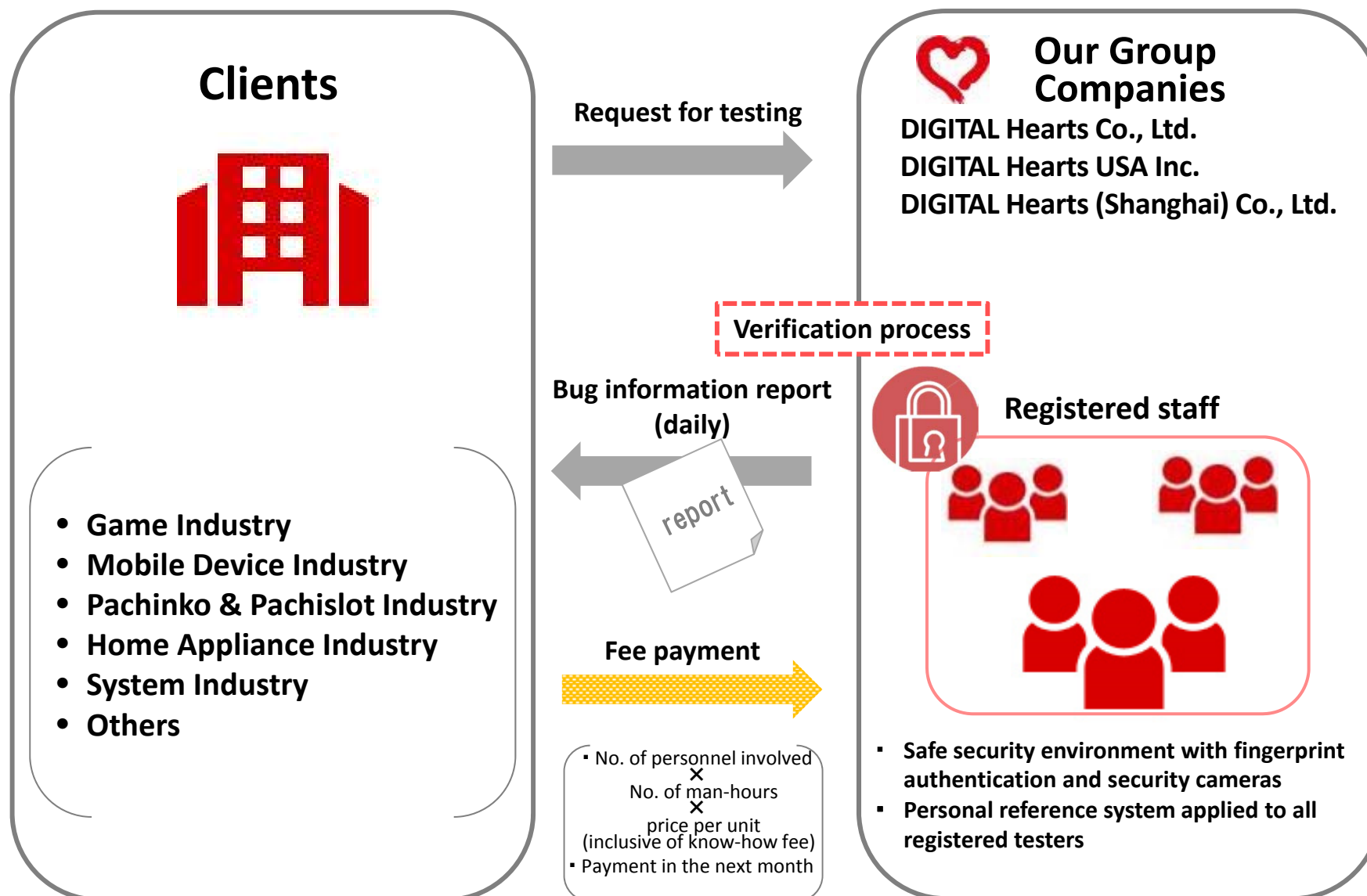
- DIGITAL Hearts Co., Ltd. (13 Labs)
- Aetas, Inc.
- EVO Japan Executive Committee LLP

- FLAME Hearts Co., Ltd.
- ZEG Inc.





Debugging Business



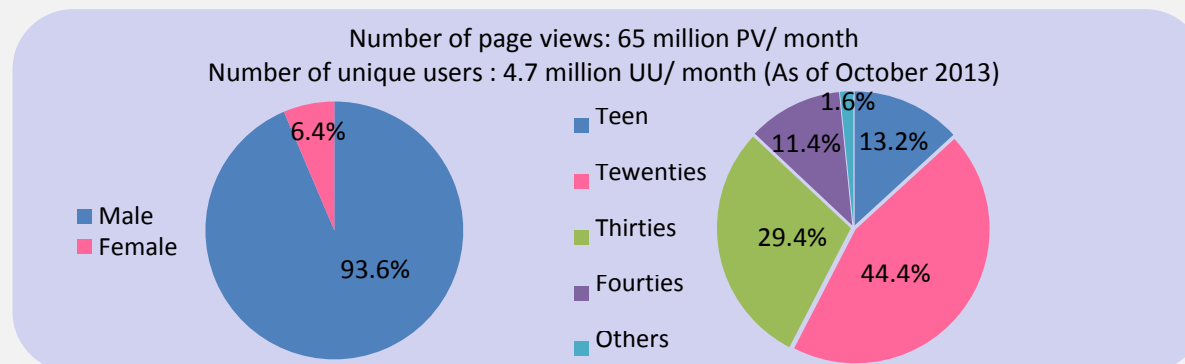
Media management

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

Develops a variety of systems including content program, core system, etc.





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.