Hearts United Group Co., Ltd.

Presentation Material
for the Fiscal Year Ended March 31, 2018

May 17, 2018

Summary of Business Results

for the Fiscal Year Ended March 31, 2018

Summary of Business Results for the Fiscal Year Ended March 31, 2018

■ Net sales : ¥17.35 billion（YoY 112.4%）

・Strong sales were led by the Debugging business, and other segments also achieved double-digit growth to reach record-high sales.

・The effects of prior investment began to appear, and the Enterprise segment also started growing in 4Q.

・Software debugging for pachinko/pachislot (AM) saw special demand due to regulatory changes but suffered a significant reactionary fall in 4Q, which resulted in a decrease in sales.

■ Operating income : ¥1.73 billion (YoY 91.0%)

・Launched the 2nd start-up project and worked to strengthen the management system and carried out active investment in specialized human resources, etc.

・Accelerated investment in technology, human resources, and facilities from 3Q in view of growth, particularly in the Enterprise segment.

・The reactionary fall in AM and a loss on EVO Japan caused a substantial decline in 4Q operating income.

■ Profit attributable to owners of parent : ¥1.2 billion（YoY151.0%）

・The effect of the impairment of goodwill, etc. decreased in the fiscal year under review, resulting in significant profit growth.

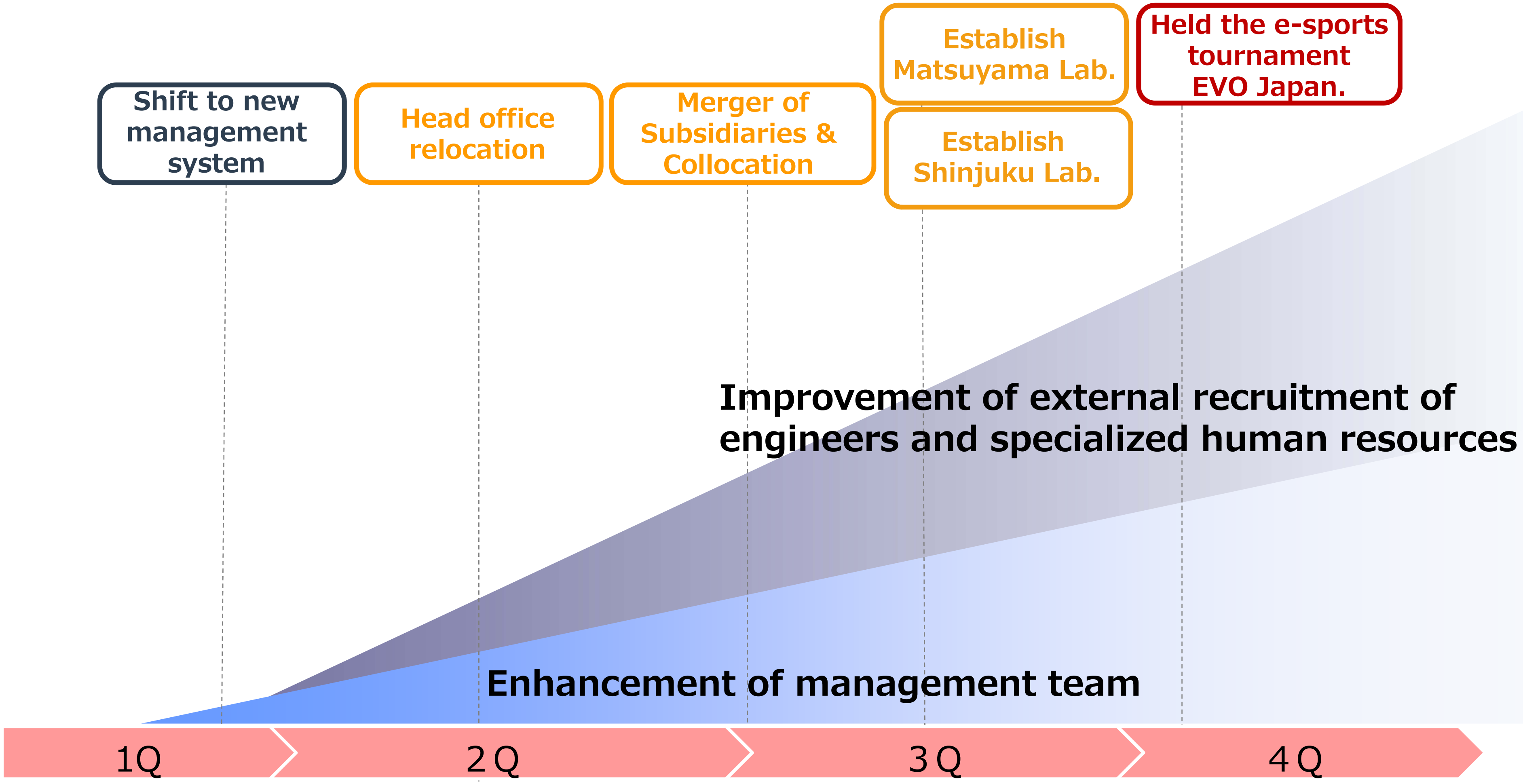
**Positioned the year as the 2nd start-up Term and actively invested in technology and human resources.
Created momentum for growth and achieved record-high net sales.**

Summary of Business Results for the Fiscal Year Ended March 31, 2018

(Millions of Yen)	FY 2016	FY 2017		FY2017 Full-Year Forecast	
	Actual	Actual	YoY	Forecast	Achievement rate
Net sales	**15,444**	**17,353**	**112.4%**	**17,622**	**98.5%**
Cost of sales	**10,938**	**12,394**	**113.3%**	-	-
Cost of sales (%)	**70.8%**	**71.4%**	**0.6points**	-	-
Gross profit	**4,506**	**4,958**	**110.0%**	-	-
Selling, general and administrative expenses	**2,599**	**3,222**	**124.0%**	-	-
Operating income	**1,906**	**1,735**	**91.0%**	**2,200**	**78.9%**
Operating income margin	**12.3%**	**10.0%**	**-2.3Points**	**12.5%**	**-2.5Points**
Ordinary income	**1,997**	**1,782**	**89.3%**	**2,225**	**80.1%**
Profit attributable to owners of parent	**795**	**1,200**	**151.0%**	**1,382**	**86.8%**

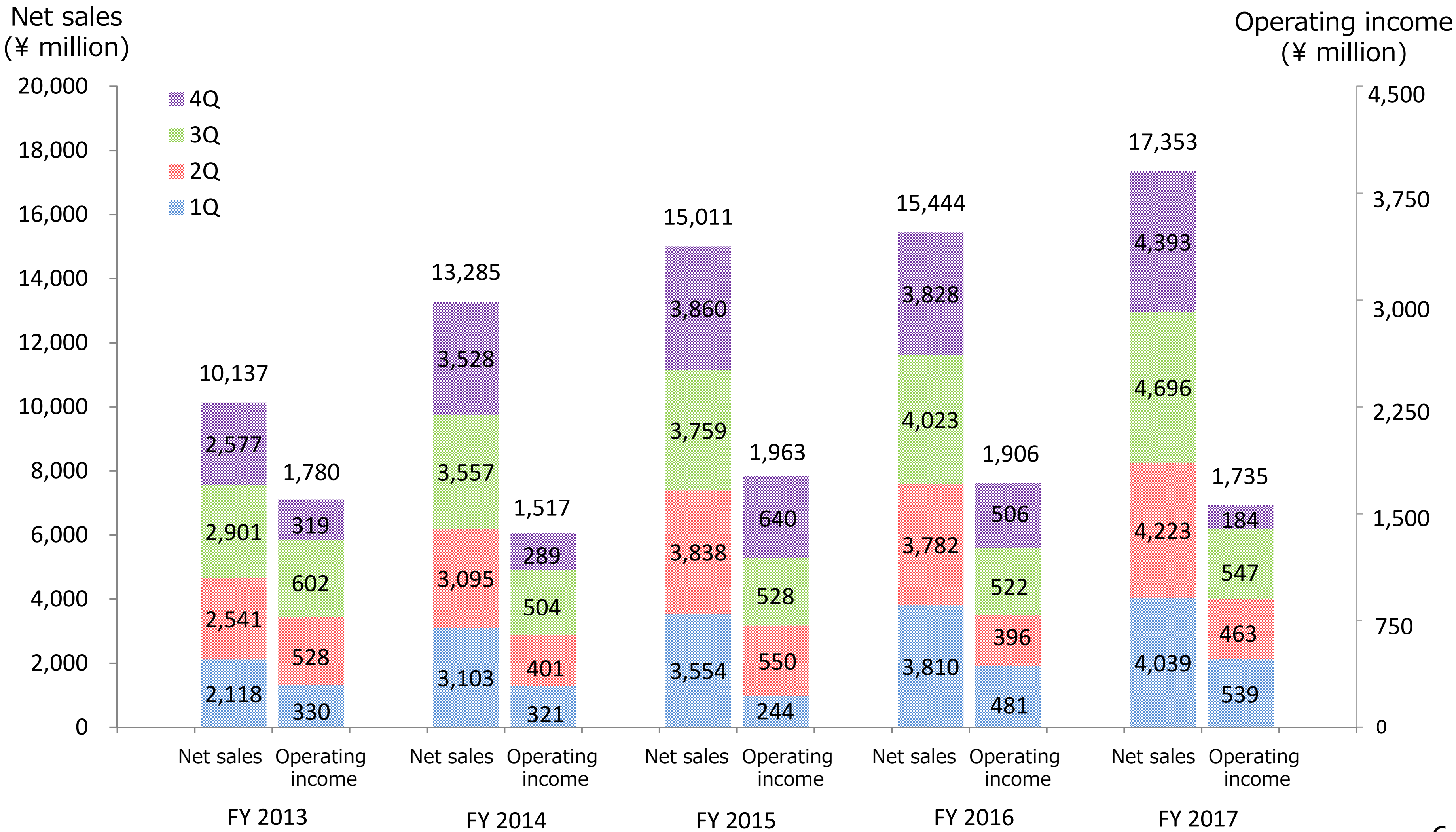
Business Topics
for the Fiscal Year Ended March 31, 2018

- Carried out active prior investment in “people,” “technology” and “facilities” that will form the basis of growth.



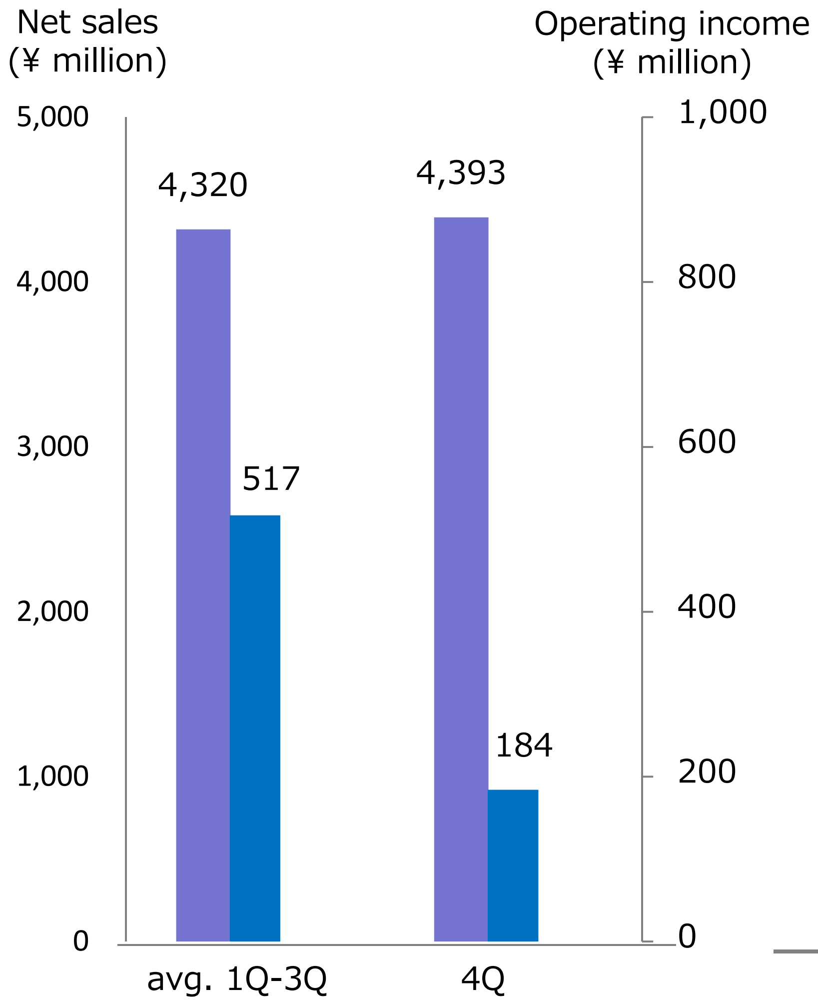
Trend in Consolidated Sales/Operating Income (Fiscal Year)

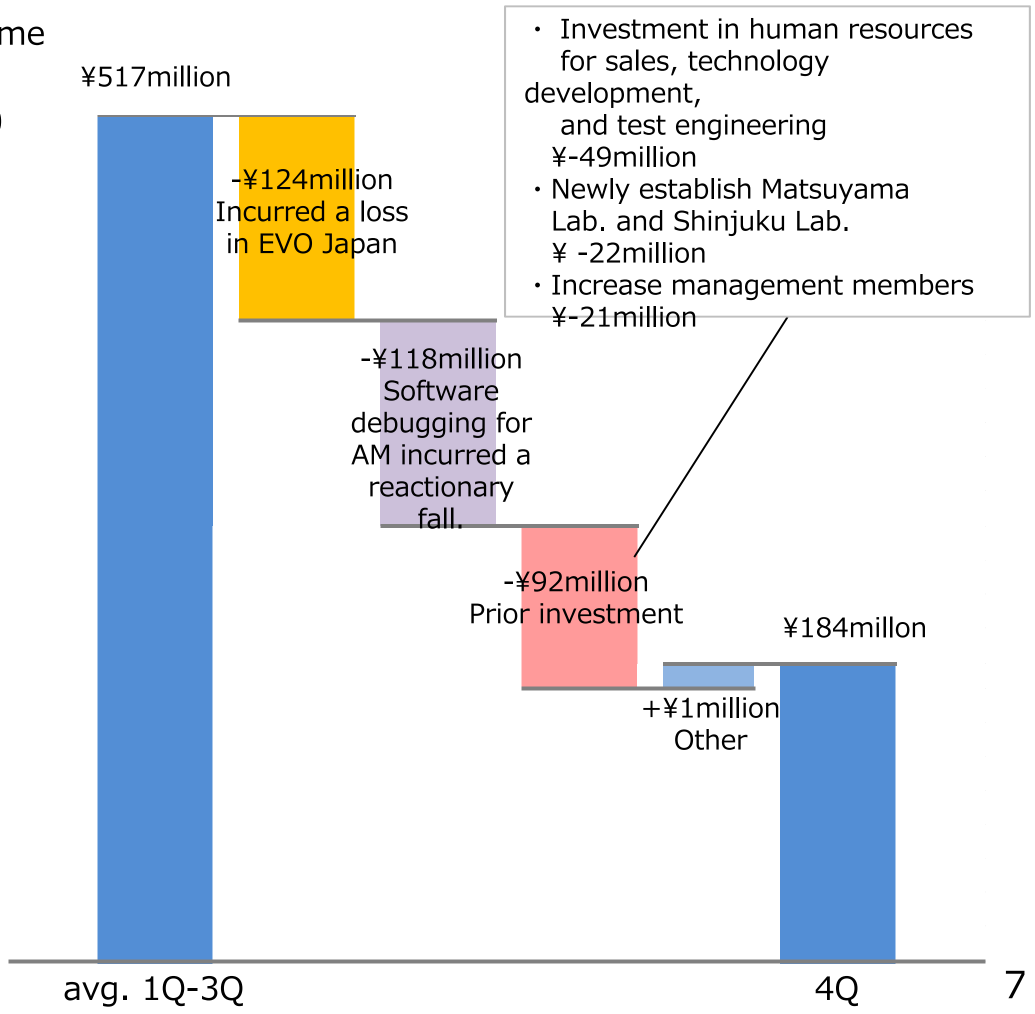
- **Despite achieving record-high net sales, active investment in human resources and facilities in the 2nd half of the fiscal year for growth and a loss caused by EVO Japan 4Q resulted in a substantial decline in 4Q profit.**



4Q Operating Income Analysis
(in comparison to avg. operating income for 1Q - 3Q)

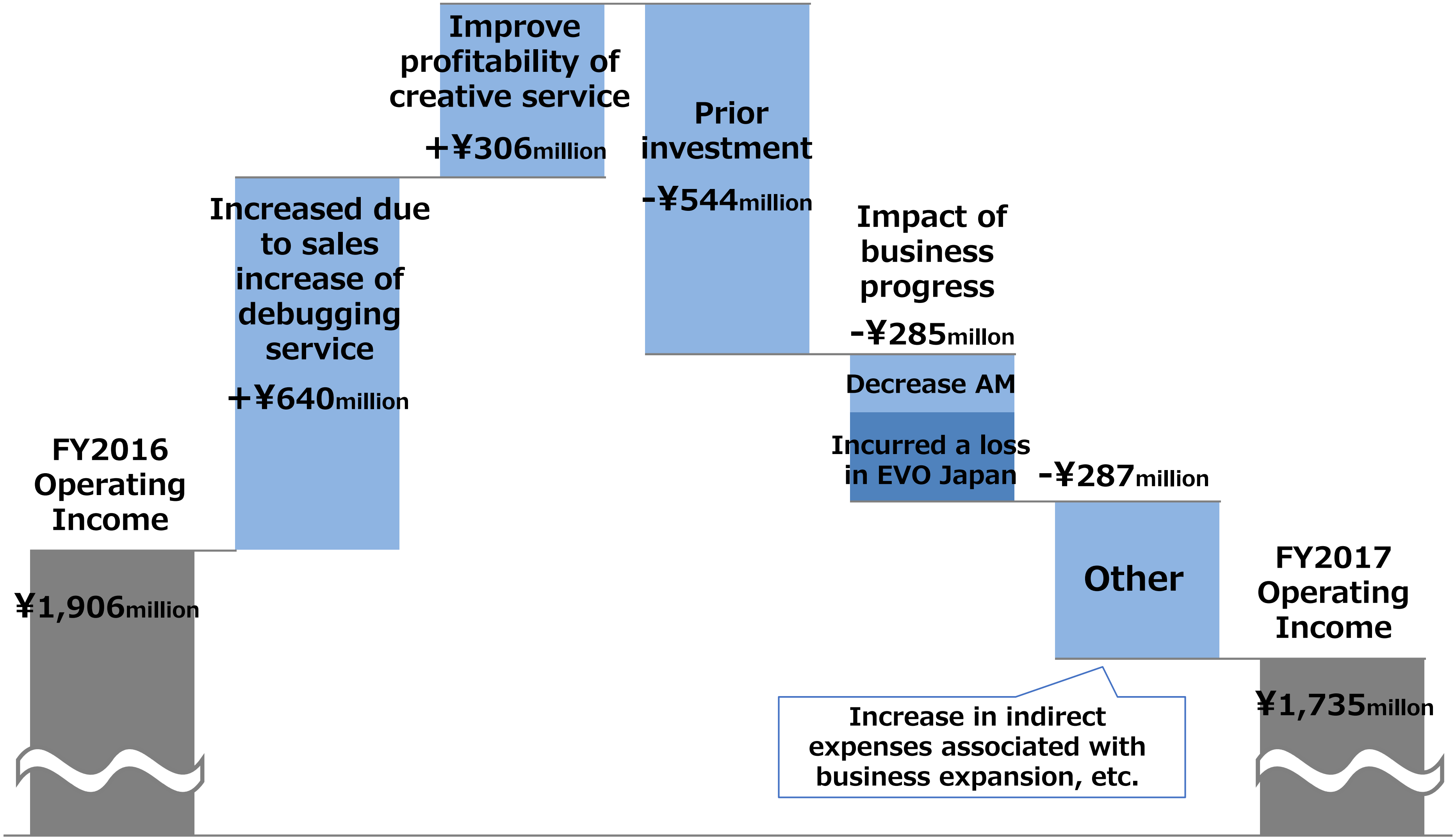
- Incurred a loss in EVO Japan
- Software debugging for pachinko/pachislot (AM) decreased due to regulatory changes.
- The system test service in the Enterprise business in the investment phase increased.





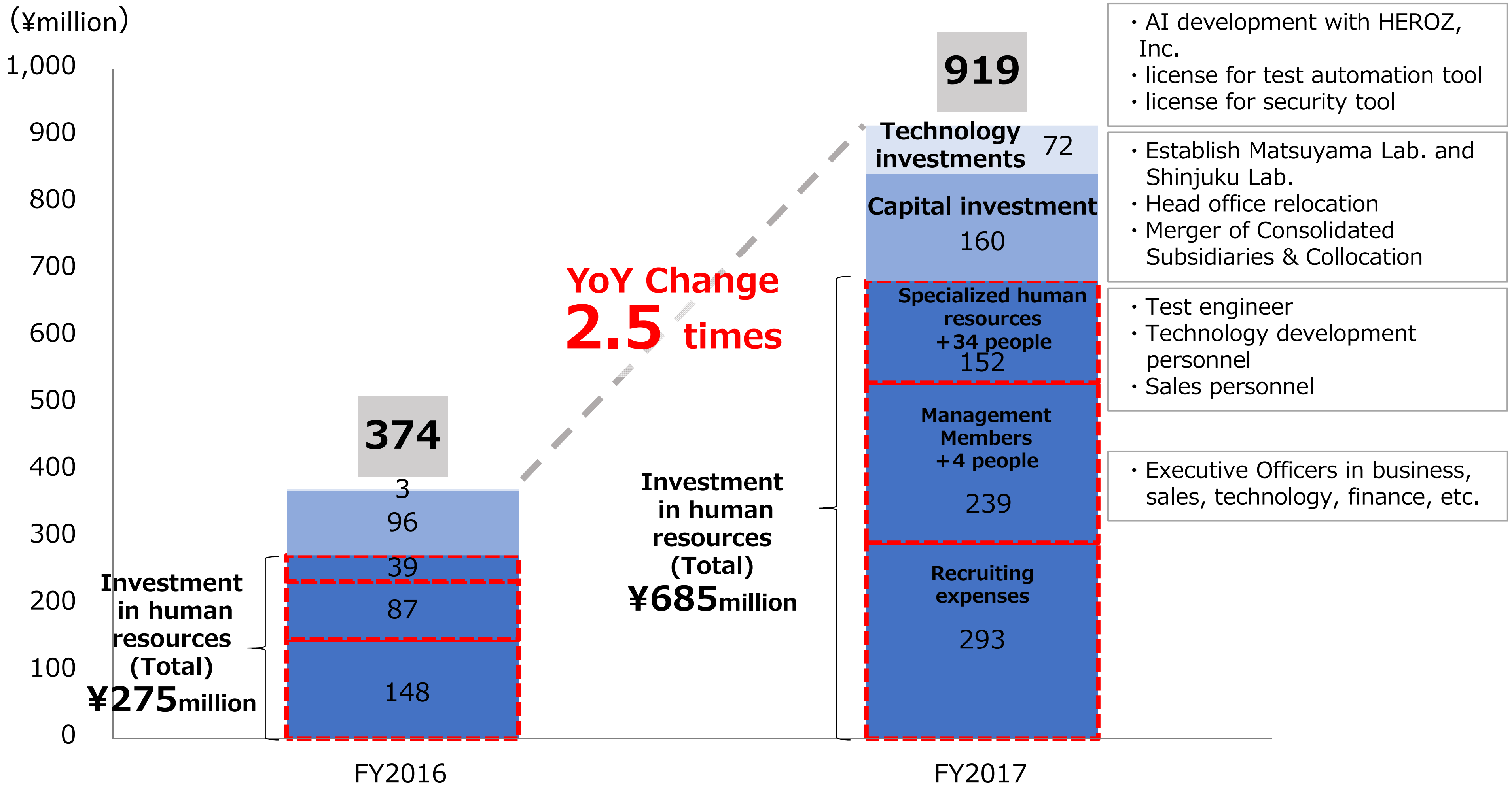
Analysis of Changes in Operating Income (YoY)

■ **While net sales rose steadily, active prior investment in business expansion resulted in a decrease in profit.**



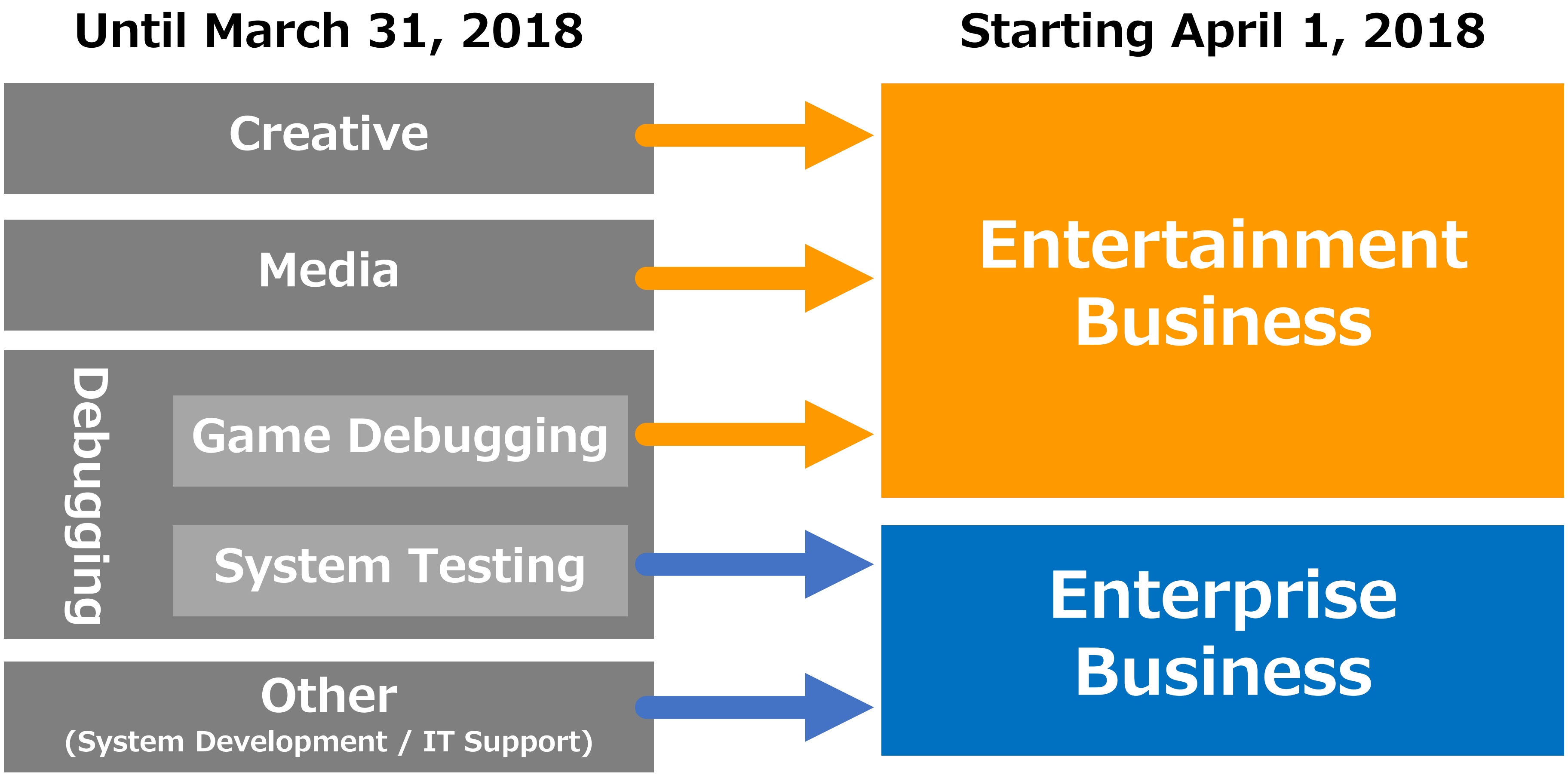
Breakdown of Prior Investment

- Increased test engineers and facilities to improve the capacity for receiving orders in view of growth from the next fiscal year.
- Enhanced technology development personnel, strengthened alliances with other companies, and accelerated investment in technology.



Changes to Business Divisions

Along with our ambitions to continue growth within the entertainment field, our intention is to expand our reach within the field of enterprise operations. To accomplish this, DIGITAL Hearts shall be split into two main business divisions through the establishment of the Enterprise Operations Headquarters alongside the Entertainment Operations Headquarters.



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

(¥million)		FY2016	FY2017	YoY Change
Net Sales		**15,444**	**17,353**	**112.4%**
	Entertainment	13,589	15,568	114.6%
	Enterprise	1,899	1,898	100.0%
	Segment sales adjustments	-43	-114	-
Operating income		**1,906**	**1,735**	**91.0%**
	Entertainment	2,583	2,948	114.1%
	Enterprise	149	-9	-
	Segment income adjustments	-826	-1,202	-
Operating income margin		**12.3%**	**10.0%**	**-2.3points**

Entertainment Business

Summary of Earnings by Entertainment Business

- **Achieved double-digit growth both in net sales and segment income due to all units achieve sales increases and reached record high.**
- **Net sales showed double-digit increases in all services and reached a new record high.**
- **As for segment profit, while the Media business incurred a loss, the Debugging and Creative businesses remained strong and absorbed the loss, and profitability was maintained at the same level as the previous fiscal year.**

(¥million)	FY2016	FY2017	YoY Change
Net Sales	**13,589**	**15,568**	**114.6%**
Debugging	11,572	13,186	113.9%
Creative	1,462	1,743	119.2%
Media, etc.	554	638	115.2%

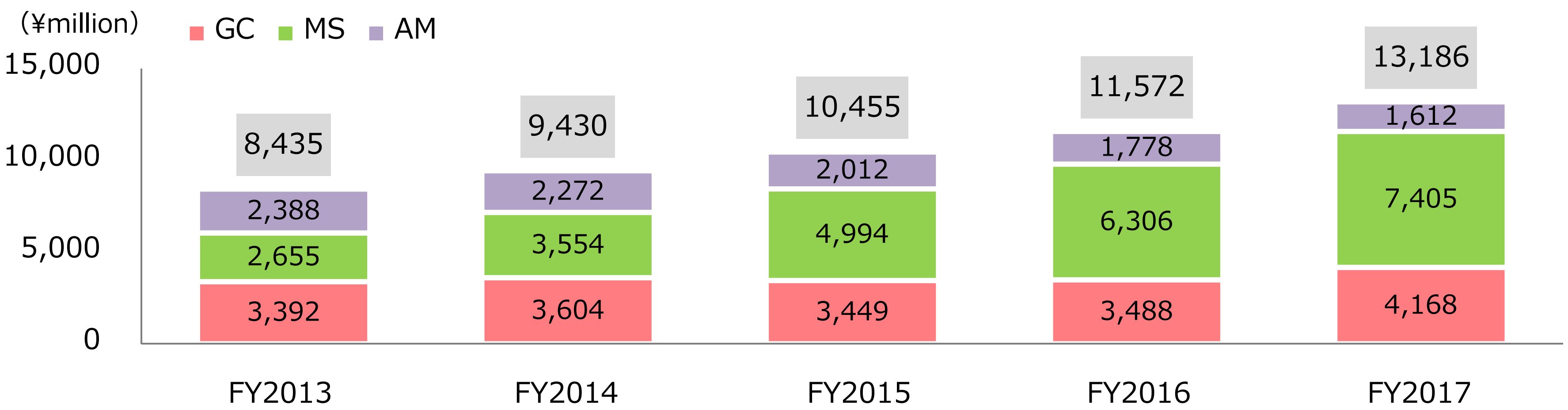
Segment income	**2,583**	**2,948**	**114.1%**

Entertainment Business Debug

- Reached record high both in net sales and segment income due to GC/MS sales increases
- Focused on opening new offices and developing title leaders to increase capacity for receiving orders.

(¥million)	FY2016	FY2017	YoY Change
Debugging	**11,572**	**13,186**	**113.9%**
Game Console(GC)	3,488	4,168	119.5%
Mobile Game(MS)	6,306	7,405	117.4%
Amusement(AM)	1,778	1,612	90.7%

Net Sales



Entertainment Business　Creative/Media

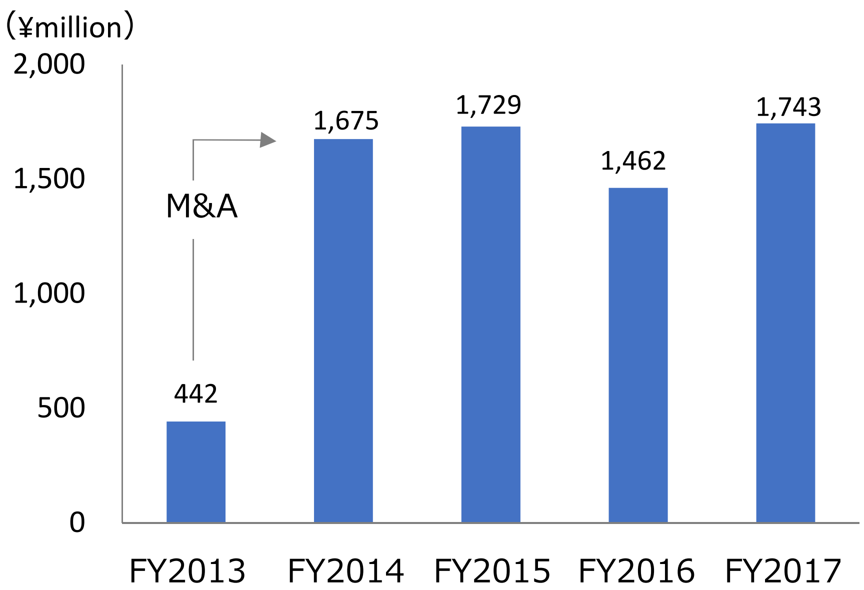
■ Creative

New and existing projects in game development and 2D/3D graphic production grew, and thorough management of quality and projects resulted in significant profit growth.

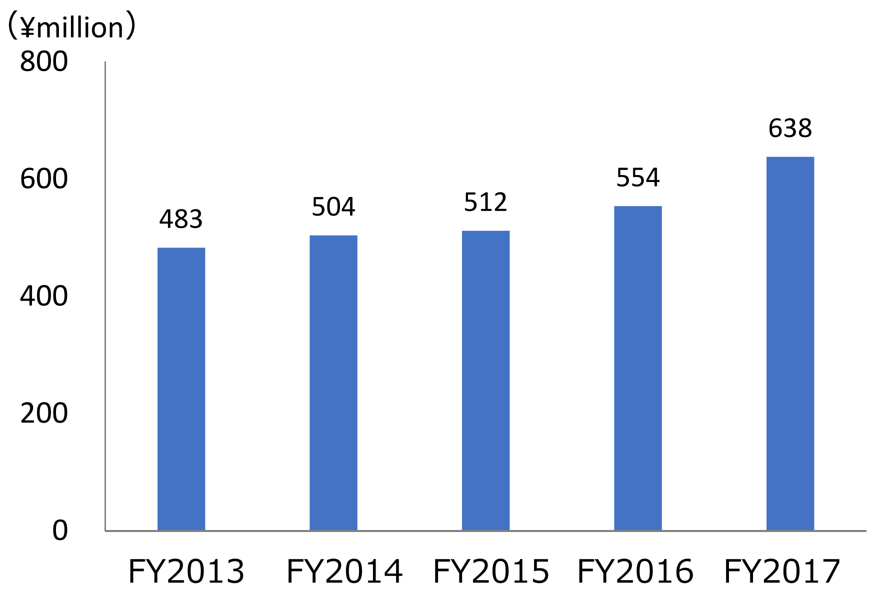
■ Media

Advertising services of game information site, “4Gamer.net,” showed stable growth.The first EVO Japan, which was held in January, was attended by a large number of people but incurred a loss.

Net Sales (Creative)



Net Sales (Media)



Enterprise Business

Summary of Earnings by Enterprise Business

- **Net sales remained unchanged from the previous fiscal year and profit decreased due to prior investment.**
- **System test sales achieved growth of over 150% (YoY).**
- **Accelerated business selection and concentration aiming for the expansion of system testing in IT services and achieved a surplus in 4Q.**

(¥million)	FY2016	FY2017	YoY Change
Net Sales	**1,899**	**1,898**	**100.0%**
System Test	705	1,084	153.7%
IT service / Security	1,193	814	68.2%
Segment income	**149**	**-9**	**-**

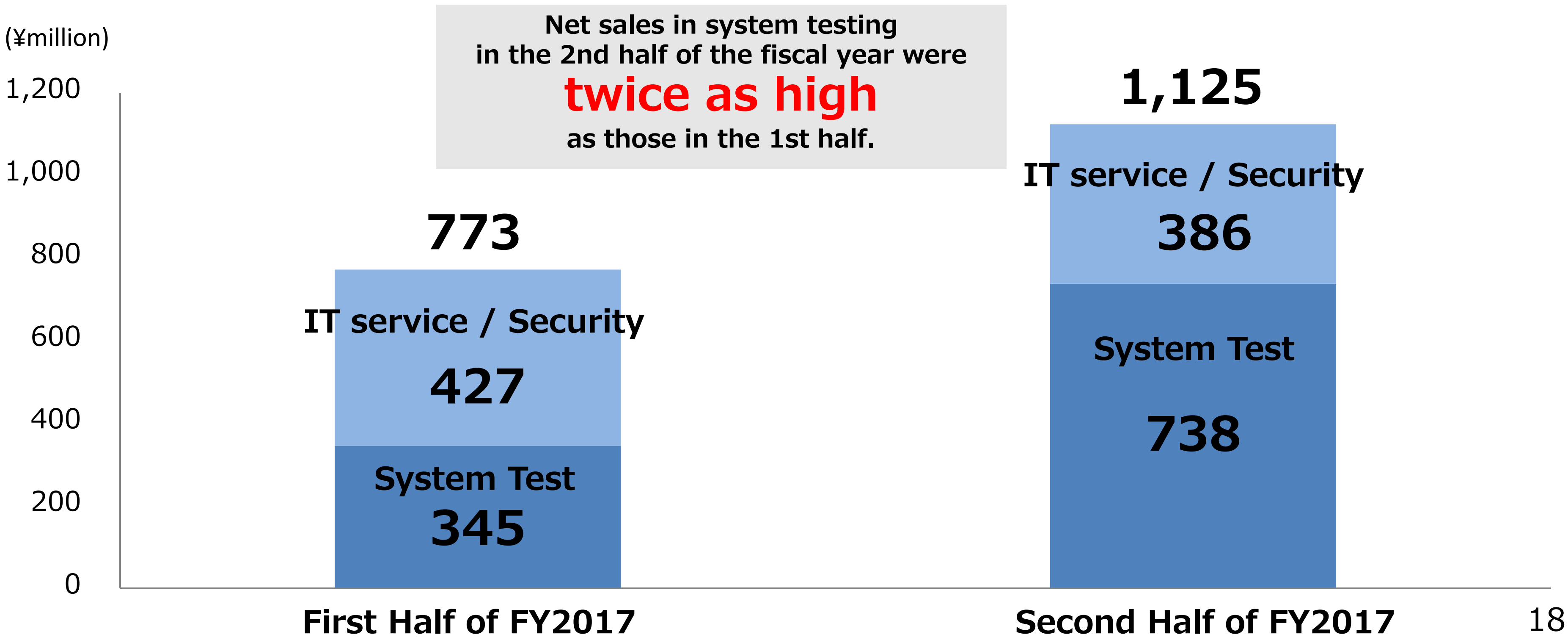
Enterprise Business　System Test / IT service / Security

■ System Test

- Improved the recruitment and development of human resources such as test engineers and technology developers.
- Accelerated the development of original new services that will use automation tools.

■ IT service / Security

Shifted from engineer staffing service to IT and security services for system operation and maintenance in order to provide continuous services compatible with system testing.



(Reference) New Segment

(¥Million)			3/2014	3/2015	3/2016	3/2017	3/2018
Entertainment Business		Net sales	9,360	11,609	12,696	13,589	15,568
		Segment income	No retroactive	1,915	2,379	2,583	2,948
	Debugging	Net sales	8,435	9,430	10,455	11,572	13,186
	Game Console(GC)	Net sales	3,392	3,604	3,449	3,488	4,168
	Mobile Game(MS)	Net sales	2,655	3,554	4,994	6,306	7,405
	Amusement(AM)	Net sales	2,388	2,272	2,012	1,778	1,612
	Media	Net sales	483	504	512	554	638
	Creative	Net sales	442	1,675	1,729	1,462	1,743
Enterprise Business		Net sales	798	1,713	2,382	1,899	1,898
		Segment income	No retroactive	50	71	149	-9
	System Test	Net sales	360	380	681	705	1,084
	IT service / Security	Net sales	438	1,333	1,701	1,193	814
	Inter-segments adjustments	Net sales	-24	-39	-70	-43	-114
		Segment income	-353	-447	-486	-826	-1,202
	Consolidated total	Net sales	10,137	13,285	15,011	15,444	17,353
		Operating income	1,780	1,517	1,963	1,906	1,735

(Reference) Previous segment

(¥million)		FY2016	FY2017	YoY Change
Net sales		**1,5444**	**17,353**	**112.4%**
	Debugging business	12,283	14,283	116.3%
	Consumer Games	3,483	4,174	119.8%
	Digital Solutions	7,021	8,496	121.0%
	Amusement	1,778	1,612	90.7%
	Media business	554	638	115.2%
	Creative business	1,465	1,750	119.4%
	Other business	1,193	814	68.2%
	Segment sales adjustments	-52	-133	-
Operating income		**1,906**	**1,735**	**91.0%**
	Debugging business	2,740	2,816	102.8%
	Media business	-24	-179	-
	Creative business	-115	219	-
	Other business	57	7	12.5%
	Segment income adjustments	-750	-1,127	-

Consolidated Balance Sheets

(¥million)	FY2016 (As of Mar. 31, 2017)	FY2017 (As of Mar. 31, 2018)	YoY Change
Total assets	**7,651**	**8,575**	**923**
Current assets	6,221	6,813	592
Cash and deposits	3,344	3,894	549
Notes and accounts receivable- trade	1,942	2,480	538
Noncurrent assets	1,430	1,761	331
Property, plant and equipment	298	473	175
Intangible assets	238	286	48
Investments and other assets	893	1,001	107
Total liabilities	**4,793**	**5,005**	**212**
Current liabilities	3,759	3,929	169
Short-term loan	1,630	1,600	-30
Noncurrent liabilities	1,033	1,075	42
Convertible bond-type bonds with subscription rights to shares	1,017	1,017	-
Total net assets	**2,858**	**3,570**	**711**
Shareholders' equity	2,590	3,340	750
Capital stock	300	300	-
Treasury shares	-2,152	-2,405	-252
Non-controlling interests	225	200	-25
Total liabilities and net assets	**7,651**	**8,575**	**923**

Consolidated Statements of Cash Flows

(¥million)	FY2016	FY2017	YoY Change
Net cash provided by operating activities	1,825	1,436	-388
(*Cash flows before income taxes paid)	2,237	1,862	-375
Net cash used in investing activities	-610	-618	-8
Net cash used in financing activities	-69	-250	-180
Effect of exchange rate change on cash and cash equivalents	1	-2	-3
Net increase (decrease) in cash and cash equivalents	1,146	564	-581
Cash and cash equivalents at the beginning of period	2,197	3,344	1,146
Cash and cash equivalents at the end of period	3,344	3,894	549

Consolidated Financial Forecast

for the Fiscal Year Ended March 31, 2019

FY2018 Action Plan

■ Corporate

・Materialize investment effects step by step while continuing prior investment for business expansion.

・Shift management resources to high value-added businesses and new businesses.

■ Entertainment Business

・Increase profitability, which declined in 4Q of the previous fiscal year due mainly to a fall in net sales for AM, by raising net sales for GC (formerly CS) and MS, cost reduction measures, etc. towards the 2nd half of the fiscal year.

・Continue to reform the structures of overseas subsidiaries (implement selection and concentration at the project level)

・Review the profit model of e-sports, including alliances, and carry out strict profitability management.

■ Enterprise Business

・Achieve an increase in sales and profit by increasing the capacity utilization of specialized human resources and test engineers in whom investment has been made.

・Implement alliances to accelerate growth.

・Promote the continuous examination and improvement of investment effects.

Aim for record-high net sales and operating income while maintaining sales growth, shifting to high value-added businesses, and continuing prior investment through earnings structure reforms.

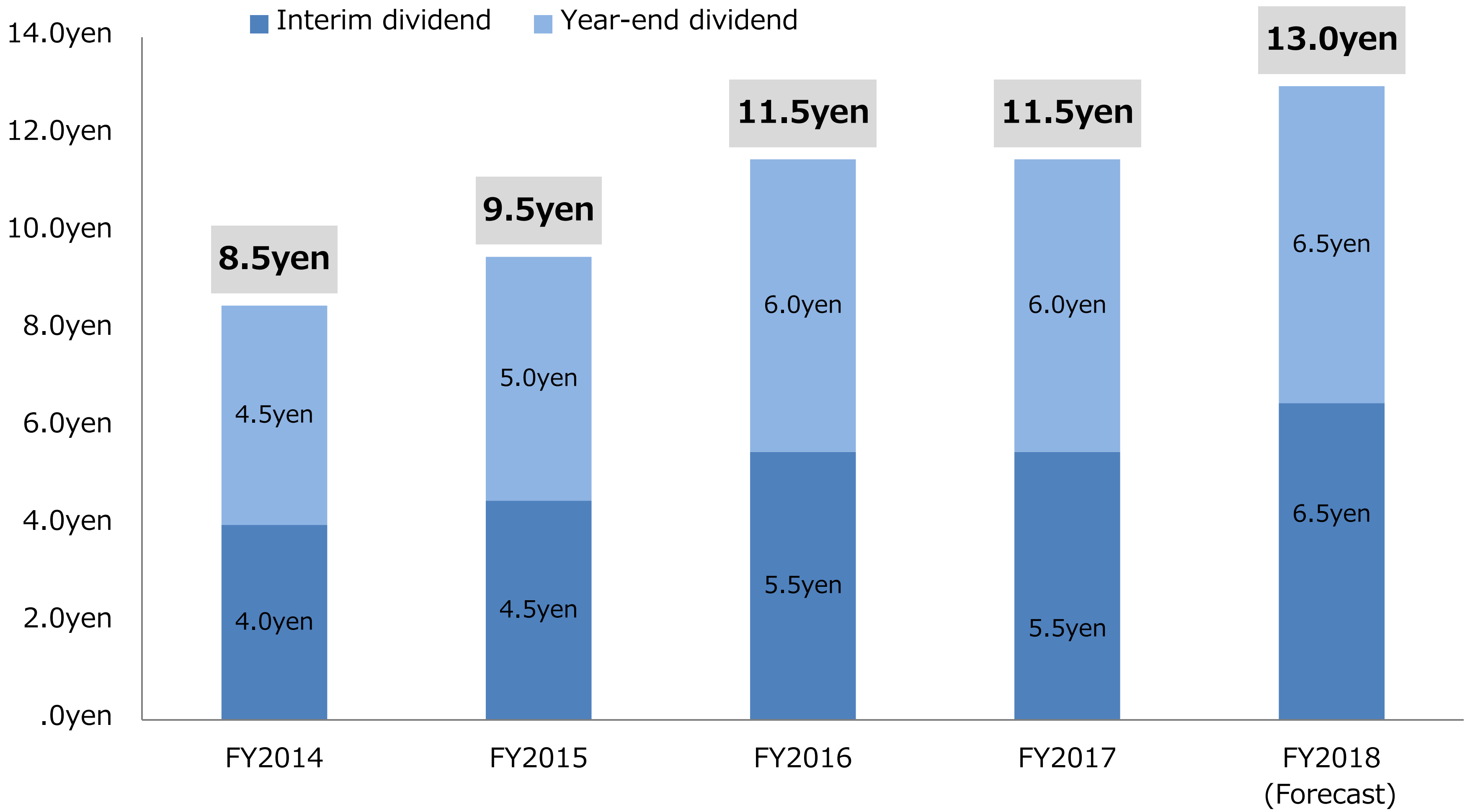
FY2018 Consolidated Financial Forecast

- Expecting to achieve an increase in both net sales and operating income by more than 120% and new record-high sales and profit.
- The investment phase continues in the 1st half of FY ending March 2019, which will contribute to profit from the 2nd half.

(¥million)	FY2017	FY2018	YoY Change
Net Sales	17,353	21,000	121.0%
Entertainment	15,568	16,583	106.5%
Enterprise	1,898	4,416	232.6%
Operating income	1,735	2,200	126.7%
Operating income margin	10.0%	10.5%	+0.5points
Ordinary income	1,782	2,224	124.8%
Profit attributable to owners of parent	1,200	1,533	127.7%

FY2018 Dividends Forecast

- **For FY ending March 2019, an interim dividend of 6.5 yen and a year-end dividend of 6.5 yen, totaling 13.0 yen, are expected to be paid.**



Business Strategies

Our Vision

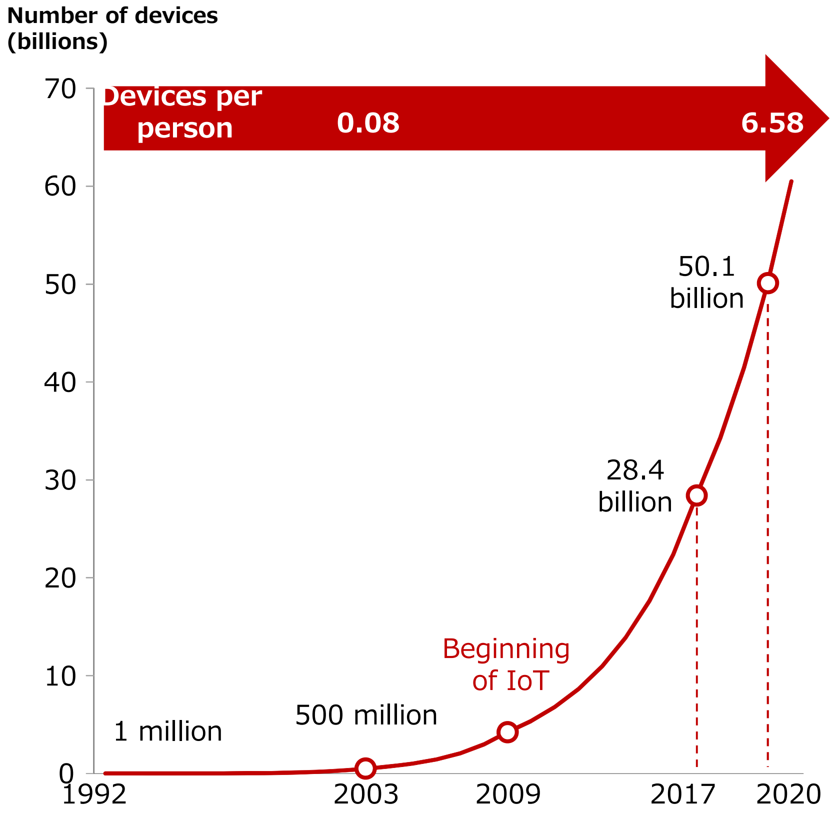
Asia's No.1 Company
for Comprehensive Testing Solutions

Technology × Human capital

IT Industry Market Trends

Testing-related man-hours have increased along with an increase in the volume of data to be processed and the number of devices due to advances in IoT, which will result in a progressive trend in the testing market towards outsourcing.

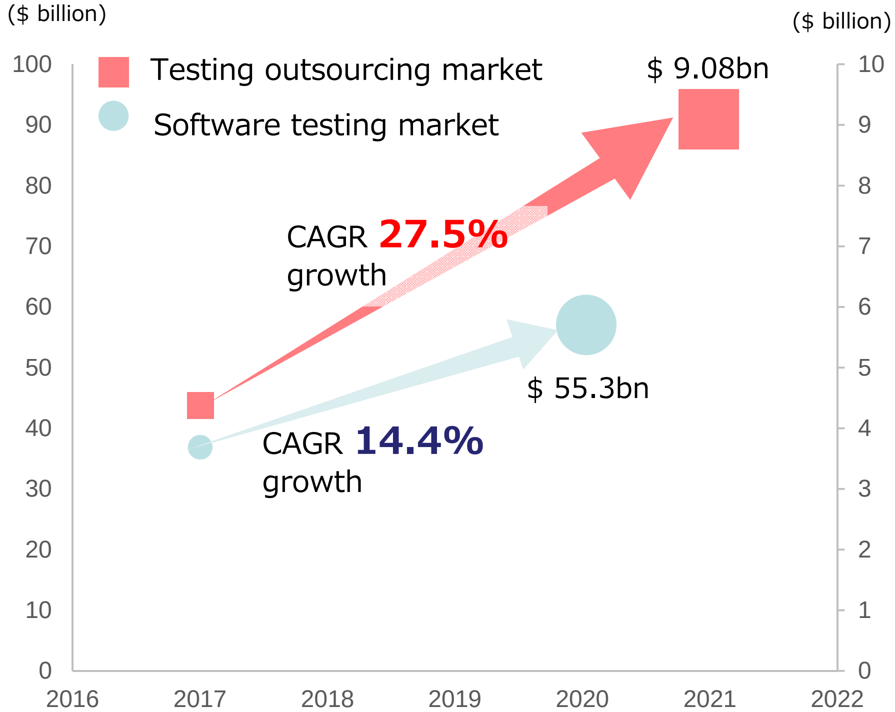
Number of connected devices due to the shift towards IoT



Source: IDC

Testing outsourcing market

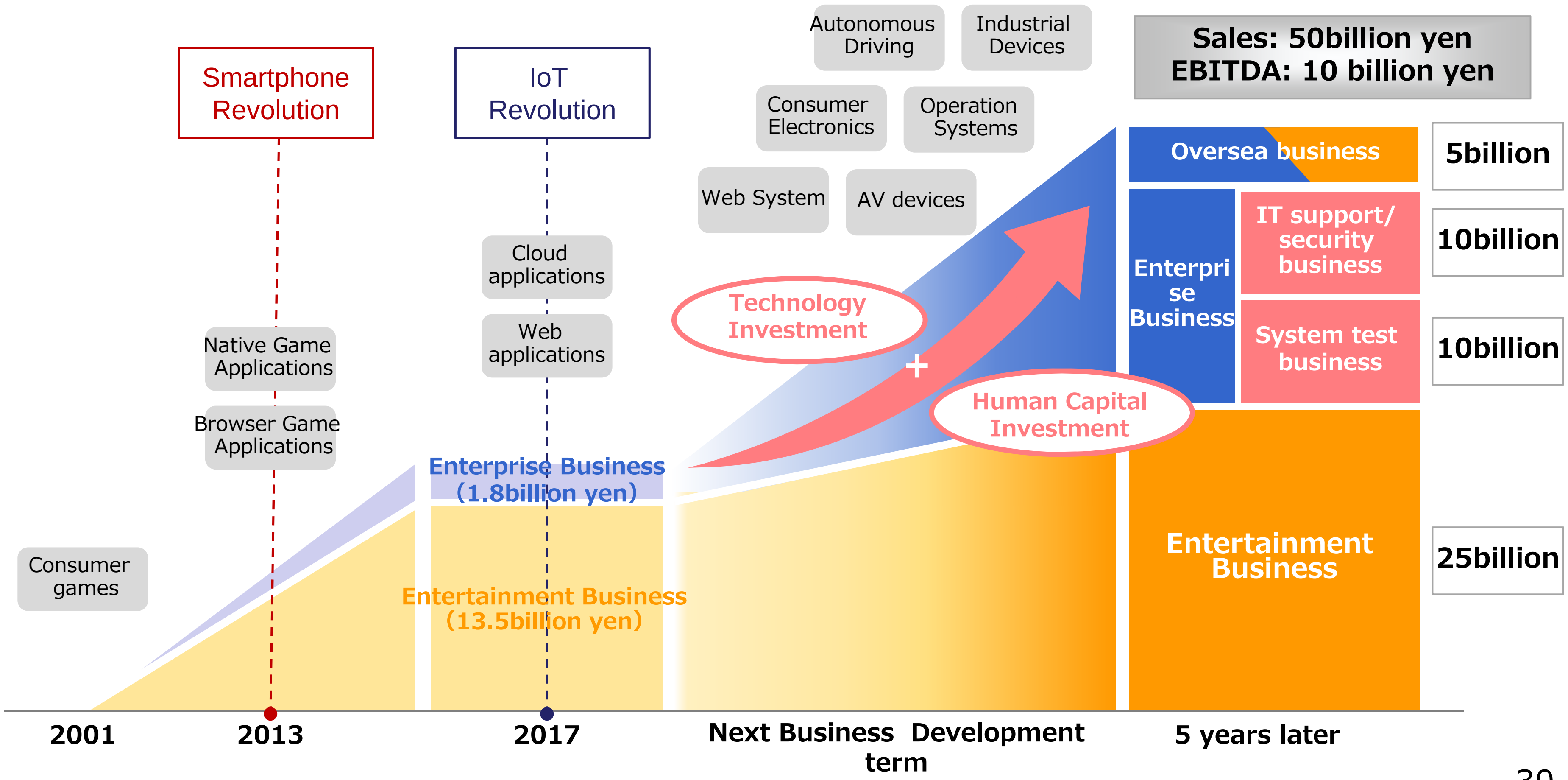
The testing outsourcing market is growing rapidly



Source: Created by Hearts United Group based on various reference materials. (References) Global Pure Play Software Testing Services Market 2017-2021 (related site), Global Software Testing Market 2017-2021 (related site)

Roadmap to achieving mid-term plan for FY2022

Expand enterprise business where the market is expected to rapidly grow, backed by shift to outsourcing



Technology x Human capital

Use Entertainment testing personnel for the Enterprise business.
Apply technical skills acquired in the Enterprise business to the Entertainment business.
Promote cross-selling and organically integrate people and technology.

Entertainment Business		Enterprise Business
Core competence Over 8,000 registered testers	Shift personnel →	Strategically shift personnel to create power for growth drivers.
Increase efficiency to contribute to higher profitability.	← Utilize technology	**High technology** Security, Machine learning, AI

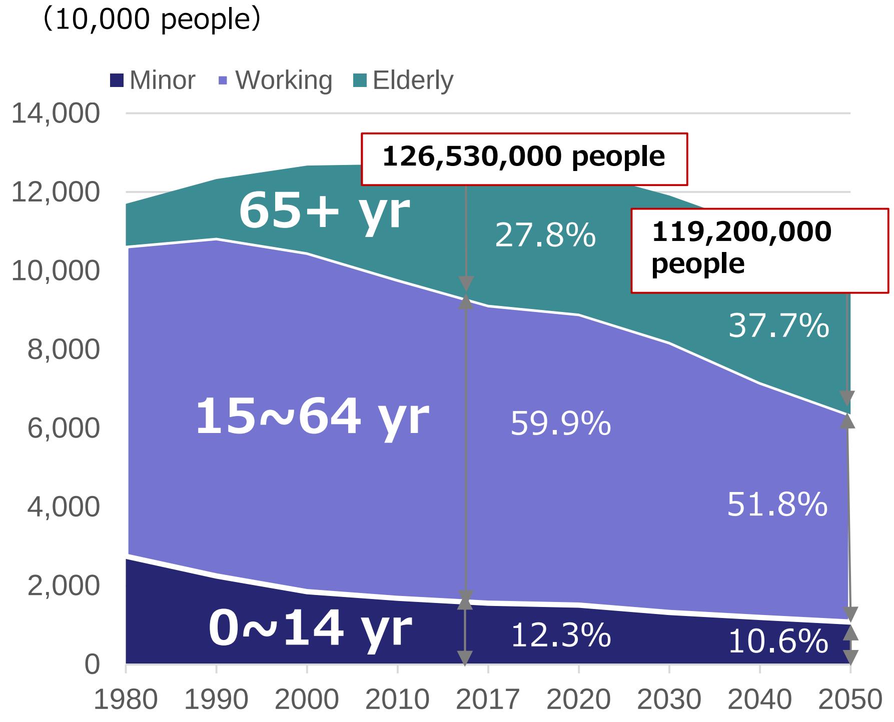
Progress of 2nd start-up project

1. **Personnel Management and Training**
2. **Strategies of Entertainment Business**
3. **Strategies of Enterprise Business**

Human resource shortage in Japan IT Industry

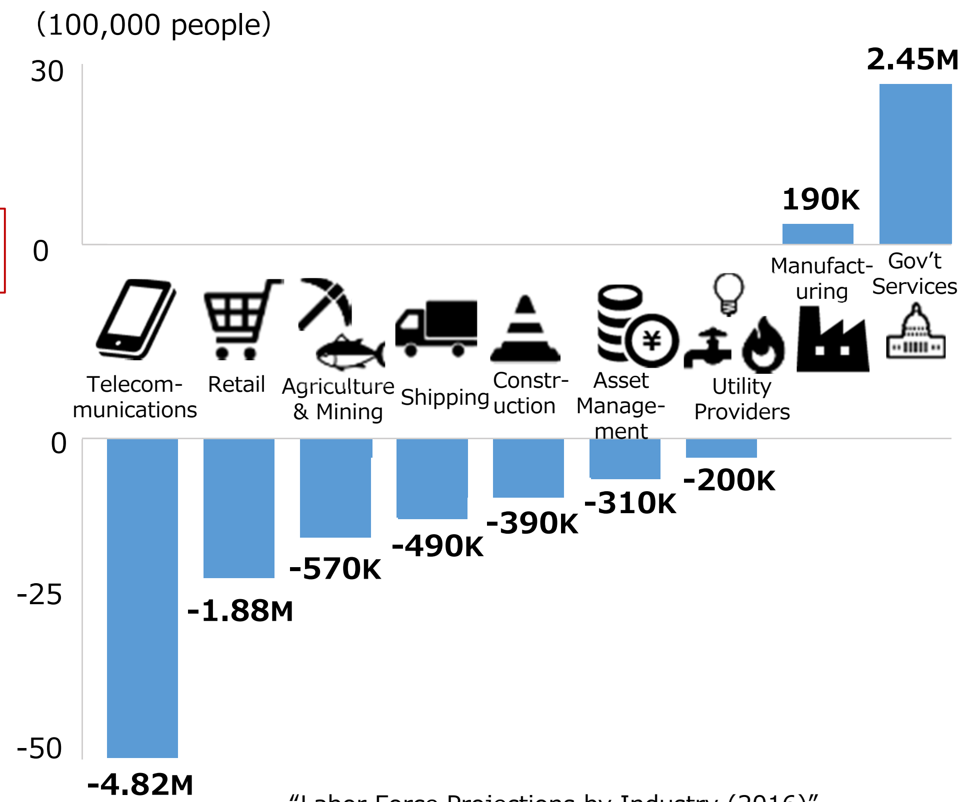
In 2019, labor force in IT industry will peak out and begin to decrease
The human resource shortage will become a serious issue

Population estimate in Japan



"Population Projections for Japan (2017)"
National Institute of Population and Social Security Research

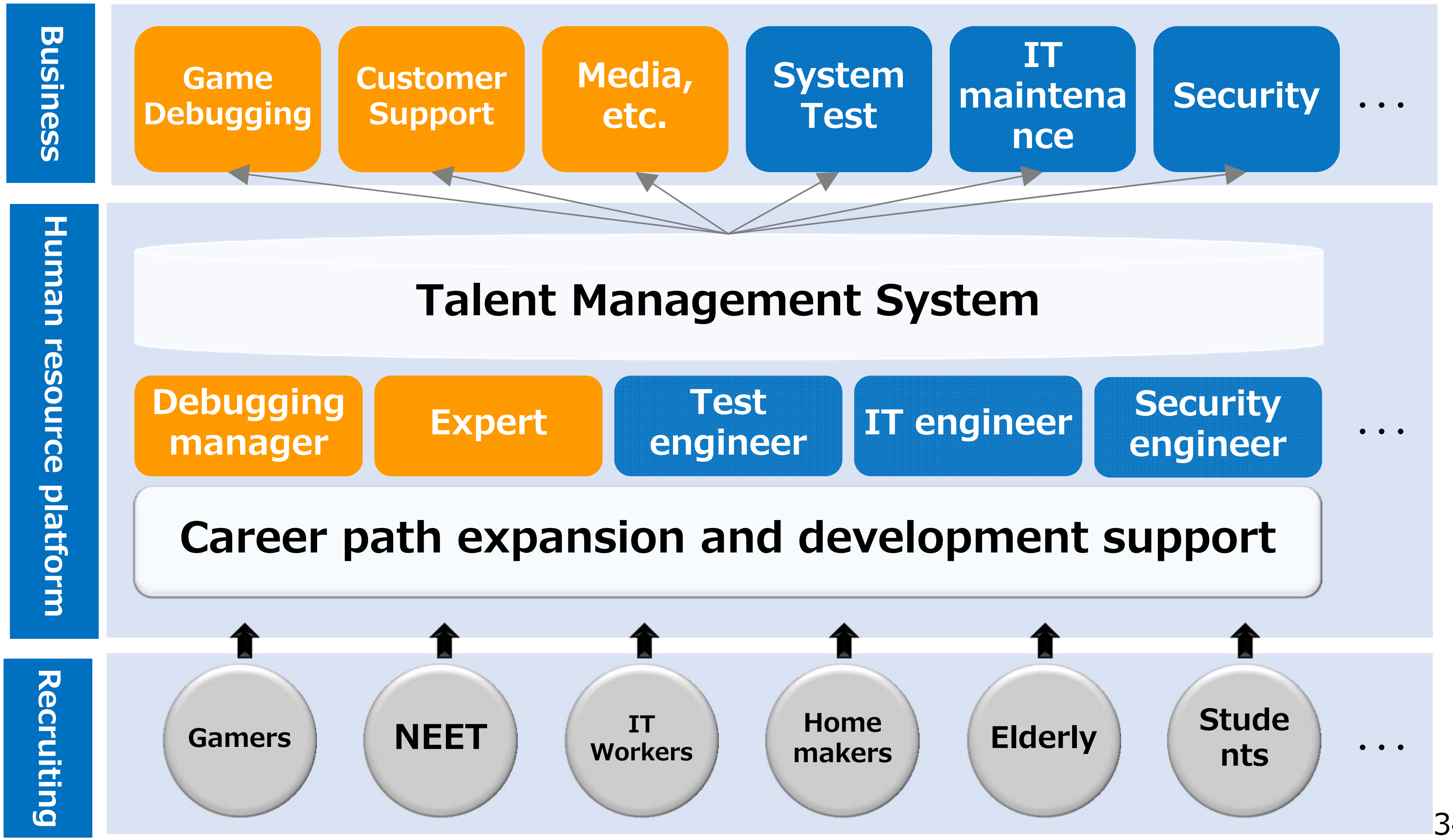
Shortage of Labor Force in 2025 by Industry



"Labor Force Projections by Industry (2016)"
Persol Research & Development Co., Ltd.

Improve internal human capital development

Develop practical skills of various personnel using original know-how in personnel utilization.
Develop systems to enable all kinds of personnel to utilize their skills.



Secure the human capital

Expansion of Technical Management Team

・**Elect CTO(Chief Testing Officer)**

Increase in high-level engineers(*1) through alliances

Established Testing Joint Venture Company

Establish a company specializing in testing with a Vietnamese company, GNT, and improve the testing system.

Secure 50 high-level engineers

Acquired System Development Business

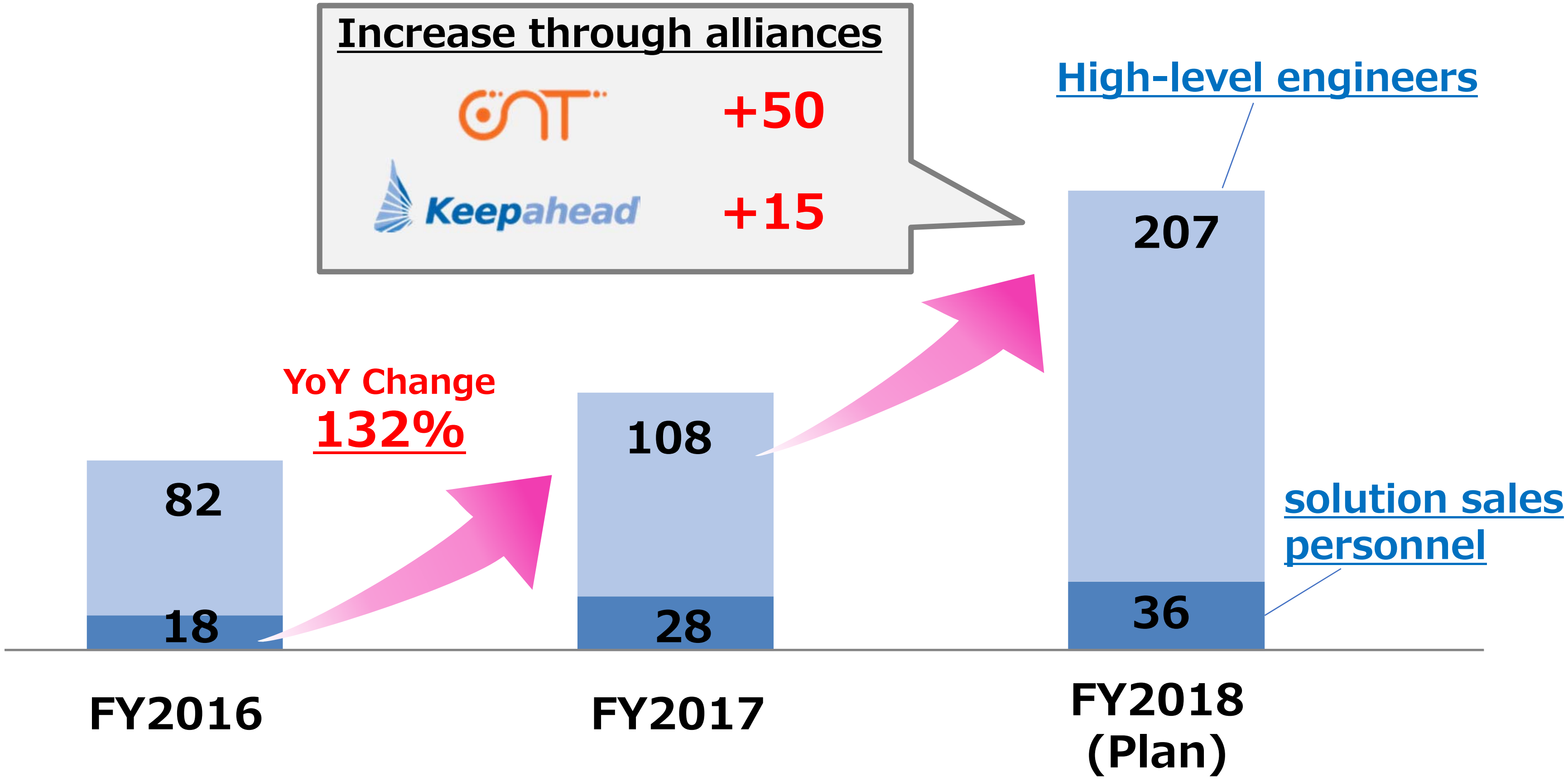
Succeed to the business of Keepahead with extensive experience in large development projects and secure human capital.

Secure 15 high-level engineers.

*1 High-level engineers : Engineers capable of defining requirements and undertaking design are defined as high-level engineers.

Increase of specialized human resources

Rapidly increase the number of specialized human resources, mostly including high-level engineers and solution sales personnel.



Human Resource training <Own program>

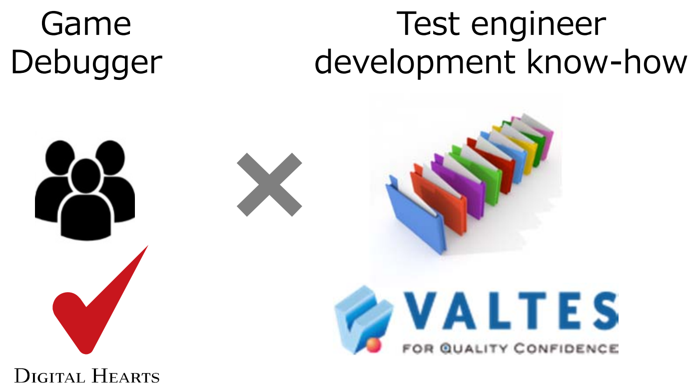
Active Investment in Human Resource Development Programs

New **Debug SPI**	Exam for promotion to the role of leader. Tests the applicants; knowledge of testing operations, skills required for project implementation, etc.
New **e-learning**	Held on a web portal for various information system qualifications. Asks questions in quiz format.
New **DH Cyber Security Bootcamp**	Project to educate selected game testers and help develop their skills as white-hat hackers.
Test “Terakoya”	Lectures given by around 30 affiliated expert debuggers who teach the techniques and ideas of debugging. Held periodically.

Human Resource training <Alliance>

Conclusion of a Basic Agreement with VALTES CO., LTD. on Capital and Business Alliance

Capital and operational alliance with Valtes (ISTQB Gold Partner), which has strengths in the upstream test process and systematic educational programs for test engineers



Jointly acquire large projects using the strengths of each company.

Achieve the early development of 50 to 100 test engineers in FY2018.

Human Resource training <Talent Management System>

Planning to restructure a talent management system that enables optimal assignment management and career development by linking with a bug data system.

Review of FY2017

Main function

- Testers' skill management and management of their interests in games, game-playing experience, etc. by converting them into points
- Subsidy for examination expenses by managing records of receiving e-learning and test records
- A large number of testers that match personas can be recruited in a short period of time by installing SNS functions.

Trials will be run around fall of 2018 (partially released to lab).

Progress of 2nd start-up project

1. Personnel Management and Training
2. Strategies of Entertainment Business
3. Strategies of Enterprise Business

Strategies of Entertainment Business

Continue to improve game debugging and operate various services with the Group companies to further increase customer engagement.

Game Market

- Potential customers Over 900
- Market Size ¥1,095.3billion(*1)
- Mobile Game Growth rate:121%(*2)

service

Game and CG contents development

Debug

Customer support

Media

Contents Review

e-sports

Localize

Global services

LQA
(Linguistic Quality Assurance)

process

Development → Quality assurance → Maintain

Source(*1):FGH 2017　P46　2018 Forecast

Source(*2):FMGH 2018　P11　2017 Forecast

Progress of service development

Customer support and the LQA service launched on a full-scale basis in 2017 are on a growth path.

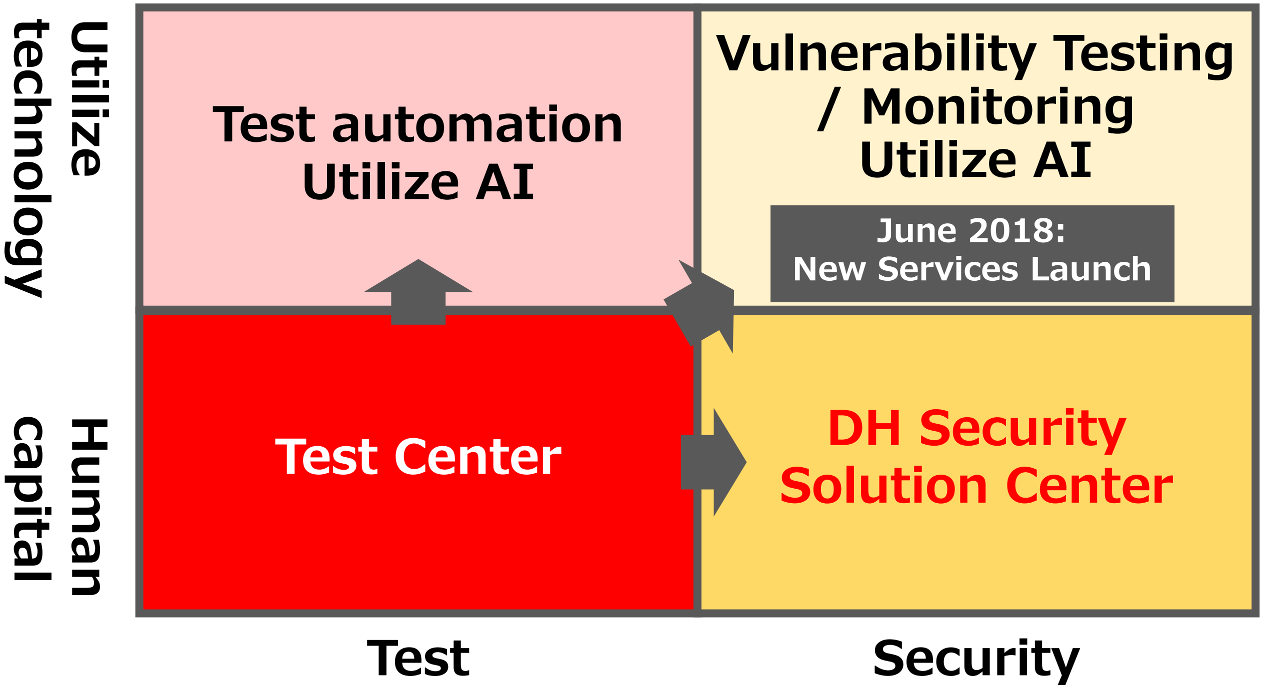
Customer support	Customer support was built into the in-house system in November 2017. It has continued to grow since then. Net sales increased rapidly in March 2018 by more than **500% from the previous year**, which was before the system development.
Global services	Supporting the overseas development of game companies. Employs more than 200 multilingual staff members other than Japanese (FY2017) and built a system of providing LQA services in Japan. Net sales for the entire global services **increased 153%YoY**.
Media	Plans to establish a **business alliance with Opt, Inc.** and launch a gaming strategy website specifically for smartphones. Acquired the strategy guide production business from Studio Bent Stuff Co., Ltd. and continues the business while increasing personnel.

Progress of 2nd start-up project

1. Personnel Management and Training
2. Strategies of Entertainment Business
3. Strategies of Enterprise Business

Strategies of Enterprise Business

Not only expanding testing areas but also promoting the security business. Accelerates AI application and automation and organically combines them with people to provide original solution services.



Support for system quality improvement

Provides a safe environment for accessing a system.
(DH Secure)

Technology utilization of Test Service

Category	Overview	Technology
Function test automation	• Automation of UI functions via IDE or scripts. • Step-by-step image captchas. • Automation of test input and output. • Automation of website deadlink and SSL checks.	• Selenium • Appium • MF Unified Functional Testing • Jenkins(CI) • PatRobo
Function test Automation (Utilize AI)	• Acquire Web control objects via AI. • Automated creation of test cases. • Automated execution of test cases. • Test result assessments.	• Kishin Testing
Load test	• Load simulation creation via IDE or scripts. • Automated creation of heavy load situations. • Measurement of server throughput. • Performance analysis.	• MF LoadRunner • Jmeter

Examples of test automation in FY2017

Due to increasing engineer shortages and tighter schedules, the need for comprehensive automated test services has grown.

NTT Group	**Partial automation of tests run in every system repair** Use : Selenium Jenkins	**decrease 40% of test man-hours**
video Streaming Service company	**Partial automation of tests run in every system repair** Use : Selenium	**decrease 40% of test man-hours**
Car manufacturer	**Checking for link cuts in hundreds of thousands of web pages and web content** Use : PatRobo	**decrease 95% of test man-hours**

DH Security Solution Center

DH Security Solution Center

Vulnerability Testing

- Web
- Network
- Mobile
- DB
- IoT

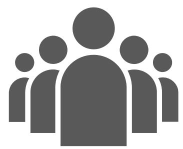
Monitoring (Maintain)

- Penetration Monitoring
- Status Monitoring
- Performance Monitoring
- Application Support
- Remote Support

Training

- Ethical Hacker Training
- Promoting CSIRT
- Operator Training

Developing security engineers through training of selected talented testers



Testers

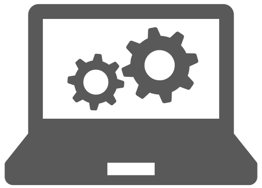
Security Services

Services	Category	Overview
 Testing	Web application	• Vulnerability testing service for Web application
	Network infrastructure	• Platform testing service for Network/Server/OS/Middleware
 Monitoring	UTM (Unified Threat Management)	• Appliances combining security functions (ex) Firewall/Anti-Virus/ IPS/IDS/Web/Filtering
	WAF (Web Application Firewall)	• Defends website and web system applications from unauthorized access and attacks
	EDR (Endpoint Detection and Response)	• Anti-Virus software for Client PC
 Training	Training security experts	• Training for security monitoring and testing

Security Topics

Establish the DH Security Solution Center and provide companies with total security support.

- **Launch the security service "DH Secure" on a full-scale basis**
- **Promote AI application and increase the security level and efficiency**
- **Plan to provide a professional white-hat hacker service**



Utilize AI

- **Build a system in which AI, which has learned the normal behavior of servers and networks, determines the seriousness of errors detected and reports only truly hazardous vulnerability.**

White-hat hacker

- **Promote security services provided by skilled white-hat hackers collected in a cloud environment.**

Change of trade name and logo

Fully promote Digital Hearts, which has overwhelmingly high public recognition, and change the company name of Holdings for the purpose of strengthening marketing activities.

DIGITAL HEARTS HOLDINGS Co., Ltd.

Financing

Financing Via the Target Issue Program

Aim of the Financing

Strategy in 2nd start-up

Expansion of game debugging service in existing Entertainment business

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Expansion of system testing and security service in Enterprise business, the driver for future growth

Investment in human resource and technology including organic investment and acquisition of external resources

Organic investment

- Employment of engineers/ market specialists
- Education of existing employees

- Development of AI/automation tools
- Acquisition of licenses

Acquisition of external resources

- Acquisition of human resources and technologies in system testing and security fields through business alliances
- Acquisition of human resources, clients, related technologies and know-how in system testing and security fields through M&As

TIP Terms and use of proceeds

<Outline>

	4th Issuance of Stock Options	5th Issuance of Stock Options	6th Issuance of Stock Options
Method of issue	Third-party allocation to London Branch of Deutsche Bank		
Planned amount of funds to be procured	¥11.02 billion[(a)]		
Estimated amount of net proceeds	¥11.02 billion[(b)]		
Number of stock options to be issued	20,000	14,000	6,800
Number of potential shares resulting from this issue	2,000,000	1,400,000	680,000
Exercise price	¥2,100	¥3,000	¥3,850
Revision of exercise price	None		
Dilution ratio	17.1%[(c)]		
Period for exercise of stock options	3 years		
Terms & conditions for halting exercise of stock options	Yes		

<Objectives>

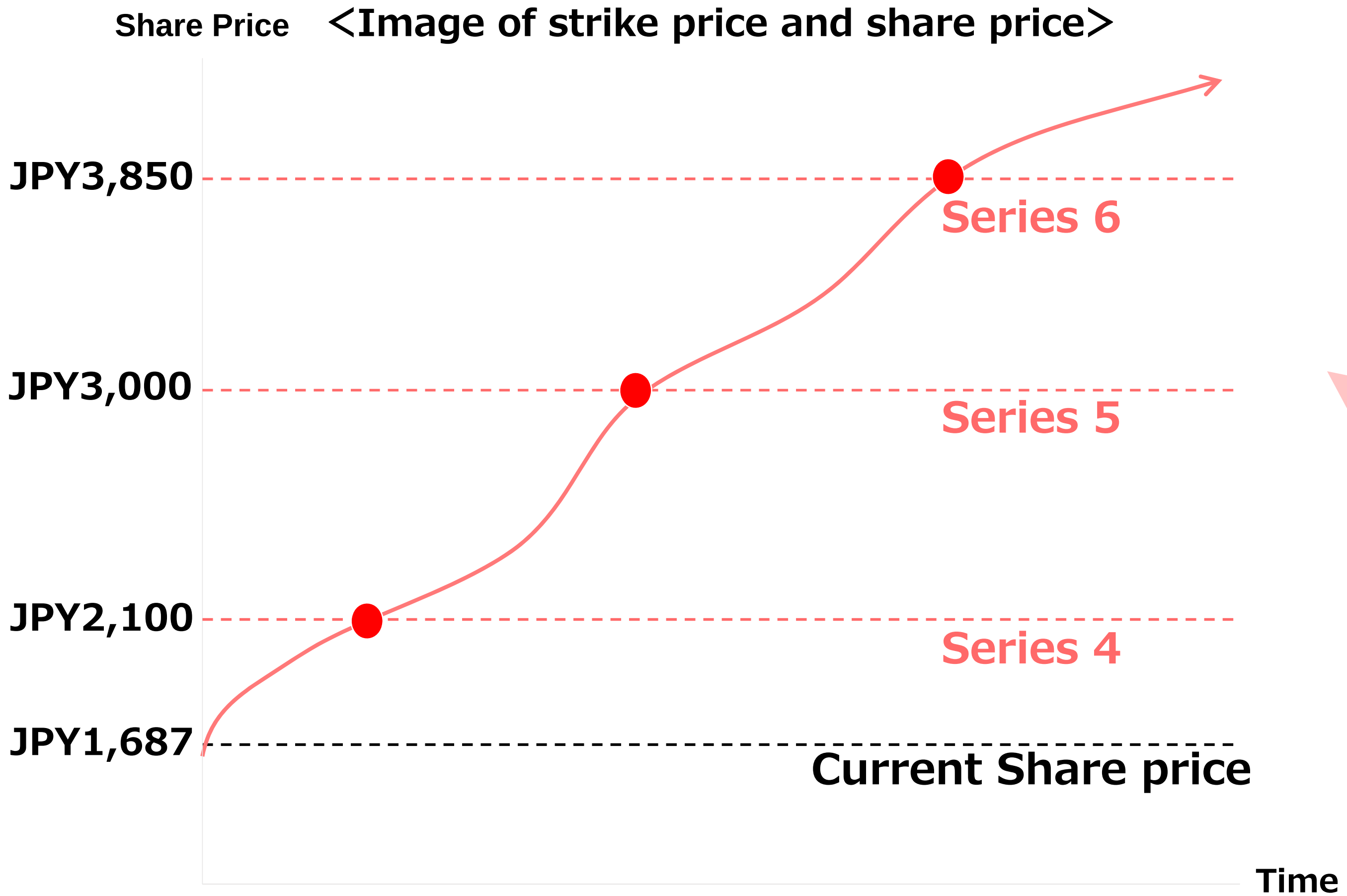
HR and technology-related investments aimed at expanding system testing and security business operations in the enterprise field		
Internal Investments	¥1.00bn	Recruitment of engineers and other external specialists, training and development of internal human resources
	¥2.50bn	Development of AI and test automation tools, acquisition of licenses
Securing External Resources	¥7.52bn	M&A and capital / business partnerships aimed at securing professional human resources, related technologies and knowhow in areas such as software testing and security

(a) The planned amount of funds to be procured is the total amount of equity assets to be credited when the stock options are exercised. Depending on fluctuations in share prices during the exercise period, in some cases, there is a possibility that stock options may not be exercised, or that the amount of funds procured may decrease due to retirement.
(b) The estimated amount of net proceeds is the planned amount of funds to be procured, plus the sum total issue price of stock options issued, minus issuance costs.
(c) Regarding the exercise of 4th issuance stock options, the Company plans to prioritize the allotment of treasury shares, in which case the dilution ratio is 8.7%. The dilution ratio value displayed in the table above is the hypothetical dilution value, in the event that all new shares are issued in response to all stock options being exercised.

Scheme of the Financing

Flexible financing and capital enhancement corresponding to the progress of business progress by setting the strike price in each stages

<Image of strike price and share price>



- ✓ Setting strike price of each tranche in stages as JPY2,100, JPY3,000, JPY3,850

HUG

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＜Contact＞

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