

FACT BOOK

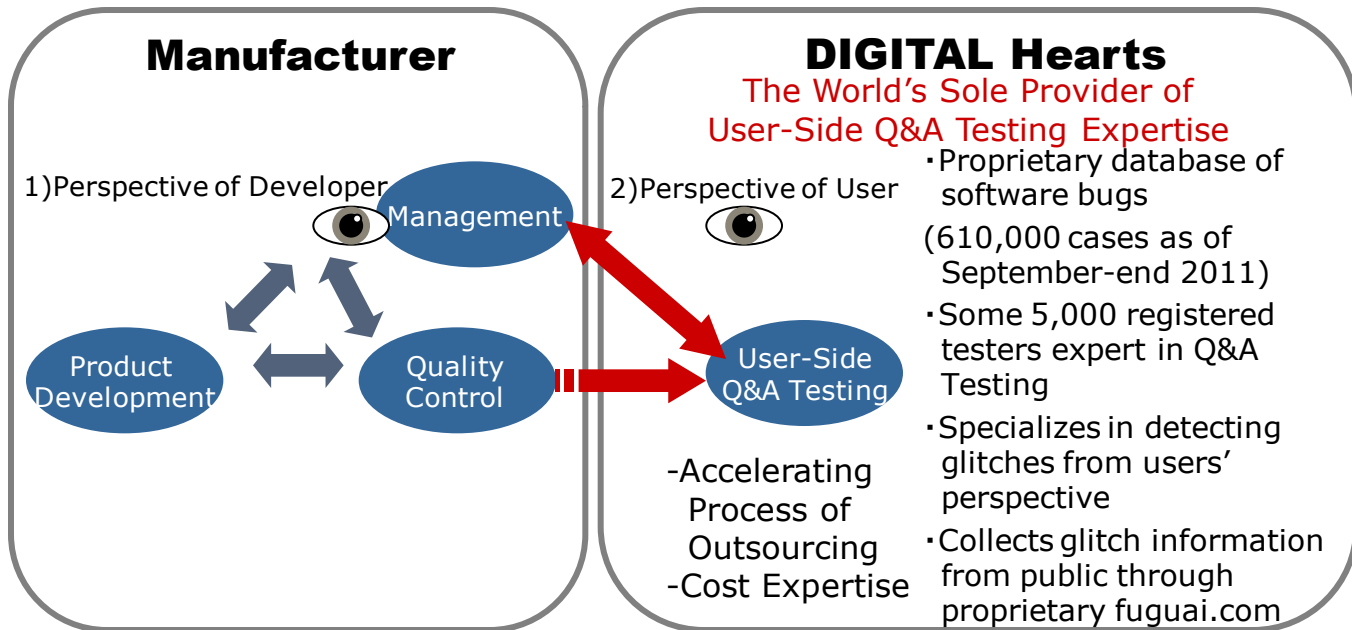
From “Made in Japan” to “Checked by Japan”

(3620)TSE 1st section
DIGITAL Hearts Co., Ltd.

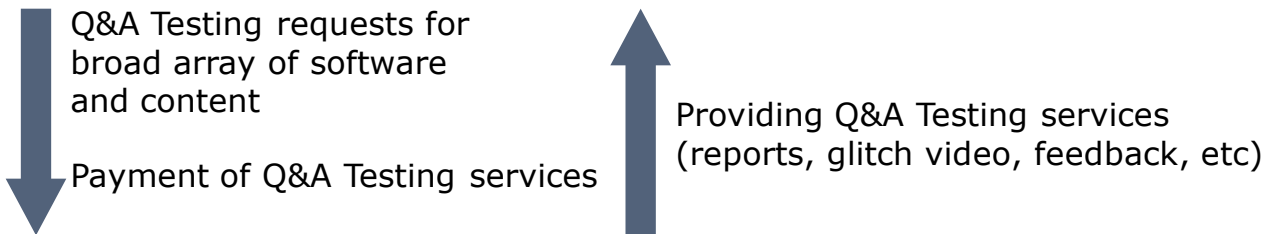
For the six months ended September 30, 2011

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Company Name	DIGITAL Hearts Co., Ltd.
URL	http://www.digitalhearts.co.jp/
Head Office	32F Tokyo Opera City Building, 3-20-2 Nishi-Shinjuku, Shinjuku-ku, Tokyo, 163-1432
Capital	272.86 Million Yen (as of September 30, 2011)
Established	April 19, 2001
President & CEO	Eiichi Miyazawa
Number of Employees	5,321 (including temporary staff, as of September 30, 2011)



Clients
 (Consumer software, mobile content, arcade games and home electronics fields)



DIGITAL Hearts				
Consumer Games Unit	Digital Solutions Unit	Arcade Games Unit	3D Content Production Business	Fuguai.com Business

(¥ Thousand)	FY3/09 1H	FY3/10 1H	FY3/11 1H	FY3/12 1H
Assets				
Total assets	-	-	-	2,844,291
Current assets	-	-	-	2,093,509
Cash and deposits	-	-	-	1,139,434
Notes and accounts receivable-trade	-	-	-	855,372
Inventories	-	-	-	2,499
Other	-	-	-	98,096
Allowance for doubtful accounts	-	-	-	△ 1,894
Fixed assets	-	-	-	750,782
Property, plant and equipment	-	-	-	197,210
Intangible fixed assets	-	-	-	65,487
Investments and other assets	-	-	-	488,084
Liabilities				
Total liabilities	-	-	-	806,020
Current liabilities	-	-	-	795,368
Accrued expenses	-	-	-	389,067
Accrued income taxes	-	-	-	235,379
Reserve for bonuses	-	-	-	26,475
Other	-	-	-	144,446
Non-current liabilities	-	-	-	10,651
Asset retirement obligations	-	-	-	3,042
Other	-	-	-	7,609
Net assets				
Total net assets	-	-	-	2,038,271
Shareholders' equity	-	-	-	2,050,507
Capital stock	-	-	-	272,869
Capital surplus	-	-	-	232,869
Retained earnings	-	-	-	1,544,769
Accumulated other comprehensive income	-	-	-	△ 12,236
Valuation difference on available-for-sale securities	-	-	-	△ 1,043
Translation adjustment	-	-	-	△ 11,192
Total liabilities and net assets	-	-	-	2,844,291

*Up to FY3/11, nonconsolidated only

(¥ Thousand)	FY3/09 1H	FY3/10 1H	FY3/11 1H	FY3/12 1H
Assets				
Total assets	1,541,110	1,830,060	2,184,865	2,862,328
Current assets	1,071,239	1,269,571	1,555,750	2,049,903
Cash and deposits	575,275	620,026	873,015	1,093,275
Notes and accounts receivable-trade	454,250	585,168	612,247	855,372
Inventories	-	-	1,749	2,499
Other	42,687	65,890	69,725	100,662
Allowance for doubtful accounts	△ 975	△ 1,514	△ 987	△ 1,906
Fixed assets	469,871	560,489	629,115	812,424
Property, plant and equipment	69,816	95,932	128,702	195,535
Intangible fixed assets	71,569	62,725	53,863	55,381
Investments and other assets	328,484	401,831	446,550	561,508
Liabilities				
Total liabilities	417,544	422,751	499,715	801,892
Current liabilities	417,544	422,751	499,715	791,241
Accrued expenses	182,545	213,905	276,354	385,847
Accrued income taxes	132,624	104,184	112,014	235,379
Reserve for bonuses	19,919	27,746	26,938	26,475
Other	82,454	76,916	84,407	143,539
Non-current liabilities	-	-	-	10,651
Asset retirement obligations	-	-	-	3,042
Other	-	-	-	7,609
Net assets				
Total net assets	1,123,565	1,407,309	1,685,150	2,060,435
Shareholders' equity	1,123,658	1,407,675	1,685,907	2,061,479
Capital stock	272,469	272,677	272,717	272,869
Capital surplus	232,469	232,677	232,717	232,869
Retained earnings	618,720	902,320	1,180,472	1,555,740
Valuation and translation adjustments	△ 92	△ 366	△ 756	△ 1,043
Valuation difference on available-for-sale securities	△ 92	△ 366	△ 756	△ 1,043
Total liabilities and net assets	1,541,110	1,830,060	2,184,865	2,862,328

Consolidated Statements of Income



(¥ Thousand)	FY3/09 1H	FY3/10 1H	FY3/11 1H	FY3/12 1H
Net sales	-	-	-	2,618,371
Cost of sales	-	-	-	1,633,491
Gross profit	-	-	-	984,880
Selling, general and administrative expenses	-	-	-	519,927
Operating income	-	-	-	464,953
Non-operating income	-	-	-	6,466
Interest income	-	-	-	1,106
Subsidy income	-	-	-	3,609
Other	-	-	-	1,750
Non-operating expenses	-	-	-	8,371
Interest expenses	-	-	-	101
Loss on investment in partnership	-	-	-	1,457
Foreign exchange losses	-	-	-	6,027
Loss on transfer of receivables	-	-	-	733
Other	-	-	-	52
Ordinary income	-	-	-	463,047
Income before income taxes	-	-	-	463,047
Income taxes-current	-	-	-	227,645
Income taxes-deferred	-	-	-	△ 9,089
Total income taxes	-	-	-	218,555
Income (loss) before minority interests	-	-	-	244,491
Net income	-	-	-	244,491

*Up to FY3/11, nonconsolidated only

(¥ Thousand)	FY3/09 1H	FY3/10 1H	FY3/11 1H	FY3/12 1H
Income before minority interests	-	-	-	244,491
Other comprehensive income	-	-	-	△ 11,118
Valuation difference on available-for-sale securities	-	-	-	73
Foreign currency translation adjustment	-	-	-	△ 11,192
Comprehensive income	-	-	-	233,373
Comprehensive income attributable to owners of the parent	-	-	-	233,373
Comprehensive income attributable to minority interests	-	-	-	-

*Up to FY3/11, nonconsolidated only

Nonconsolidated Statements of Income



(¥Thousand)	FY3/09 1H	FY3/10 1H	FY3/11 1H	FY3/12 1H
Net sales	1,562,807	1,620,762	1,881,611	2,618,371
Cost of sales	928,075	1,002,932	1,148,373	1,625,895
Gross profit	634,732	617,830	733,238	992,475
Selling, general and administrative expenses	355,780	422,998	518,531	516,555
Operating income	278,951	194,831	214,707	475,920
Non-operating income	2,074	5,910	1,696	6,465
Interest income	1,119	1,461	1,151	1,105
Subsidy income	-	-	-	3,609
Subsidy income	-	2,639	-	-
Reversal of accounts payable-other	643	-	-	-
Other	311	1,810	544	1,750
Non-operating expenses	1,408	1,960	2,485	8,371
Interest expenses	-	-	-	101
Interest on bonds	92	-	-	-
Loss on investment in partnership	1,182	1,730	1,597	1,457
Foreign exchange losses	50	230	530	6,027
Loss on transfer of receivables	-	-	301	733
Other	82	-	56	52
Ordinary income	279,617	198,781	213,918	474,014
Extraordinary income	-	12,606	18,849	-
Reversal of allowance for doubtful accounts	-	-	177	-
Insurance premium refunded cancellation	-	12,606	-	-
Compensation income	-	-	18,671	-
Extraordinary loss	6,141	1,991	19,707	-
Loss on retirement of fixed assets	1,092	1,627	6,810	-
Office transfer expenses	5,048	363	2,000	-
Head office transfer cost	-	-	2,512	-
Loss on adjustment for changes of accounting standard for asset retirement obligations	-	-	8,384	-
Income before income taxes	273,476	209,396	213,060	474,014
Income taxes-current	127,148	92,049	106,695	227,645
Income taxes-deferred	△ 3,730	2,659	△ 9,042	△ 9,094
Total income taxes	123,417	94,709	97,652	218,550
Net income	150,059	114,687	115,407	255,463

(¥ Thousand)	FY3/09 1H	FY3/10 1H	FY3/11 1H	FY3/12 1H
Cash flows from operating activities				
Net cash provided by (used in) operating activities	-	-	-	239,207
Income before income taxes	-	-	-	463,047
Depreciation and amortization	-	-	-	37,786
Increase (decrease) in allowance for doubtful accounts	-	-	-	171
Increase (decrease) in provision for bonuses	-	-	-	580
Interest and dividends income	-	-	-	△ 1,106
Interest expenses	-	-	-	101
Foreign exchange losses (gains)	-	-	-	6,080
Loss (gain) on investments in partnership	-	-	-	1,457
Decrease (increase) in notes and accounts receivable-trade	-	-	-	△ 310,249
Decrease (increase) in inventories	-	-	-	△ 684
Decrease (increase) in other current assets	-	-	-	△ 22,082
Increase (decrease) in accounts payable-other	-	-	-	9,957
Increase (decrease) in accrued expenses	-	-	-	151,234
Increase (decrease) in accrued consumption taxes	-	-	-	15,402
Increase (decrease) in other current liabilities	-	-	-	17,124
Other	-	-	-	△ 310
Subtotal	-	-	-	368,511
Interest and dividends income received	-	-	-	989
Interest expenses paid	-	-	-	△ 126
Business security deposits paid	-	-	-	△ 14,000
Income taxes paid	-	-	-	△ 116,168
Cash flows from investing activities				
Net cash provided by (used in) investing activities	-	-	-	△ 194,304
Payments into time deposits	-	-	-	△ 100,000
Purchase of property, plant and equipment	-	-	-	△ 76,639
Proceeds from sales of property, plant and equipment	-	-	-	1,242
Purchase of intangible assets	-	-	-	△ 20,394
Payments for lease and guarantee deposits	-	-	-	△ 15,441
Proceeds from collection of lease and guarantee deposits	-	-	-	27,800
Purchase of insurance funds	-	-	-	△ 11,396
Other	-	-	-	523
Cash flows from financing activities				
Net cash provided by (used in) financing activities	-	-	-	△ 44,371
Proceeds from issuance of common stock	-	-	-	96
Cash dividends paid	-	-	-	△ 42,981
Repayments of lease obligations	-	-	-	△ 1,485
Effect of exchange rate change on cash and cash equivalents	-	-	-	△ 9,767
Net increase (decrease) in cash and cash equivalents	-	-	-	△ 9,236
Cash and cash equivalents, beginning of term	-	-	-	1,054,725
Cash and cash equivalents, end of term	-	-	-	1,045,489

*Up to FY3/11, nonconsolidated only

Nonconsolidated Statements of Cash Flows



(¥ Thousand)	FY3/09 1H	FY3/10 1H	FY3/11 1H	FY3/12 1H
Cash flows from operating activities				
Net cash provided by (used in) operating activities	64,409	△ 193,170	91,821	242,934
Income before income taxes	273,476	209,396	213,060	474,014
Depreciation and amortization	12,404	18,403	25,251	37,365
Amortization of long-term prepaid expenses	309	-	-	-
Increase (decrease) in allowance for doubtful accounts	499	519	△ 317	183
Increase (decrease) in provision for bonuses	3,950	5,159	10,464	580
Interest and dividends income	△ 1,119	△ 1,461	△ 1,151	△ 1,105
Interest expenses	-	-	-	101
Interest on bonds	92	-	-	-
Foreign exchange losses (gains)	23	223	155	6,080
Loss (gain) on investments in partnership	1,182	1,730	1,597	1,457
Loss on retirement of fixed assets	1,092	1,357	6,810	-
Loss on adjustment for changes of accounting standard for asset retirement obligations	-	-	8,384	-
Decrease (increase) in notes and accounts receivable-trade	△ 125,559	△ 202,702	△ 180,312	△ 310,249
Decrease (increase) in inventories	-	-	△ 1,518	△ 684
Decrease (increase) in other current assets	△ 56	△ 7,181	△ 12,298	△ 24,348
Increase (decrease) in accounts payable-other	△ 8,586	10,614	△ 3,193	9,957
Increase (decrease) in accrued expenses	25,890	26,654	88,838	147,673
Increase (decrease) in accrued consumption taxes	△ 15,453	△ 40,516	2,747	15,402
Increase (decrease) in other current liabilities	△ 3,668	△ 2,490	5,799	16,120
Other	-	-	-	△ 310
Subtotal	164,477	19,705	164,317	372,239
Interest and dividends income received	1,119	1,458	1,147	989
Interest expenses paid	△ 184	-	-	△ 126
Business security deposits paid	-	-	-	△ 14,000
Income taxes paid	△ 101,003	△ 214,334	△ 73,644	△ 116,168
Cash flows from investing activities				
Net cash provided by (used in) investing activities	△ 55,981	△ 71,048	△ 58,649	△ 253,933
Payments into time deposits	-	-	-	△ 100,000
Purchase of property, plant and equipment	△ 25,332	△ 30,506	△ 45,455	△ 74,639
Proceeds from sales of property, plant and equipment	-	-	-	1,242
Purchase of intangible assets	△ 9,498	△ 6,843	△ 5,760	△ 8,945
Purchase of stocks of affiliates	-	-	-	△ 76,683
Payments for lease and guarantee deposits	△ 24,344	△ 11,046	△ 8,216	△ 11,836
Proceeds from collection of lease and guarantee deposits	3,194	-	8,176	27,800
Purchase of insurance funds	-	△ 22,651	△ 7,393	△ 11,396
	-	-	-	523
Cash flows from financing activities				
Net cash provided by (used in) financing activities	△ 49,984	△ 28,340	△ 28,570	△ 44,371
Redemption of bonds	△ 50,000	-	-	-
Proceeds from issuance of common stock	16	208	80	96
Cash dividends paid	-	△ 28,548	△ 28,650	△ 42,981
Repayments of lease obligations	-	-	-	△ 1,485
Effect of exchange rate change on cash and cash equivalents	△ 23	△ 223	△ 155	△ 25
Net increase (decrease) in cash and cash equivalents	△ 41,579	△ 292,783	4,445	△ 55,395
Cash and cash equivalents, beginning of term	616,754	912,810	868,569	1,054,725
Cash and cash equivalents, end of term	575,175	620,026	873,015	999,330

(¥ Million)	FY3/09 1H	FY3/10 1H	FY3/11 1H	FY3/12 1H
Net Sales	1,562	1,620	1,881	2,618
Gross Profit	634	617	733	984
SG&A Expenses	355	422	518	519
Operating Income	278	194	214	464
Ordinary Income	279	198	213	463
Net Income	150	114	115	244

(%)	FY3/09 1H	FY3/10 1H	FY3/11 1H	FY3/12 1H
Gross Profit on Sales	40.6%	38.1%	39.0%	37.6%
SG&A Expenses Ratio	22.8%	26.1%	27.6%	19.9%
Operating Income Margin	17.8%	12.0%	11.4%	17.8%
Ordinary Income Margin	17.9%	12.3%	11.4%	17.7%
Net Income Margin	9.6%	7.1%	6.1%	9.3%

Gross Profit on Sales=Gross Profit/Net Sales

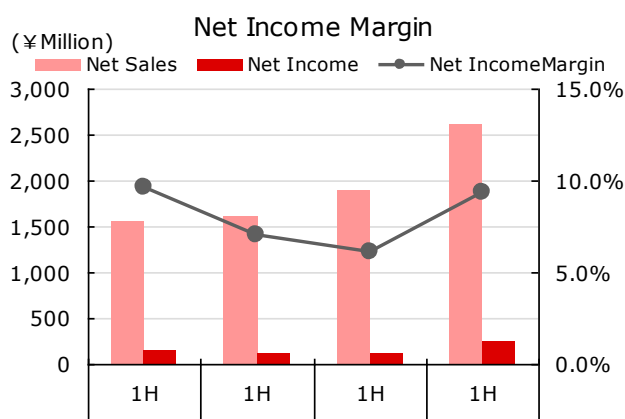
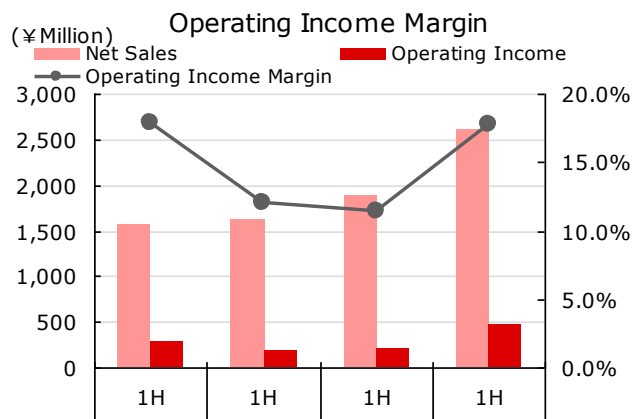
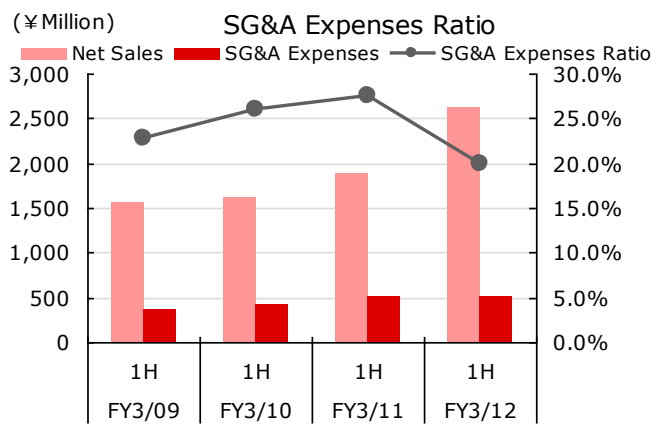
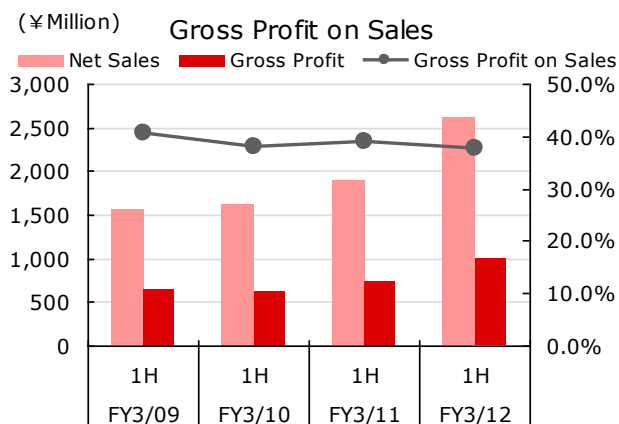
*Up to FY3/11, non-consolidated only

SG&A Ratio=SG&A Expenses/Net Sales

Operating Income Margin=Operating Income/Net Sales

Ordinary Income Margin=Ordinary Income/Net Sales

Net Income Margin=Net Income/Net Sales



(Times)	FY3/09 1H	FY3/10 1H	FY3/11 1H	FY3/12 1H
Total Assets Turnover	2.12	1.75	1.82	2.02
Fixed Assets Turnover	6.98	6.01	6.13	7.35
Current Assets Turnover	3.04	2.47	2.59	2.78

(Days)	FY3/09 1H	FY3/10 1H	FY3/11 1H	FY3/12 1H
Accounts Receivable Turnover	53.0	65.9	59.4	59.6
Accounts Payable Turnover	-	-	-	-
Cash and deposits Turnover	67.2	69.8	84.7	79.4

Total Assets Turnover=Net Sales*2/Average Total Assets

*Up to FY3/11, non-consolidated only

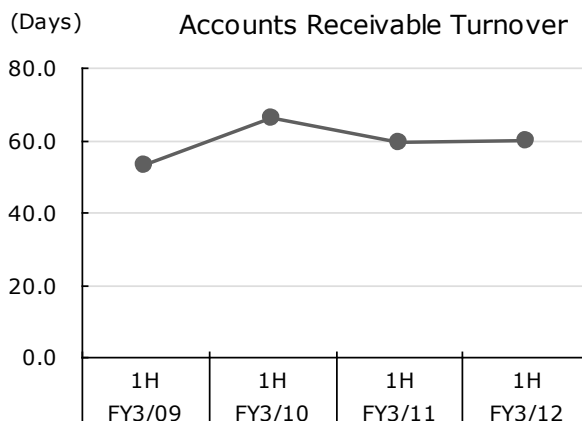
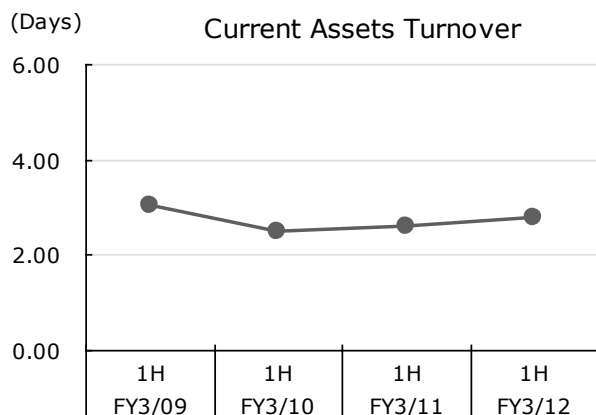
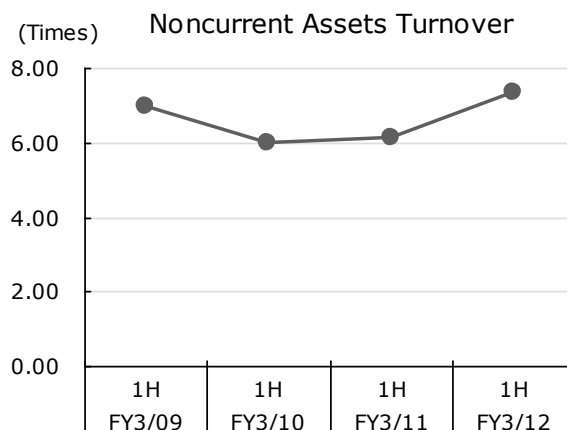
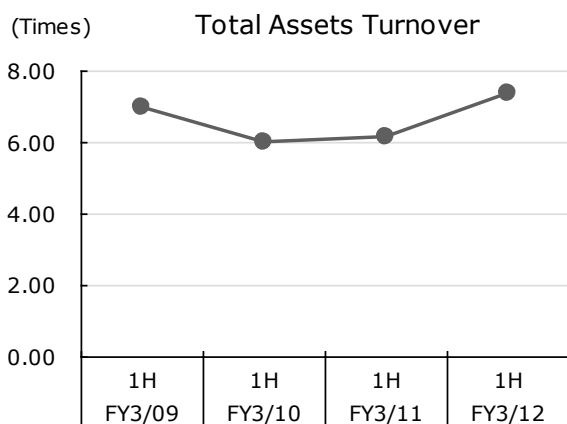
Fixed Assets Turnover=Net Sales*2/Average Fixed Assets

Current Assets Turnover=Net Sales*2/Average Current Assets

Accounts Receivable Turnover=Average Accounts Receivable/Net Sales*365

Accounts Payable Turnover=Average Accounts Payable/Net Sales*365

Cash and deposits Turnover=Cash and deposits/Net Sales*365



(¥ Million)	FY3/09 1H	FY3/10 1H	FY3/11 1H	FY3/12 1H
Equity	1,123	1,407	1,685	2,038
Total Assets	1,541	1,830	2,184	2,844
Fixed Assets	469	560	629	750
Current Assets	1,071	1,269	1,555	2,093
Current Liabilities	417	422	499	795
Interest-Bearing Debt	-	-	-	10

(%)	FY3/09 1H	FY3/10 1H	FY3/11 1H	FY3/12 1H
Equity Ratio	72.9%	76.9%	77.1%	71.7%
D/E Ratio	0.0%	0.0%	0.0%	0.5%
Fixed Ratio	41.8%	39.8%	37.3%	36.8%
Current Ratio	256.6%	300.3%	311.3%	263.2%
Return on Equity (ROE)	13.4%	8.1%	6.8%	12.0%
Return on Total Assets (ROA)	9.7%	6.3%	5.3%	8.6%

Equity Ratio=Equity/Total Assets

ROE=Net Income/Equity

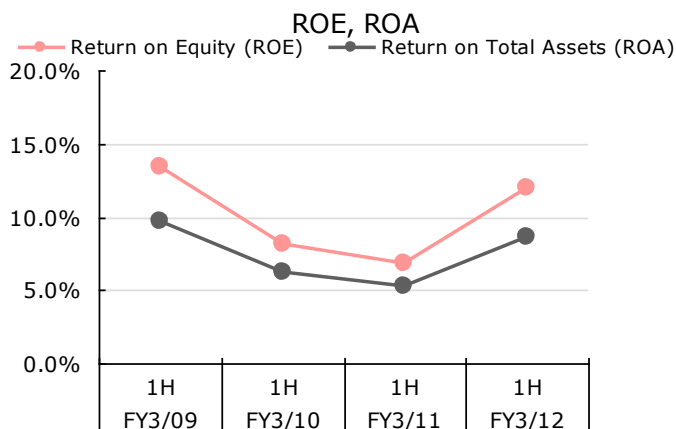
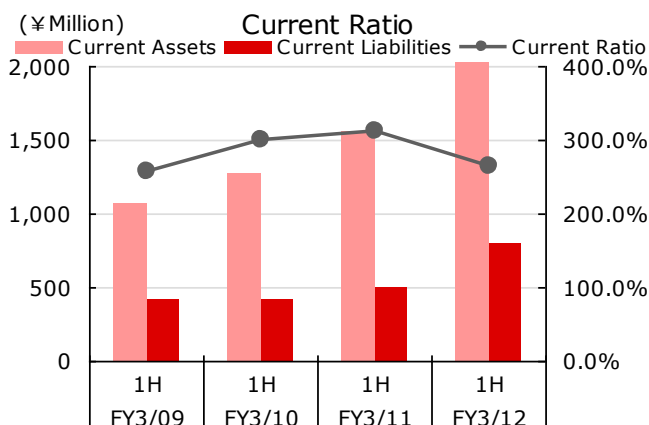
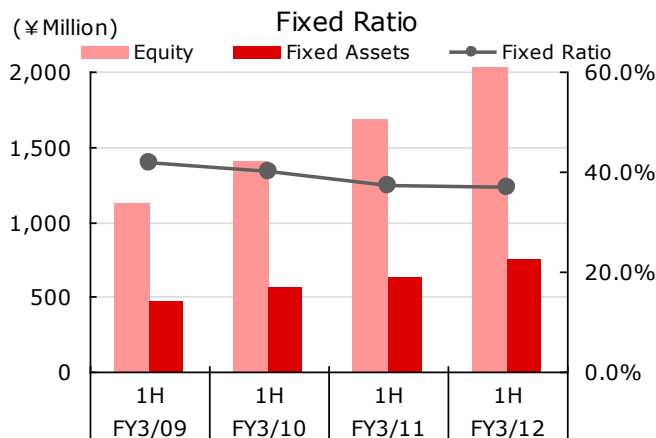
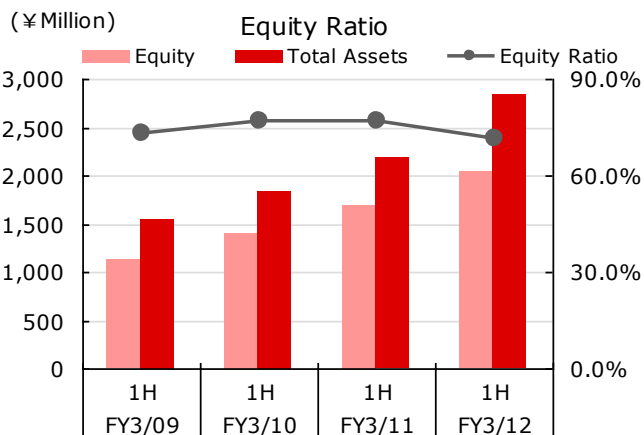
* Up to FY3/11, non-consolidated only

D/E Ratio=Interest-Bearing Debt/Equity

ROA=Net Income/Total Assets

Fixed Ratio=Fixed Assets/Equity

Current Ratio=Current Assets/Current Liabilities



Indicators per Share

(¥)	FY3/09 1H	FY3/10 1H	FY3/11 1H	FY3/12 1H
Share price at term-end	145,000	250,000	110,000	133,600
Net Income per share	7,813.14	1,986.17	1,996.95	4,222.14
Net Income per share (fully diluted)	7,545.59	1,921.32	1,934.13	4,097.33
Net assets per share	58,497.72	24,357.60	29,151.32	-
Dividend per share	0.00	0.00	0.00	0.00

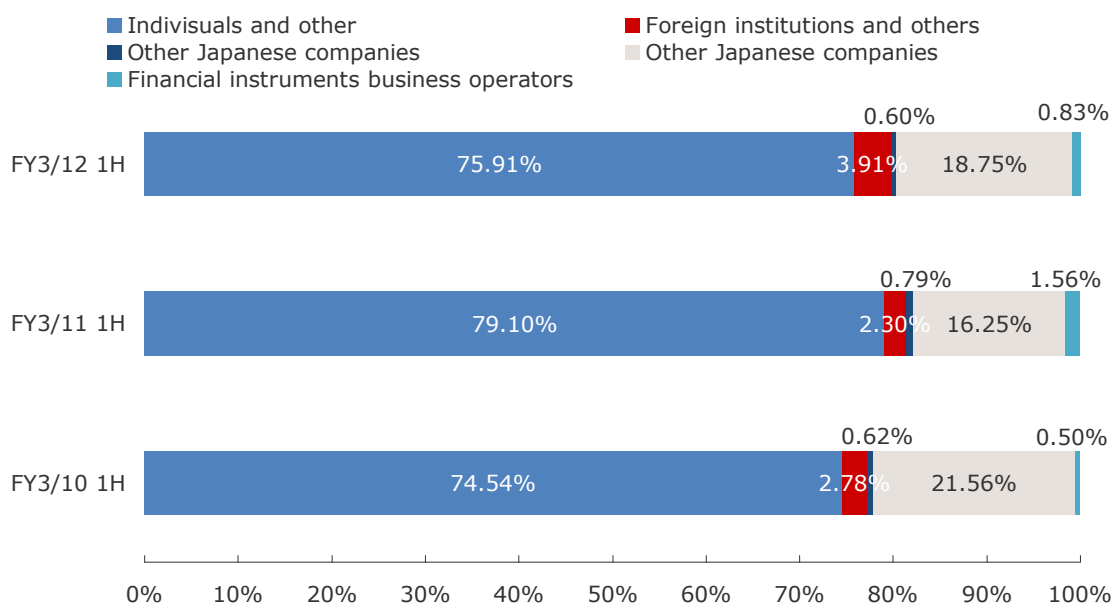
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Major Shareholders

As of September 30, 2011

Top 10 Shareholders	Number of Shares	Shareholding Ratio
Miyazawa, Eiichi	34,200	59.04%
The Master Trust Bank of Japan, Ltd.	4,379	7.56%
Japan Trustee Services Bank, Ltd.	2,157	3.72%
State Street Bank and Trust Company 505041	1,250	2.15%
The Nomura Trust and Banking Co., Ltd.	1,012	1.74%
Trust & Custody Services Bank, Ltd.	629	1.08%
Kawaguchi, Kenichiro	600	1.03%
Wakasa, Yasuyuki	600	1.03%
Nippon Life Insurance Company	570	0.98%
Taiyo Life Insurance Company	437	0.75%

Shareholding by Category



Contact

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