



October 23, 2015

Company name	Hearts United Group Co., Ltd.
Name of representative	President and CEO Eiichi Miyazawa (Code number: 3676, First Section of the Tokyo Stock Exchange)
Contact	Director and CFO Keiya Kazama (TEL. +81-3-6406-0081)

Notice Regarding Merger among Consolidated Subsidiaries and Change of Name of Surviving Company

Hearts United Group Co., Ltd. (hereinafter referred to as the “Company”) would like to announce that it passed a resolution at its board of directors’ meeting today to merge three consolidated subsidiaries, namely, Premium Agency Inc. (hereinafter referred to as “Premium Agency”), G&D Co., Ltd. (hereinafter referred to as “G&D”), and DIGITAL Hearts Visual Co., Ltd. (hereinafter referred to as “DIGITAL Hearts Visual”) (hereinafter referred to as the “Merger”), and change the name of the surviving company.

Since the Merger is to take place among consolidated subsidiaries, certain details have been omitted from this disclosure.

1. Purpose of the Merger

The Company has been striving to improve project management and reduce costs. This is carried out with the aim of increasing profitability in the Creative Segment mainly through Premium Agency, which became a consolidated subsidiary of the Company in April 2014. In order to further increase the Group’s business efficiency, the Company has facilitated the selection and concentration of businesses and consolidation of offices with an eye on integrating Premium Agency with other subsidiaries engaging in the Creative Business. Through the Merger, the Company will develop an efficient organizational structure.

2. Summary of the Merger

(1) Schedule of the Merger

Date of the Board of Directors’ resolution regarding the merger agreement (the Company)	October 23,2015
Date of the Board of Directors’ resolution regarding the merger agreement (parties to merge)	October 23,2015
Date of conclusion of the merger agreement	October 23,2015
Shareholders’ meeting for approval of the merger agreement	December 28,2015(Plan)
Date of the merger (the effective date)	January 1,2016(Plan)

(2) Method of the Merger

This will be an absorption-type merger with Premium Agency as the surviving company and G&D and DIGITAL Hearts Visual as dissolving companies.

(3) Details of allotment of shares upon the Merger

Since the Merger is to take place among wholly owned subsidiaries of the Company, there will be no allocation of shares or other assets.

(4) Treatment of stock acquisition rights and bonds with stock acquisition rights of the dissolving company

Not applicable

3. Outline of the companies subject to the Merger

	Surviving Company	Dissolving Company	Dissolving Company
(1) Company Name	Premium Agency Inc.	G&D Co., Ltd.	DIGITAL Hearts Visual Co., Ltd.
(2) Location	3-20-1 Minami Azabu, Minato-ku, Tokyo	3-20-1 Minami Azabu, Minato-ku, Tokyo	1-13-12 Nishi-Shinjuku, Shinjuku-ku, Tokyo
(3) Position and name of representative	President Masaharu Ohtsubo	President Shinichiro Kasama	President Hirohito Taira
(4) Business activities	Game development and CG content development	Development support services to support the development of games	Services related to video processing technologies
(5) Share capital	366,450 thousand yen	50,000 thousand yen	90,000 thousand yen
(6) Date established	May 9, 2003	March 15, 2012	May 21, 2012
(7) Outstanding shares	11,814 Shares	5,000 Shares	9,000 Shares
(8) Fiscal year end	March	March	March
(9) Major shareholder and its shareholding ratio	Hearts United Group Co., Ltd. 100%	Hearts United Group Co., Ltd. 100%	Hearts United Group Co., Ltd. 100%
(10) Financial position and operating results for fiscal year ended March 2015 (in thousand yen except for net assets per share and net income per share)			
Net assets	-732,809	-15,976	-93,095
Total assets	649,116	104,281	218,859
Net assets per share	-62,028.87 yen	-3,195.38 yen	-10,343.93 yen
Net sales	1,171,540	297,908	227,237
Operating income	-320,131	-69,236	-66,793
Ordinary income	-344,783	-66,848	-68,312
Profit attributable to owners of parent	-550,486	-67,014	-68,569
Net income per share	-46,596.13 yen	-13,403.00yen	-7,618.82 yen

4. Status after the Merger

(1) Company Name	Flame Hearts Co., Ltd.
(2) Location	3-20-1 Minami Azabu, Minato-ku, Tokyo
(3) Position and name of representative	Representative Director Ryo Kohno, Representative Director Shinichiro Kasama
(4) Business activities	Game development and CG content development
(5) Share capital	366,450 thousand yen
(6) Fiscal year end	March

Note: Premium Agency will be the surviving company, and it will be renamed Flame Hearts Co., Ltd. as of the effective date of the Merger.

5. Future prospects

Since the Merger will be carried out among wholly owned subsidiaries of the Company, the effect on the consolidated business results will be minor. However, as announced in the press release dated September 18, 2015 “Notice Regarding Recording of Extraordinary Loss and Revision of Full-Year Consolidated Financial Forecast,” the Company carried out the selection and concentration of businesses and consolidation of offices with an eye on the Merger in the second quarter of the fiscal year ending March 31, 2016. In line with the change, the Company recorded an extraordinary loss of 169 million yen, consisting mainly of office relocation costs and a loss on retirement of noncurrent assets. Accordingly, the Company revised its full-year consolidated financial forecast. For more details, please refer to the press release dated September 18, 2015 “Notice Regarding Recording of Extraordinary Loss and Revision of Full-Year Consolidated Financial Forecast.”

(Reference) Consolidated earnings forecasts for the current period (announced on September 18, 2015) and consolidated operating performance for the previous period

	(in million yen)			
	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent
Consolidated earnings forecasts for the current period (Fiscal year ending March 2016)	16,034	2,252	2,314	1,239
Consolidated operating performance for the previous period (Fiscal year ended March 2015)	13,285	1,517	1,525	539