May 25, 2016

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)
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Notice Regarding Recording of Extraordinary Losses (Consolidated and Non-consolidated)

Hearts United Group Co., Ltd. (hereinafter referred to as the "Company") would like to announce that it recorded extraordinary losses as follows in the fiscal year ended March 31, 2016.

1. Background

On May 13, 2016, the Company published a summary of consolidated financial statements (Japanese Standards) for the fiscal year ended March 31, 2016, which had been confirmed in advance by the Company's accounting auditor, Deloitte Touche Tohmatsu LLC (hereinafter referred to as "Tohmatsu"). The Company and Tohmatsu then agreed in general on valuation of goodwill and other accounting items generated at the time when the Company acquired shares in its consolidated subsidiary, FLAME Hearts Co., Ltd. (previously called Premium Agency Inc.; hereinafter referred to as "FLAME Hearts"). On May 18, 2016, however, the Company received new opinions and requests from Tohmatsu concerning the valuation within a short notice. Since then, the Company and Tohmatsu have discussed the financial soundness and feasibility for the future of FLAME Hearts.

In the fiscal year ended March 31, 2016, the Company devoted itself to reconstructing the subsidiary, considerably recovered losses and completed the reconstruction. Moreover, aiming for higher operational efficiency in the entire creative segment, the Company has also implemented organizational restructuring in the form of a merger between FLAME Hearts and two other subsidiaries in the segment, and steadily sought to put them on a track to growth.

In line with the opinions and requests of Tohmatsu, and to further improve the financial soundness and profitability of the creative segment including FLAME Hearts, the Company decided to post extraordinary losses for the fiscal year ended March 31, 2016 as a forward-looking measure.

2. Specifics of extraordinary loss (consolidated)

According to the final audit conducted on May 13, 2016, after the publication of a summary of consolidated financial statements (Japanese Standards) for the fiscal year ended March 31, 2016, the Company devaluated goodwill and other accounting items generated at the time when it acquired shares in FLAME Hearts, and decided to post an impairment loss of 594 million yen as an extraordinary loss for the said fiscal year.

3. Specifics of extraordinary loss (non-consolidated)

The Company comprehensively examined the possibility of collecting loans made to its consolidated subsidiary, FLAME Hearts, and decided to post a provision of allowance for doubtful accounts of 1,253 million yen as an extraordinary loss.

4. Impacts on business results

As a result of the posting of the loss referred to in "2. Specifics of extraordinary loss (consolidated)," the current net income attributable to shareholders of the parent company has decreased by 594 million yen.

The provision of allowance for doubtful accounts referred to in "3. Specifics of extraordinary loss (non-consolidated)" is offset in the consolidated financial statements, and has no impact on the consolidated business results.

As a result of posting the foregoing extraordinary losses, the burden of goodwill amortization and other accounting items will decrease, and the operating income, ordinary income, profit attributable to owners of the parent company and net income per share will increase in the next fiscal year. Accordingly, the consolidated forecasts for the fiscal year that started on April 1, 2016 and will end on March 31, 2017, and the consolidated numerical targets for the fiscal year ending March 31, 2019, under the New Mid-Term Business Plan, which were issued on May 13, 2016, have been revised as follows.

(Reference) Consolidated forecasts for the fiscal year ending March 31, 2017 (from April 1, 2016 to March 31, 2017)

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent	Net income per share
Prior to the revision (Forecasts at the time of announcement on May 13)	Million yen 16,705	Million yen 2,501	Million yen 2,508	Million yen 1,537	yen 137.42
After the revision (Forecasts at the time of announcement today)	16,705	2,572	2,579	1,608	143.76

(Reference) Consolidated numerical targets for the fiscal year ending March 31, 2019, under the New Mid-Term Business Plan

	Net sales	Ordinary income	Net income per share	Dividends to net assets (DOE)
Prior to the revision (Forecasts at the time of announcement on May 13)	30.0 billion yen	4.7 billion yen	256 yen	6%
After the revision (Forecasts at the time of announcement today)	30.0 billion yen	4.8 billion yen	262 yen	6%