May 12, 2017

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 and Differences between Full-year Consolidated Financial Forecast and Actual Results

Hearts United Group Co., Ltd. (hereinafter referred to as the "Company") would like to hereby announce that it recorded extraordinary losses in the fiscal year ended March 31, 2017 and that discrepancies have arisen between the forecast consolidated business results for the fiscal year ended March 31, 2017, which was announced on February 17, 2017, and the actual results announced today.

1. Recording of extraordinary losses

(1) Background

The Company acquired PG Universe Co., Ltd. (hereinafter referred to as "PGU") as its consolidated subsidiary, in August 2016, and later conducted an absorption-type merger, effective as of February 1, 2017, between FLAME Hearts Co., Ltd. (hereinafter referred to as "FLAME Hearts"), its consolidated subsidiary, as the surviving company and PGU being dissolved, in order to leverage PGU's technical strengths. Thus, the Company has been making efforts to create synergetic effects between the two companies and these efforts successfully led to the Company's profit generation in the fourth quarter of the fiscal year. The Company has started to move on to a steady growth track. In addition, NetWork21 Co., Ltd. (hereinafter referred to as "N21") has been also contributing to our Group's performance since it became a consolidated subsidiary of the Company in December 2013. However, in accordance with advice received from Deloitte Touche Tohmatsu LLC, the Company's audit firm, the Company decided to devaluate goodwill recorded at the time of acquisition of shares in the two companies and record impairment losses in extraordinary losses for the purpose of enhancing financial soundness and improving profitability.

(2) Specifics of extraordinary loss (consolidated)

As stated above, the Company decided to devaluate goodwill of the Company's two consolidated subsidiaries and other assets including internally used software, and post impairment losses of 346 million yen and 148 million yen, respectively, in extraordinary losses for the fiscal year.

(3) Specifics of extraordinary loss (non-consolidated)

The Company decided to devaluate shares in FLAME Hearts and N21 owned by the Company and record 543 million yen of loss on valuation of stocks of subsidiaries and affiliates, and at the same time post a provision of allowance for doubtful accounts of 267 million yen, totaling in 811 million yen of extraordinary losses.

2. Differences between the full-year consolidated financial forecast and the actual results for fiscal 2016 (April 1, 2016 to March 31, 2017)

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent	Net income per share
	Million yen	Million yen	Million yen	Million yen	yen
Previous forecast (A)	15,677	2,013	2,074	1,207	53.95
Actual results (B)	15,444	1,906	1,997	795	35.58
Change (B－A)	-232	-106	-77	-412	
% Change	-1.5	-5.3	-3.7	-34.1	
Actual results for the previous fiscal year (fiscal year ended March 31, 2016)	15,011	1,963	1,958	361	15.72

(Note) The Company conducted a 2-for-1 common stock split on October 1, 2016. Accordingly, net income per share is calculated based on the assumption that the stock split was conducted on April 1, 2015.

3. Reasons for the differences

Discrepancies in the full-year net sales, operating income and ordinary income have arisen between the previous forecast and the actual results because the start of an expected project was delayed to the following fiscal year.

Profit attributable to owners of parent was decreased as stated above mainly due to posting of 525 million yen of extraordinary losses including impairment losses described in “1. Recording of extraordinary losses.”