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Securities code: 9747

Notification on inadequate accounting applied in past fiscal years by a consolidated affiliate

ASATSU-DK, INC. (hereinafter referred to as “ADK”) confirms that an inadequate account processing was conducted by GONZO K.K. (hereinafter referred to as “GONZO”), one of its consolidated subsidiaries.

We herein provide the brief summary of facts identified at the time of writing this document and how we are handling this matter now and in the future. To conclude, such matter will not require ADK to correct its consolidated financial statements and related papers, and not impact on its performance.

1. Brief summary of facts identified at this time and repercussions

Upon completion of the acquisition of GONZO by ADK in August, 2016, GONZO, in corporation with ADK, generated the balance sheet for the year ended September 2016 with reference to account processing and policies that ADK has applied as to become a consolidated subsidiary of a listed company during the process of ADK’s generating its consolidated financial statements. As a result of examining that, we arrived at the possibility that the newly acquired company’s account processing might not have complied with generally accepted accounting principle in terms of ways of recording sales, inventory assets, provision for doubtful accounts, etc. and, consequently, concluded that it was appropriate to rectify the accounting method used in the past. Please be noted that GONZO’s excessive debt as of the end of September 2016 increased to ¥2,305 million yen from ¥1,280, up ¥1,025 million, as a consequence of such corrections, which was already reflected in the ADK consolidated balance sheet as of the same date.

To investigate and analyze fact situation and draw advice on measures to prevent recurrence based on such analysis in terms of an inappropriate account processing applied for GONZO’s account settlements in the past fiscal years from the professional and objective point of view, ADK and GONZO set up a special investigation panel on November 10, 2016, which is currently proceeding with an investigation. The examination on account processing used in the GONZO’s consolidated financial statements and related papers of

the past fiscal years determined that there was a need to correct account processing and financial judgment in account settlements of the past fiscal years (from the year ended March 2012 to the year ended March 2016). Consequently, today, we decided to submit to Kanto Local Finance Bureau the request of extending the period of application in relation to submission of corrected versions of GONZO's securities reports and semi-annual reports.

Potential impact on the GONZO's income statement of the past fiscal years by such matter is now being examined. Bygone financial statements subject to correction, however, had been compiled before it was acquired by ADK and impact made by above corrections were already reflected in ADK consolidated balance sheet when generating ADK consolidated financial statements for the third quarter of the period ended December 2016, the very quarter that GONZO was officially consolidated. Hence, it neither requires any corrections on ADK consolidated financial statements and related documents, nor impacts on ADK performance.

2. Actions being taken now and the future

With the purpose of identifying the particulars of fact situation and the cause for such troubles, we set up a special investigation panel consisted of outside experts with neutral and fair views, but without having a vested interest in ADK and/or GONZO. We will provide you with the outcome of the on-going investigation as soon as effect on the GONZO income statement and measures to prevent recurrence have been confirmed.

The special investigation panel is due to report the on-going investigation in the early January 2017. Upon receipt such report, GONZO immediately reviews and determines exact items to correct and submit corrected reports including securities reports once submitted in the past and the semi-annual report for the 18th fiscal year (i.e. FY2015) by around the end of January 2017.

We deeply apologize for the trouble we might have caused any and all stakeholders.

Notes: Please kindly advised to refer to "Announcement Concerning Commencement of Tender Offer for Shares of GONZO K.K." released on July 14, 2016, "Announcement Concerning Results of Tender Offer for Shares of GONZO K.K." released on August 23, 2016 and "Partial Amendments to Announcement Concerning Results of Tender Offer for Shares of GONZO K.K." released on August 25, 2016 for details about the acquisition of GONZO by ADK. We continue discussing how to deal with such already disclosed tender offer and disclose our decision as soon as we have confirmed.

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