Overview of 1st Half Results for the Year Ending December 31, 2016 [Japanese GAAP]

August 12, 2016

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Securities Code 9747 URL :http://www.adk.jp/en/
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Supplementary information for financial results : Available
Organization of financial results briefing : Available (for institutional investors and analysts)

(Unit: millions of yen, Rounded down under 1 million yen)

1. The First Six Months Consolidated Results (January 1, 2016 to June 30, 2016)

(1) Consolidated Operating Results

(% shown represent increase/decrease from those in the corresponding period of the previous year.)

	Gross Billings		Operating Income		Ordinary Income		Profit attributable to owners of parent	
6 months ended ;	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%
June 30, 2016	174,092	(0.6)	3,857	31.4	5,555	7.7	1,010	(68.0)
June 30, 2015	175,108	0.4	2,936	38.0	5,157	30.0	3,155	151.4

(Notes) Comprehensive income: at June 30, 2016: (14,438) million yen (- %), at June 30, 2015: 10,647 million yen (- %)

	Net Income per Share	Fully Diluted Net Income per Share
	Yen	Yen
June 30, 2016	24.22	24.22
June 30, 2015	75.34	75.29

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholder's Equity Ratio
	millions of yen	millions of yen	%
June 30, 2016	193,059	99,957	51.1
Dec. 31, 2015	235,205	125,488	52.7

(Reference) Shareholders' equity: June 30, 2016: 98,601 million yen, December 31, 2015: 124,004 million yen

2. Dividend Information

	Annual Dividend per Share				
	1st quarter end	2nd quarter end	3rd quarter end	Fiscal year end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal 2015(Actual)	—	10.00	—	238.00	248.00
Fiscal 2016(Actual)	—	10.00			
Fiscal 2016(Forecast)			—	—	—

(Notes) Revisions from the most recent dividend forecasts : No
The year-end dividend for FY 2015 consists of the ordinary dividend of 23 yen per share and extraordinary dividend of 215 yen per share.
The sum of the year-end dividend for FY 2016 is undecided (But it is more than 10 yen per share).

3. Forecast of Consolidated results Fiscal 2016 (January 1, 2016 to December 31, 2016)

(% shown represent increase/decrease from those in the corresponding period of the previous year.)

	Gross Billings		Operating Income		Ordinary Income		Profit attributable to owners of parent		Net Income per share
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%	Yen
Full-year	354,000	0.6	5,400	10.2	8,550	(0.5)	3,390	(36.8)	81.24

(Notes) Revisions from the most recent forecasts: No

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* Notes

(1) Changes in the Scope of Consolidation and Application of the Equity Method : No.
New － Companies (Company Name) Except － Companies (Company Name)

(2) Is there any accounting treatment particular to the quarterly financial statements? : Yes.

(3) Changes to accounting policy, changes to accounting estimates, or restatements
1. Changes due to revisions to accounting standards, etc. : Yes.
2. Changes other than 1: : No.
3. Changes in accounting estimates : No.
4. Restatements : No.

(4) Number of outstanding stocks

1. Number of outstanding stocks (including treasury stock) issued, end of term	at June 30, 2016	42,155,400 shares	at December 31, 2015	42,155,400 shares
2. Number of treasury stock, end of term	at June 30, 2016	433,113 shares	at December 31, 2015	82,923 shares
3. Avg. number of shares (consolidated) outstanding during the terms ended	at June 30, 2016	41,730,304 shares	at June 30, 2015	41,890,921 shares

(Notes) The Company had introduced an "ESOP Trust Utilizing Employee Shareholding Association," and the shares owned by this ESOP had been reported as "treasury stock" in the consolidated financial statements. Consequently, 183,168 shares owned by this ESOP were included in the average number of shares of the first half of the period ended June, 2015 as illustrated above. Please be noted that the ESOP program was terminated in April 2015.

* Implementation status of quarterly review procedures

This quarterly consolidated financial results report is exempt from quarterly review procedures in accordance with the Financial Instruments and Exchange Act. At the time of disclosure of this quarterly consolidated financial results report, the review procedures for quarterly consolidated financial statements have not finished.

* Appropriate use of business forecasts and other special matters

The business forecasts and future prospects in this document are made based on information currently available and contain potential risks and uncertainties. As such, actual business results may significantly differ from those expressed or implied in the forecasts due to changes in various factors.

Refer to “1.Consolidated Results for the First Half of Fiscal 2016 (3) Forecasts for Fiscal 2016” on page 5 for the suppositions that form the assumptions for the business forecasts and cautions concerning the use thereof.

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1. Consolidated Results for the First Half of Fiscal 2016

(1) Overview of Operating Results

During the current first two quarters (from January 1, 2016 to June 30, 2016), the Japanese economy made a moderate improvement with corporate earnings growing healthily backed up by the on-going government- and the Bank of Japan-initiated economic measures and monetary policies despite unsettling factors the world economy faces such as crude oil price drop, slowdown in emerging economies such as China, the UK's decision to leave the EU. This has only added to the concerns over potential impact on corporate earnings by continuing strong yen. While consumer spending showed a recovery in the wake of improvements in employment conditions, consumers are still likely to buy products selectively by keeping an eye on special functions or benefits attached to them because actual wage is increasing slower than expected.

According to the "Current Survey of Selected Service Industries" by the Ministry of Economy, Trade and Industry, total gross billings in the advertising industry in 2015 grew 2.7% from the previous year and it is by and large performing steadily to this day since the start of this year, outpacing the corresponding period last year.

Under these circumstances, ADK continues to work hard to transform itself to the "Consumer Activation Company" holding out "VISION 2020" that the Company declared in 2013, aiming not only to deliver messages via advertisements but encourage consumers to take specific actions, thereby contributing to clients' business performance. During the two quarters under review, we carried out a bold re-organization and fortified the structure to create further added values and exercise more accurate income management. We also stepped up our efforts to build the foundation and accelerate structural reforms by continuing restructuring and streamlining operational processes at home and abroad.

As a result of those efforts, the Group reported gross billings of ¥174,092 million, down 0.6% from the previous corresponding period. Gross profit was up 4.8% to ¥25,672 million, while operating income increased 31.4% to ¥3,857 million. Ordinary income grew to ¥5,555 million, up 7.7% year-on-year, with the addition of ¥1,867 million non-operating income including dividend received and ¥169 million non-operating expenses. Income before income taxes for the first six months decreased 36.0% to ¥3,484 million with extraordinary income of ¥119 million and extraordinary loss of ¥2,190 million caused mainly by Loss on liquidation of business, and therefore, the profit attributable to owners of parent for the first second quarter decreased 68.0% to ¥1,010 million on the year-to-year comparison.

Divested Nihon Bungeisha, Inc., a business of publishing and selling, on April 18, 2016. Subsequently, the main business of the Company and its consolidated subsidiaries consists the single segment of advertising business from the current two quarters under review. Below is the breakdown of advertising business for the current two quarters under review.

(Advertising Business)

Gross billings to customers amounted to ¥173,183 million during this fiscal year, up 0.1% from the previous corresponding period, and operating income increased 32.0% to ¥3,940 million.

Overall domestic business registered an increase in revenue and profit propelled by media business at

ADK-Tokyo, in particular TV spot advertisements, revitalized TV program advertisements, marketing & promotion and creative which had been weak in the previous period, a strong performance in a creative subsidiary as a result of an improved in-house production ratio, a robust performance in a digital subsidiary. While overseas business saw decreased revenue and profit due to a temporary lull of Asian subsidiaries which drove the business up until the last year and continued efforts in structural reforms being undertaken by companies in Europe, US and China. All overseas billings are generated from advertising business, which represents 7.4% (as opposed to 8.3% in 2015) of the consolidated billings during the period under review.

Performance by ADK-Tokyo, the core competence of the Group business, was as follows.

The parent company generated gross billings of ¥156,275 million, up 1.7% from the previous fiscal year. Gross profit rose to ¥18,807 million, up 9.1% and operating income surged to ¥3,419 million, up 35.9%. ADK-Tokyo saw an increase in revenue and profit with a successive growth in billings over the previous year, improved gross profit ratio by means of stringent profit management and on-going effort to control in selling and general administrative expenses even though staff cost increased with provision for bonus linked to a strong performance.

Broken down by client business, ADK posted increases in gross billings from clients in such industries as Food, Pharma/Medical Supplies, Real Estate/Housing, Education/Medical Service/Religion and Transportation/Leisure. However, gross billings declined from clients in such industries as Beverage/Tobacco, Government/Organizations, Cosmetics/Toiletry, Household Goods, Finance/Insurance sectors.

Non-consolidated Performance by Clients business

Breakdown by Clients business	Gross Billings (Millions of Yen)	Composition (%)	Y-o-Y change (%)
Energy/Material/Machinery	1,638	1.0	14.6
Food	16,182	10.4	11.1
Beverage/Tobacco	10,396	6.7	(18.1)
Pharma/Medical supplies	8,887	5.7	21.7
Cosmetics/Toiletry	14,502	9.3	(3.8)
Apparel/Jewelry	6,306	4.0	0.4
Precision machinery/Office supplies	1,799	1.2	11.3
Home appliances/AV equipment	1,233	0.8	16.0
Automobile/Automobile-related Products	10,095	6.5	0.9
Household Goods	454	0.3	(43.3)
Hobbies/Sport Goods	9,685	6.2	4.8
Real Estate/Housing	5,641	3.6	14.9
Publishing	1,376	0.9	(3.3)
Information/Communication	16,518	10.6	(1.3)
Distribution/Retail	12,502	8.0	2.0
Finance/Insurance	13,212	8.5	(2.0)
Transportation/Leisure	4,728	3.0	11.7
Restaurants/Other service	4,873	3.1	9.2
Government/Organizations	6,035	3.9	(14.5)
Education/Medical Service/Religion	3,761	2.4	16.1
Signage/Other	6,444	4.1	11.7
Total	156,275	100.0	1.7

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Broken down by business discipline, gross billings in Digital Media, TV, OOH Media, Radio, Marketing and Promotion, experienced an increase over the previous year but gross billings in disciplines of Other, Magazine, Newspaper and Creative declined on a year on year basis.

Non-consolidated Performance by Discipline

Breakdown by Discipline		Gross Billings (Millions of Yen)	Composition (%)	Y-o-Y Change (%)	Main clients business industries (Top: increased industries, Bottom: decreased industries)	
Media	Magazine	5,753	3.7	(8.9)	Beverage/Tobacco, Distribution/Retail, Government/Organizations	Hobbies/Sport Goods, Cosmetics/Toiletry, Information/Communication
	Newspaper	9,797	6.3	(0.3)	Apparel/Jewelry, Finance/Insurance, Restaurants/Other service	Government/Organizations, Cosmetics/Toiletry, Distribution/Retail
	TV	74,036	47.4	1.9	Pharma/Medical supplies, Information/Communication, Hobbies/Sport Goods	Cosmetics/Toiletry, Distribution/Retail, Automobile/Automobile-related Products
	Program	26,273	16.8	(5.3)	Pharma/Medical supplies, Beverage/Tobacco, Precision machinery/Office supplies	Distribution/Retail, Hobbies/Sport Goods, Household Goods
	Spot	40,493	25.9	6.7	Pharma/Medical supplies, Information/Communication, Hobbies/Sport Goods	Cosmetics/Toiletry, Beverage/Tobacco, Automobile/Automobile-related Products
	Content	7,268	4.7	4.3	Hobbies/Sport Goods, Transportation/Leisure, Distribution/Retail	Information/Communication, Restaurants/Other service, Automobile/Automobile-related Products
	Radio	1,759	1.1	17.6	Information/Communication, Cosmetics/Toiletry, Real Estate/Housing	Finance/Insurance, Pharma/Medical supplies, Foods
	Digital Media	10,017	6.4	20.3	Foods, Cosmetics/Toiletry, Apparel/Jewelry	Finance/Insurance, Beverage/Tobacco, Restaurants/Other service
	OOH Media	5,448	3.5	30.6	Foods, Information/Communication, Home appliances/AV equipment	Publishing, Cosmetics/Toiletry, Distribution/Retail
	Sub-total	106,812	68.3	3.9	Pharma/Medical supplies, Foods, Information/Communication	Distribution/Retail, Cosmetics/Toiletry, Government/Organizations
Non-Media	Marketing and Promotion	29,617	19.0	0.7	Distribution/Retail, Automobile/Automobile-related Products, Home appliances/AV equipment	Beverage/Tobacco, Information/Communication, Government/Organizations
	Creative	18,647	11.9	(0.1)	Distribution/Retail, Transportation/Leisure, Foods	Beverage/Tobacco, Pharma/Medical supplies, Finance/Insurance
	Others	1,198	0.8	(56.3)	Energy/Material/Machinery, Restaurants/Other service, Finance/Insurance	Information/Communication, Government/Organizations, Cosmetics/Toiletry
	Sub-total	49,463	31.7	(2.7)	Distribution/Retail, Automobile/Automobile-related Products, Real Estate/Housing	Beverage/Tobacco, Information/Communication, Government/Organizations
Total		156,275	100.0	1.7	Foods, Pharma/Medical supplies, Real Estate/Housing	Beverage/Tobacco, Government/Organizations, Cosmetics/Toiletry

Notes: 1. Because we offer integrated solutions, data may not represent gross billings exactly by media.

2. Content includes Animation, Culture and Sports Marketing, etc.

3. Digital Media includes Internet and Mobile-related media.

(Digital Solutions, such as Website Creation and System Development are included in "Marketing and Promotion".)

4. OOH (Out of Home) Media includes transportation and outdoor advertising and insertions.

5. Marketing and Promotion includes Marketing, Communication Planning, Promotion, Events, PR, Exposition events and Digital Solutions, etc.

(Other Business)

In Other Business, gross billings to customers amounted to ¥908 million, down 57.1% year-on-year, and the operating loss amounted to ¥84 million, compared with ¥47 million loss in the previous year.

Of Other Business, Nihon Bungeisha, a publication business subsidiary, was divested dated April 18, 2016 by means of the entire stock transfer, accordingly, has deconsolidated since the second quarter. In consequence, gross billings significantly declined in a year-to-year comparison. The conditions of the said business had continued difficult to generate profit since the overall publishing market is contracting, making operating loss in the first quarter.

(2) Financial Position

The consolidated financial position as of the end of the current second quarter in comparison with that of the end of the previous accounting year (ended December 31, 2015) is as follows.

Total assets amounted to ¥193,059 million, down ¥42,146 million from the previous consolidated fiscal year-end, mainly due to a decrease in cash and deposit as a result of a decrease in the value of investment securities stemming from a drop of their market value, a decrease in notes and accounts-receivable trade as a result of collection of accounts receivable, and also dividend payment. Total liabilities were also down ¥16,615 million to ¥93,101 million, mainly due to a decrease in notes and accounts payable-trade and deferred tax liabilities along with a fall in market value of investment securities. Total net assets (excluding non-controlling interests and subscription rights to shares) amounted to ¥99,957 million, and the shareholder's equity ratio was 51.1%.

(3) Forecasts for Fiscal 2016

During the current six months (from January 1, 2016 to June 30, 2016), the business on the whole performed strongly, exceeding billings and operating income of the previous corresponding year although it slightly slowed down toward the end of the second quarter. For the third quarter on when uncertain outlook of the world economy may be lingering, we need to assess with caution consumption trend and key clients' performance as main influencing factors on our business performance.

For those reasons, we have not changed the revised consolidated business forecasts released on March 24, 2016.

We continue our efforts to further grow the business by promoting development and provision of solutions that capture changes in the media environment and consumer behaviors, ensuring to improve competitive edge and profitability.

2. Matters relating to Summary Information (Notes)

(1) Changes in Significant Subsidiaries during the Period

Not Applicable.

(2) Adoption of Special Accounting Treatments for Quarterly Consolidated Financial Statements

(Calculation of tax expenses)

Tax expenses for the period are calculated by using the effective tax rate, which is estimated rationally based on the estimated annual consolidated income before tax after applying deferred tax accounting, and applying that effective tax rate to income before income taxes for the quarter.

(3) Changes in Accounting Policies, Changes in Accounting Estimates and Restatements

(Changes in Accounting Policies)

(Change in accounting policy in relation to business combination)

From the first quarter of this fiscal year, the Company began applying "Accounting Standard for Business Combinations" (ASBJ Statement No.21, September 13, 2013), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22, September 13, 2013), "Accounting Standard for Business Divestitures" (ASBJ Statement No.7, September 13, 2013). Following these changes, we have adjusted the method to record the amount of difference incurred by a change in ADK's equity interest in subsidiaries as capital surplus, over which ADK continues to assume control and acquisition-related expenses as part of expenses incurred in the consolidated financial accounting. We have also changed to reflect a revised allocated amount of acquisition cost based on the firmed temporary account processing in relation to a business combination that may occur after the beginning of the period of the current first quarter accounting settlement to a quarterly consolidated financial statement for the period which the date of the said business combination falls into. A change is also made in the way of presenting a quarterly net income, etc. An account item of minority interests is replaced by non-controlling interests. To reflect these changes, the quarterly consolidated financial statements and the full-year consolidated financial statements for the previous first two quarters and the previous fiscal year have been restated.

Changes are also made in the cash flow statement for the current two quarters under review. Cash flow in relation to the acquisition and/or disposal of subsidiaries' stake is stated in the section of "cash flow from financial activities" as long as it does not bring about a change in the scope of consolidated accounting. While, if it is accompanied by a change in the scope of consolidated accounting, cash flow in relation to acquisition and/or disposal of subsidiaries' stake is stated in the section of "cash flow from operating activities".

Effective from the beginning of the first quarter of the current fiscal year, the Group has adopted, and will adopt into the future, "Accounting Standard for Business Combinations" in conformity to transitional applications that are stipulated in Article 58, Paragraph 2 (4) of "Accounting Standard for Business Combinations", Article 44, Paragraph 5 (4) of "Accounting Standard for Consolidated Accounting" and Article 57, Paragraph 4 (4) of "Accounting Standard for Business Divestitures".

These above-mentioned changes will not impact on the quarterly consolidated financial statements during the period of the first two quarters of this fiscal year ending in December 31, 2016.

(Adoption of Practical Solution on a Change in Depreciation Method due to Tax Reform in 2016)

In accordance with an amendment in Corporation Tax Act, we have adopted "Practical Solution on a Change in Depreciation Method due to Tax Reform in 2016" (ASBJ PITF No.32, June 17, 2016) for the current two quarters under review. Accordingly, the straight-line method is now adopted, replacing the declining-balance method, as a depreciation method in relation to equipment attached to building and structures that were acquired after April 1, 2016. This change may marginally impact on profit and loss of the current two quarter consolidated financial statements.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of Yen)

	December 31, 2015	June 30, 2016
Assets		
Current assets		
Cash and deposits	25,790	19,091
Notes and accounts receivable-trade	84,326	70,324
Short-term investment securities	2,172	2,820
Inventories	7,048	6,149
Other	2,602	4,801
Allowance for doubtful accounts	(568)	(641)
Total current assets	121,370	102,545
Noncurrent assets		
Property, plant and equipment	4,800	3,814
Intangible assets	2,186	1,885
Investments and other assets		
Investment securities	101,516	79,808
Other	6,150	5,754
Allowance for doubtful accounts	(819)	(749)
Total investments and other assets	106,847	84,814
Total noncurrent assets	113,834	90,513
Total assets	235,205	193,059

(Millions of Yen)

	December 31, 2015	June 30, 2016
Liabilities		
Current liabilities		
Notes and accounts payable-trade	74,130	66,693
Short-term loans payable	96	93
Income taxes payable	1,269	1,657
Provision	831	1,027
Other	8,228	6,710
Total current liabilities	84,556	76,183
Noncurrent liabilities		
Provision	42	15
Net defined benefit liability	935	510
Other	24,182	16,392
Total noncurrent liabilities	25,160	16,917
Total liabilities	109,716	93,101
Net assets		
Shareholders' equity		
Capital stock	37,581	37,581
Capital surplus	11,982	11,980
Retained earnings	24,336	15,329
Treasury shares	(210)	(1,208)
Total shareholders' equity	73,690	63,683
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	48,188	34,482
Deferred gains or losses on hedges	(0)	(43)
Foreign currency translation adjustment	1,859	194
Remeasurements of defined benefit plans	266	284
Total accumulated other comprehensive income	50,314	34,917
Subscription rights to shares	23	12
Non-controlling interests	1,461	1,344
Total net assets	125,488	99,957
Total liabilities and net assets	235,205	193,059

(2) Consolidated Income Statements and Consolidated Statement of Comprehensive Income

Consolidated Income Statements

Six Months Ended June 30, 2016

(Millions of Yen)

	Six Months Ended June 30, 2015 (From January 1 to June 30, 2015)	Six Months Ended June 30, 2016 (From January 1 to June 30, 2016)
Gross billings	175,108	174,092
Cost of sales	150,611	148,419
Gross profit	24,496	25,672
Selling, general and administrative expenses		
Salaries and allowances	11,551	11,244
Provision for bonuses	281	982
Provision for directors' retirement benefits	2	―
Provision of allowance for doubtful accounts	55	(9)
Other	9,668	9,597
Total selling, general and administrative expenses	21,560	21,814
Operating income	2,936	3,857
Non-operating income		
Interest income	117	57
Dividends income	1,703	1,522
Equity in earnings of affiliates	124	87
Foreign exchange gains	96	―
Other	293	201
Total non-operating income	2,335	1,867
Non-operating expenses		
Interest expenses	12	6
Foreign exchange losses	―	105
Other	101	56
Total non-operating expenses	114	169
Ordinary income	5,157	5,555
Extraordinary income		
Gain on sales of non-current assets	63	99
Gain on sales of investment securities	193	5
Other	149	13
Total extraordinary income	406	119
Extraordinary loss		
Loss on liquidation of business	―	1,994
Other	117	196
Total extraordinary losses	117	2,190
Income before income taxes	5,446	3,484
Income taxes	2,242	2,423
Net income	3,204	1,060
Profit (loss) attributable to non-controlling interests	48	49
Profit attributable to owners of parent	3,155	1,010

Consolidated Statement of Comprehensive Income

Six Months Ended June 30, 2016

(Millions of Yen)

	Six Months Ended June 30, 2015 (From January 1 to June 30, 2015)	Six Months Ended June 30, 2016 (From January 1 to June 30, 2016)
Profit	3,204	1,060
Other comprehensive income		
Valuation difference on available-for-sale securities	7,546	(13,721)
Deferred gains or losses on hedges	0	(42)
Foreign currency translation adjustment	(143)	(1,717)
Remeasurements of defined benefit plans	36	17
Share of other comprehensive income of associates accounted for using equity method	3	(35)
Total other comprehensive income	7,443	(15,498)
Comprehensive income	10,647	(14,438)
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	10,606	(14,385)
Comprehensive income attributable to non-controlling interests	41	(52)

(3) Notes to Consolidated Financial Statements

(Items related to going concern assumption)

Not Applicable.

(Notes on significant changes in the amount of shareholders' equity)

Not Applicable.

(Segment Information)

The previous two quarters (From January 1, 2015 to June 30, 2015)

(Millions of Yen)

	Reportable segments			Adjustment (*Note1)	Amount on Consolidated Income Statements (*Note2)
	Advertising	Non-advertising	Total		
GROSS BILLINGS					
Billings to customers	172,992	2,115	175,108	—	175,108
Inter-segment billings	14	70	84	(84)	—
Total billings	173,007	2,186	175,193	(84)	175,108
Segment income (loss)	2,986	(47)	2,938	(1)	2,936

(Notes) 1 Adjustment of segment income (loss) is mainly due to the deduction of the transaction between the segments and unrealized income.

2 Segment income (loss) has been adjusted to equal the operating income on the consolidated income statements.

The current two quarters (From January 1, 2016 to June 30, 2016)

1. Information in relation to gross billings and profit or loss by reporting segment

The Group's reporting segment comprises an advertising business alone. Disclosure of segment information is omitted since it holds a marginal position as disclosed information.

2. A change in reporting segment

All shares of Nihon Bungeisha Inc. and BioMedis International Inc. were transferred during the current six months and subsequently ruled out from the scope of the consolidated accounting.

Accordingly, "Publishing" included in "Other business" has been removed. This has lessened significance of "Other business" and therefore the reporting segment now comprises a single segment of "Advertising business".

(Material Subsequent Events)

The Issuance of Equity Compensation Type Stock Options (Stock Options)

It was resolved at the Board of Directors meeting held on August 12, 2016 that stock acquisition rights as stock compensation-type stock options shall be issued to four (4) executive directors and sixteen (16) operating officers except those who are directors of the Company for the purpose of further enhancing their motivation and morale to contribute to the improvement of business performance and the stock price and making their share in the benefits and risks arising from the rise and fall in the stock price, together with the shareholders, in accordance with Article 236, 238 and 240 of the Companies Act.

Details are as included in the "Notice Regarding the Issuance of Stock Compensation-type Stock Options (Stock Acquisition Rights) to Directors" dated today and "Notice Regarding the Issuance of Stock Compensation-type Stock Options (Stock Acquisition Rights) to Operating Officers".

Conclusion of a major contract

The company and Iwakaze No. 1 Investment Business Limited Liability Partnership, which is the largest shareholder of the GONZO K.K. and is operated and managed by Iwakaze Capital, Inc. entered into a tender offer agreement as of July 14, 2016, with the aim of making GONZO K.K. a consolidated subsidiary of the Company, and Iwakaze Fund agreed to tender all of GONZO's shares it owned (i.e. 188,458 shares; shareholding ratio 80.22%) in the tender offer.