

July 14, 2016

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ASATSU-DK INC.
Securities code: 9747

Announcement Concerning Commencement of Tender Offer for Shares of GONZO K.K.

Asatsu-DK Inc. (the “Tender Offeror” or the “Company”) hereby announces that, it determined, today, that it would acquire the shares of common stock of GONZO K.K. (the “Target Company”) (the “Target Company Shares”), through a tender offer in accordance with the Financial Instruments and Exchange Act (Act No. 25 of 1948, as amended; the “Act”) (the “Tender Offer”) as stated below.

1. Purpose of the Tender Offer

(1) Overview of the Tender Offer

The Company determined, on July 14, 2016, that it would implement the Tender Offer with the aim of making the Target Company a consolidated subsidiary of the Company. As of today, the Company does not hold any Target Company Shares.

Upon implementing the Tender Offer, the Company and Iwakaze No. 1 Investment Business Limited Liability Partnership (“Iwakaze Fund”) which is the largest shareholder of the Target Company and is operated and managed by Iwakaze Capital, Inc. (“Iwakaze Capital”) as an unlimited liability partner, entered into a tender offer agreement as of July 14, 2016 (the “Tender Offer Agreement”), and Iwakaze Fund has agreed to tender all of its Target Company Shares (i.e. 188,458 shares; Shareholding Ratio (Note) 80.22%) in the Tender Offer. As to the details of the Tender Offer Agreement, please refer to “(5) Matters Concerning Material Agreements Related to the Tender Offer” below. The tender offer price per share of the Target Company Shares for the Tender Offer of 26,819 yen (the “Tender Offer Price”) was determined upon an agreement with Iwakaze Capital through mutual consultations and negotiations.

Since the Company intends to acquire through the Tender Offer 188,458 Target Company Shares which Iwakaze Fund intends to tender pursuant to the Tender Offer Agreement, the Company has set the minimum number of shares to be purchased at the Tender Offer as 188,458 shares (Shareholding Ratio 80.22%), which is equivalent to the number of prospective tendered shares under the Tender Offer Agreement. If the total number of shares sold in accordance with the Tender Offer (the “Tendered Shares”) does not reach the minimum number of shares to be purchased (i.e. 188,458 shares), the Company will not purchase any Tendered Shares.

The Company intends to make the Target Company a consolidated subsidiary of the Company and does not intend to make the Target Company a wholly-owned subsidiary of the Company. However, since the shareholding ratio after the Tender Offer becomes two thirds or more, the Company has not set the maximum number of shares to be purchased at the Tender Offer in accordance with the requirements under the laws and regulations. If shares, the number of which is the minimum number of shares to be purchased (i.e. 188,458 shares) or more are tendered, the Company will purchase all the Tendered Shares.

(Note) “Shareholding Ratio” means a holding ratio to the total issued shares of the Target Company as of March 31, 2016 (i.e. 233,743 shares), as set forth in the 17th Business Period Annual Securities Report filed by the Target Company as of June 28, 2016 (the “Annual Securities Report”) plus the

number of Target Company Shares underlying 1,169 stock options of the Target Company as of March 31, 2016 (i.e. 1,169 shares) (According to the Target Company, all the stock options have been exercised by today. Such exercising of stock options has been also confirmed by a certificate of all registered matters of the Target Company.) (i.e. 234,912 shares), which percentage is rounded to the nearest hundredth upon the calculation thereof.

In addition, in connection with the Tender Offer, the Company has concluded with Mr. Shinichiro Ishikawa, representative director and president of the Target Company, a memorandum of understanding on the handling of the shares of common stock of GONZO K.K. (the “MOU”) as of July 14, 2016 with the expectation that Mr. Ishikawa is even more motivated to participate in the operation of the Target Company in furtherance of the shareholder value of the Target Company after the Tender Offer. Under the MOU, among the Target Company Shares held by Mr. Ishikawa (i.e. 4,599 shares; Shareholding Ratio 1.96 %), 2,250 shares (Shareholding Ratio 0.96%, “Non-Tendered Shares”) will not be tendered to the Tender Offer. On the other hand, the Target Company has concluded with Mr. Shinichiro Ishikawa, a management delegation agreement to delegate the management of the Target Company after the completion of the Tender Offer (the “Management Delegation Agreement”) as of July 14, 2016. As to the details of the MOU and the Management Delegation Agreement, please refer to “(5) Matters Concerning Material Agreements Related to the Tender Offer” below.

According to the Target Company, as a result of careful examination of the purchase price and other conditions in respect of the Tender Offer, the Target Company determined that the Tender Offer enhances the corporate value of the Target Company, and thus contributes to an increase in shareholder value, and resolved, at its board of directors’ meeting held on July 14, 2016, that the Target Company would issue an opinion in support of the Tender Offer. On the other hand, given that the Tender Offer Price was determined by mutual consultations and negotiations between the Tender Offeror and Iwakaze Capital after going through a bidding process and that the Target Company was not involved with the determination process of the Tender Price, the Target Company decided not to obtain any valuation report of the Target Company Shares from an independent third-party appraiser, and resolved that it will leave it up to the judgment of its shareholders as to whether to tender in the Tender Offer. As to the decision-making process of the Target Company, please refer to “(iii) Unanimous Approval by the Non-Interested Directors and No Objection from Corporate Auditors of the Target Company” of “(3) Measures to Ensure the Fairness of the Tender Offer Including Those to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest” below.

(2) Background and Purpose and Decision-Making Process of the Decision to Conduct the Tender Offer and Management Policy After the Tender Offer

The Company was incorporated in March 1956 as Asatsu Inc. and started operations as an advertising agency centering around magazine advertising. In October 1987, its shares were listed for trade on the 2nd Section of the Tokyo Stock Exchange, Inc. (the “TSE”). In June, 1990, its shares were assigned to the 1st Section of the TSE. In January 1999, it merged with Dai-ichi Kikaku Co., Ltd. and changed its trade name to the current Asatsu-DK Inc. in accordance with the merger.

As of today, the Company Group consists of the Company, 43 subsidiaries, 11 affiliates and 1 related company (including its subsidiary) which principally conducts (i) any and all businesses relating to advertisement such as planning and handling of advertising business through the medium of magazines, newspapers, televisions, radios, digital media, OOH (Note 1) media, planning and creation of ad expressions and contents, services such as sales promotion (Note 2), marketing, public relations (Note 3) and (ii) other businesses which are publishing and sales of magazines and books.

Particularly, in the content business in which the Company has a strong capability, the Company has been engaged in and has been developing a track record in numerous content businesses over a long period of time

centering around TV animation shows and live-action and special effects programs, starting with “Eightman” which started its broadcast in November 1963. The content business is contributing to the profit of the Company through activities ranging from planning, production and investment in animation shows and movies to utilization of characters for commercialization and advertisement and promotion, and organizing of entertainment such as events and musicals, and utilization for sales promotion.

In addition, the Company is also expanding overseas the know-how and business models of the content business it has developed in Japan, and is also trying to develop and create new markets. In November 2014, the Company co-established Anime Consortium Japan Inc. which develops EC site (Note 4) which handles overseas transmission of videos of legitimate contents of Japanese animation works and animation related products with Bandai Namco Holdings Inc. and Aniplex Inc.. In addition, in February 2015, the Company made d-rights Inc., which has a strong capability and advantage in production of contents and in overseas network, a subsidiary of the Company by acquisition of the shares, and is developing its content business in Europe and the U.S.

The Company is making efforts to strengthen its presence in the content business industry by acquiring new IP (Note 5), and further developing domestic and international broadcasting, distribution and merchandizing (Note 6).

(Note 1) “OOH” is the abbreviation of Out Of Home Media and collectively refers to advertisements in transport facilities such as advertising posters displayed on trains and buses, outdoor advertisements such as signboards installed on building walls, and inserted advertisements, etc..

(Note 2) “Sales promotion” means the overall efforts to stimulate the buying motivation of consumers and the selling motivation of distributors through use of campaigns, etc.

(Note 3) “Public relations” mean the activities by groups and companies with the aim to gain the understanding and cooperation of many people by informing them of their desirable images and their policies and contents of business and ideas and principles, etc.

(Note 4) “EC site” is the abbreviation of Electronic Commerce site and means a website for sales of products and services which is independently run on the Internet.

(Note 5) “IP” is the abbreviation of Intellectual Property, and collectively refers to non-physical results, etc. which have economic value such as expressions or ideas created by human.

(Note 6) “Merchandizing” means commercialization of the characters in animation shows and movies, etc.

On the other hand, under a management philosophy of “creating contents that shake people’s souls”, the Target Company is working on the production of innovative and cutting-edge global animation works, and is expanding Japanese animation culture which is highly valued also around the world to various countries in the world.

The Target Company is operating businesses centering around animation and is planning and producing animation works centering around those for TV. The Target Company acquires revenue distribution rights and secondary-use rights through investment in self-produced animation works produced by itself and conducts business of granting such rights to licensees and was expanding its business territories in Japan and all around the world centering around Europe, the U.S. and Asia. In November 2004, the Target Company Shares were listed on the Mothers market of the TSE (the “Mothers market”).

However, the environment surrounding the animation industry, which is the core business of the Target Company, has continued to face harsh conditions as enviced by the decline in viewer rating and the downturn in the DVD market and the North American market in the phase that the form of watching animation works shifted from the traditional television and DVDs to the Internet due to the progress in broadbandization. In addition, competition has been increasing also in animation works for fans which is the Target Company’s strong point due to an increase in the number of newcomers to the market and in the number of productions.

As the copyright income from the sales of videograms of animation works through exercising of the

secondary-use right of works and sales of programs overseas significantly contributes to profit, the downturn in the DVD market and North American market stated above has become a factor significantly affecting the profit structure of the Target Company. In the fiscal year ending March 2007 and the fiscal year ending March 2008, although the Target Company has made efforts to restructure its business aiming at improvement of balance of payments of its animation business, due to the effects of the poor sales of DVD which is its primary source of income and the non-attainment of the sales plan centering around North America, etc., the Target Company recorded a net loss, and its liabilities exceeded its assets for two consecutive fiscal years (in the fiscal year ending March 2008 and the fiscal year ending March 2009), which is stipulated in the standards for delisting of the TSE.

In order to overcome such situation, the Target Company considered strengthening its financial base including acceptance of capital injection from third parties, and in September 2008, conducted a third-party allocation of shares to Iwakaze Fund which is operated and managed by Iwakaze Capital as an unlimited partner. As a result, Iwakaze Fund became the largest shareholder of the Target Company (the percentage of the number of allotted shares (i.e. 145,815 shares) to the number of total issued shares after third-party allocation of shares (i.e. 233,743 shares): 62.38%). In October 2008, the tender offer of the Target Company Shares and stock options by Iwakaze Fund have been completed (the number of purchased shares (i.e. 42,643 shares); the percentage of the sum of the number of purchased shares (i.e. 42,643 shares) and the above-mentioned number of allotted shares (i.e. 145,815 shares) (i.e. 188,458 shares) to the number of total issued shares as of the completion of the tender offer (i.e. 233,743 shares): 80.62%).

Subsequently and as stated above, in the fiscal year ending March 2009, the Target Company recorded a net loss and its liabilities exceeded its assets for two consecutive fiscal years (in the fiscal year ending March 2008 and the fiscal year ending March 2009), which is stipulated in the standards for delisting of the TSE. Thus, the Target Company Shares were delisted from the Mothers market as of July 2009.

On the other hand, in response to a request from the Target Company, Iwakaze Capital has sought to increase the corporate value of the Target Company by steadily achieving the potential growth of the Target Company not only by injecting fund but also by addressing medium-and-long-term management reform while being involved with the management of the Target Company through the dispatch of a management team that is capable of supplementing the management of the Target Company.

As a result, in the non-consolidated financial report of the Target Company of the fiscal year ending March 2016, although the liabilities of the Target Company still exceeded its assets due to the effect of the net loss recorded in previous periods, it smoothly recovered its business performance and recorded a turnover of JPY 1,458,000,000 (20.1% increase as compared to the prior comparative period (rounded to the nearest tenth of a percent in the calculation in comparison with the prior comparative period; hereinafter the same shall apply.)), an operating profit of JPY 439,000,000 (14.4% increase as compared to the prior comparative period), an ordinary profit of JPY 390,000,000 (18.7% increase as compared to the prior comparative period), and a net profit of JPY 491,000,000 (22.0% increase as compared to the prior comparative period).

As Iwakaze Capital had been proceeding with the business turnaround of the Target Company, and recently got clear prospects on the revitalization of the Target Company to a certain extent, it started to search for an entity which plays the role of a supporter of further growth. With such situation as a background, in mid-March, 2016, the Company was proposed by Iwakaze Capital to participate in the bidding process with regard to the transfer of the Target Company Shares owned by Iwakaze Fund. As the Company had been working for some time on the strengthening of its presence in the content business industry through development, and acquiring of new IP and further strengthening of fields such as domestic and international broadcasting, distribution and merchandizing, it acquired an interest in the potential for growth of the Target Company, and started to consider acquiring the Target Company Shares.

The Company recognized that the rights owned by the Target Company in the animation works which are highly valued in and outside Japan and the animation production functions of the Target Company are material assets. The Company came to consider that it was possible to realize further growth of and increase the corporate value of the Target Company, by effectively utilizing the knowledge regarding content business which the Company Group has developed until now and its network with sponsors and publishers, etc., while being based on such assets.

Since late March of 2016, the Company has been conducting an initial-stage review based on the material provided by Iwakaze Capital and submitted the first bid document to Iwakaze Capital in early April of 2016. Furthermore, in order to examine the investment possibility in the Target Company more precisely, the Company conducted due diligence from mid-April to mid-May of 2016 such as examination of material such as the financial information disclosed by the Target Company and of the material regarding the business, the financial affairs and the legal affairs of the Target Company which has been submitted by Iwakaze Capital and the Target Company, and interviews with the management of the Target Company and has been proceeding with analyzing and review with regard to purchase of the Target Company Shares. The Company proceeded to analyze the value of the Target Company Shares based on the results of due diligence and also the results of the examination of the synergy effects which may be expected from the Target Company. In mid-May of 2016, the Company resolved at its board of directors' meeting that the representative director and president of the Company be authorized to negotiate and agree with Iwakaze Capital on the bidding conditions within such framework as approved by such board of directors' meeting, and to determine the implementation of the Tender Offer in the case where such agreement was reached with Iwakaze Capital. Thereafter, the Company submitted to Iwakaze Capital, a final proposal indicating its desire to purchase the Target Company Shares together with the conditions of the Tender Offer including the bidding price (26,819 yen).

As a result, in early June of 2016, the Company was appointed as the preferred negotiator. Following this, the Company had been in discussions and consultations with Iwakaze Capital with regard to the details of the scheme of transaction and various conditions of the Tender Offer including the purchase price.

With regard to the Tender Offer Price, the Company held consultations and negotiations with Iwakaze Capital based on the price offered by the Company (26,819 yen) in the bidding process conducted by Iwakaze Capital based on the results of the due diligence such as examination of material such as the financial information disclosed by the Target Company and of the material regarding the business, the financial affairs and the legal affairs of the Target Company which has been submitted by Iwakaze Capital and the Target Company, and interviews with the management of the Target Company, and having examined the synergy effects which may be expected from the Target Company, and after conducting analysis of the business and financial conditions of the Target Company from various aspects and in a comprehensive manner. In addition, the Company, comprehensively taking into account the issue of whether the Target Company would support the Tender Offer, in early July of 2016, reached a final agreement that the Tender Offer Price would be 26,819 yen per share which is equivalent to the bidding price, and determined the Tender Offer Price on July 14, 2016. Since the Tender Offer Price determined by the Company is the price agreed upon consultations and negotiations with Iwakaze Capital after comprehensively taking into account the above various factors and also having gone through the bidding process, the Company did not obtain any valuation report from a third-party appraiser.

Having reached an agreement with Iwakaze Capital also with regard to the conditions of the Tender Offer other than the Tender Offer Price, on July 14, 2016, the Company determined to implement the Tender Offer and executed the Tender Offer Agreement with Iwakaze Fund on the same day.

The Company believes that, after the Tender Offer, strengthened profitability and further growth of the Target Company may be expected, by basically continuing the business operation policy and various policies

which Iwakaze Capital and the Target Company have been discussing and promoting (Specifically, ensuring of revenue management at the site of production in order to ensure profit for each animation production projects, reduction of investment risk by reduction of the ratio of investment to animation production and by stringent selection of animation works targeted for investment, and ensuring of deadline management and budget control through significant involvement of the management of the Target Company in production, etc.) and by making the maximum use of the Company Group's network with domestic and foreign content distributors and publishing companies and of management resources such as contents of good quality centering around TV animation shows and live-action and special effects programs, as well as seeking to communicate with the Target Company, as the largest shareholder of the Target Company.

As to the specific synergy effects that may be expected, since the Target Company holds rights in animation works which are highly valued in Japan and abroad, it becomes possible to sell to foreign content distributors through the Company Group, selected animation works of the Target Company which may be distributed in a foreign country. As a result, the Company Group believes that it becomes possible to expand the selection of the animation works sold to foreign content distributors. On the other hand, the Target Company believes that distribution of animation works becomes possible through the Company's network. In addition, if remaking (Note 7) of old animation works owned by the Company and production of new animation works become necessary, it becomes possible to place orders to the Target Company by utilizing the animation production function of the Target Company. As a result, the Company believes that it can take in production profits through insourcing of the animation production function of the Target Company and that, on the other hand, it becomes possible for the Target Company to receive orders for production from the Company.

(Note 7) "Remaking" means to remake the works produced in the past (animations, live-action and special effects films, movies, etc.).

With regard to the composition of the board of directors of the Target Company (5 directors as of today) after the Tender Offer, in order to maximize the synergies that may be expected from the Company and the Target Company at an early point, the Company plans to request the Target Company to hold an extraordinary shareholders' meeting (the "Extraordinary Shareholders' Meeting") promptly after the settlement of the Tender Offer for the purpose of appointing the officers of the Target Company and also to request its board of directors' meeting to propose to the Extraordinary Shareholders' Meeting candidates for directors who are to be separately appointed by the Company be appointed as a director of the Target Company, so that the directors sent out by the Company, in addition to Mr. Shinichiro Ishikawa, representative director and president of the Target Company and Mr. Shintaro Nemoto, director and vice president of the Target Company, each as of today, become the majority of the board of directors of the Target Company. The details are to be determined after consultations with the Target Company to be held from now on, and the choice of personnel and the number of directors to be sent out by the Company are yet to be determined. On the other hand, as to Mr. Kenji Ueda, Mr. Hiroshi Nishiyama and Mr. Tomohiro Funahashi, who are officers and employees of Iwakaze Capital and who concurrently serve as directors of the Target Company as of today, it is expected that (i) Messrs. Hiroshi Nishiyama and Tomohiro Funahashi will resign from the position of director of the Target Company on the commencement date of the settlement of the Tender Offer, and (ii) Mr. Kenji Ueda, upon the close of the Extraordinary Shareholders' Meeting, respectively.

The Company plans to request the Target Company to also propose to the Extraordinary Shareholders' Meeting an amendment to the articles of incorporation of the Target Company, so that the fiscal year of the Target Company shall commence on 1st January and end on 31st December each year.

(3) Measures to Ensure the Fairness of the Tender Offer Including Those to Ensure the Fairness of the

Tender Offer Price and to Avoid Conflicts of Interest

As of the date hereof, the Company does not possess any Target Company Shares. However, according to the Target Company, since Iwakaze Fund, the largest shareholder of the Target Company, has entered into the Tender Offer Agreement with the Company, and in light of the fact that Mr. Kenji Ueda, Mr. Hiroshi Nishiyama and Mr. Tomohiro Funahashi, who are officers or employees of Iwakaze Fund, concurrently serve as directors of the Target Company and that the Company and the Target Company have entered into each of the MOU and the Management Delegation Agreement with Mr. Shinichiro Ishikawa, the representative director and CEO of Iwakaze Fund, the Target Company took the following measures to ensure the fairness of the Tender Offer and to avoid conflicts of interest.

(i) Obtaining Opinion from the Non-Interested Outside Auditors of the Target Company

According to the Target Company, for the purpose of eliminating arbitrariness of the decision-making concerning the Tender Offer and ensuring the fairness, transparency and objectiveness of its decision-making process, the Target Company consulted Mr. Tomio Mizuno, Mr. Tetsuya Tsuji and Mr. Kazuaki Kodaka, the outside auditors of the Target Company who have no interest in the Company or the Target Company, with regard to (a) the legitimacy of the purpose of the Tender Offer, (b) the fairness of the decision-making process of the Target Company concerning the Tender Offer, and (c) whether the transaction of the Tender Offer would be detrimental to the minority shareholders of the Target Company.

Upon this consultation, Mr. Tomio Mizuno, Mr. Tetsuya Tsuji and Mr. Kazuaki Kodaka received an explanation concerning the purpose of the Tender Offer and the process leading to the Tender Offer, and there was an exchange of questions and answers regarding these issues.

Then, after giving careful consideration to the matters in (a) to (c) above, Mr. Tomio Mizuno, Mr. Tetsuya Tsuji and Mr. Kazuaki Kodaka, considering that (i) as a result of the Tender Offer, the Target Company will be able to distribute its animation works through the network owned by the Tender Offeror, (ii) the Target Company may expect a synergy effect by which the Target Company will be able to receive production orders from the Tender Offeror, (iii) the Tender Offer aims at enhancement of the corporate value of both the Company and the Target Company by such synergy effect and (iv) the Target Company received advice from legal advisers independent from the Company and the Target Company and had a review concerning the Tender Offer by its director other than those who are suspected to have conflict with the Tender Offer, submitted a unanimous opinion report to the Target Company on July 14, 2016 to the effect that (a) the purpose of the Tender Offer is considered to be legitimate, (b) the decision-making process of the Target Company concerning the Tender Offer is considered to be fair, and (c) in addition to (a) and (b) above, the Tender Offer is not detrimental to the minority shareholders of the Target Company on the basis that it is possible for the shareholders of the Target Company to maintain ownership of the Target Company Shares even after the Tender Offer, and as the Tender Offer Price was agreed on and determined after the Tender Offeror and Iwakaze Capital had consultation and negotiation between themselves after a bidding process under the condition that the Target Company still had liabilities exceeding its assets in the non-consolidated accounting as of March 2016, and moreover, the Tender Offeror does not plan to conduct the so-called two-step acquisition after the Tender Offer. Nevertheless, they consider it is appropriate to reserve its opinion on the appropriateness of the Tender Offer Price of the Target Company, leaving it up to the judgment of the shareholders of the Target Company whether or not to tender in the Tender Offer since (i) the Target Company was not involved in the process of determining the Tender Offer Price and (ii) it is possible for the shareholders of the Target Company to maintain ownership of the Target Company Shares even after the Tender Offer.

(ii) Advice from Independent Law Firm by the Target Company

According to the Target Company, as a measure to eliminate arbitrariness of the decision-making process leading to expressing an opinion concerning the Tender Offer at its board meeting and to ensure the fairness of the Tender Offer, the Target Company has appointed Takahashi & Katayama Law Office as its legal adviser independent from the Company and the Target Company and received legal advice from Takahashi & Katayama Law Office concerning the method and process of the decision-making at the Target Company's board meeting.

(iii) Unanimous Approval by the Non-Interested Directors and No Objection from Corporate Auditors of the Target Company

According to the Target Company, as a result of its careful investigation and review in light of (i) the consideration about the enhancement of the corporate value of the Target Company, (ii) the Company's intention, (iii) the opinion received from the outside directors as of July 14, 2016 described in the above "Obtaining Opinion from the Non-Interested Outside Auditors of the Target Company," and (iv) the legal advice from Takahashi & Katayama Law Office described in the above "Advice from Independent Law Firm by the Target Company," the Target Company concluded that the Tender Offer would enhance the corporate value of the Target Company and thus help develop its shareholder value and adopted a resolution to issue an opinion in support of the Tender Offer at the board meeting on July 14, on the grounds that, if the Tender Offer is completed, (a) the Target Company will be able to distribute its animation works through the network owned by the Tender Offeror, (b) the Target Company may expect a synergy effect by which the Target Company will be able to receive orders for production from the Tender Offeror, and (c) the Tender Offer seems to provide liquidity to the Target Company's shares. On the other hand, the Target Company decided not to obtain a valuation report from a third-party appraiser with regard to its shares, and resolved that it will reserve its opinion on the appropriateness of the Tender Offer Price of the Target Company, leaving it up to the judgment of its shareholders whether or not to tender in the Tender Offer, on the grounds that (i) the Tender Offer Price was determined after a bidding process and through the consultation and negotiation between the Tender Offeror and Iwakaze Capital, (ii) the Target Company was not involved in the process of determining the Tender Offer Price and (iii) the Tender Offeror intends to make the Target Company its consolidated subsidiary but not a wholly owned subsidiary company and therefore the Tender Offeror does not plan to conduct the so-called "two-step acquisition," and also taking into account that (a) it is possible for the shareholders of the Target Company to maintain ownership of the Target Company Shares even after the Tender Offer and (b) accordingly the Target Company can proceed to enhance and increase its corporate value with its shareholders.

In addition, according to the Target Company, considering that (i) Iwakaze Fund, the largest shareholder of the Target Company, has entered into the Tender Offer Agreement with the Company, (ii) Mr. Kenji Ueda, Mr. Hiroshi Nishiyama and Mr. Tomohiro Funahashi, who are officers or employees of Iwakaze Capital, concurrently serve as directors of the Target Company, and that (iii) the Company and the Target Company have respectively entered into the MOU and the Management Delegation Agreement with Mr. Shinichiro Ishikawa, the representative director and president of the Target Company, Mr. Shinichiro Ishikawa, Mr. Kenji Ueda, Mr. Hiroshi Nishiyama and Mr. Tomohiro Funahashi did not participate in the review of the Tender Offer for the purpose of avoiding the doubt of conflict and one director other than Mr. Shinichiro Ishikawa, Mr. Kenji Ueda, Mr. Hiroshi Nishiyama and Mr. Tomohiro Funahashi adopted a resolution at the board meeting of the Target Company mentioned above. In addition, three auditors of the Target Company attended the above-mentioned board meeting and expressed that they had no objection to the board meeting of the Target Company adopting the above resolution.

(4) Plans to Acquire Additional Shares following the Tender Offer

As the Company intends to make the Target Company its consolidated subsidiary but does not seek to make it its wholly owned subsidiary, the Company does not have a plan to conduct the so-called “two-step acquisition.” In addition, at the present moment, the Company does not have a plan to additionally acquire shares of the Target Company.

(5) Matters Concerning Material Agreements for the Tender Offer

For the implementation of the Tender Offer, the Company entered into the Tender Offer Agreement dated July 14, 2016 with Iwakaze Fund, the largest shareholder of the Target Company, and Iwakaze Fund has agreed to tender all of its Target Company Shares (188,458 shares, Shareholding Ratio: 80.22 %) in the Tender Offer.

The Tender Offer Agreement stipulates the following as the preconditions for Iwakaze Fund to tender in the Tender Offer: (a) all procedures necessary for the commencement of the Tender Offer have been taken in accordance with the applicable laws and regulations, the Tender Offer have been commenced in accordance with the provisions of the Tender Offer Agreement, and has not been withdrawn thereafter, (b) the major conditions of the Tender Offer set forth in the Tender Offer Agreement (the Tender Offeror, the type of shares of the Target Company, the minimum number of shares to be purchased at the Tender Offer, the maximum number of shares to be purchased at the Tender Offer, the Terms and Conditions of the Tender Offer, the Tender Offer Agent and withdrawal conditions) have not been changed before the Tender Offer without Iwakaze Fund’s consent, (c) there are no material breach of the obligation for the Company to fulfill by the commencement date of the Tender Offer under the Tender Offer Agreement or the Company’s representation and warranty as of the commencement date of the Tender Offer ((i) legal and valid establishment and continuation of the Company, (ii) authorities and powers necessary for the execution and implementation of the Tender Offer Agreement by the Company and lawful and appropriate implementation of procedures required by laws and regulations, (iii) legal binding force and enforceability of the Tender Offer Agreement, (iv) non-existence of conflicts with laws and other legislations in the execution and implementation of the Tender Offer Agreement, (v) obtainment of approvals and licenses and (vi) non-existence of any relationship between the Company and antisocial forces). In addition, Iwakaze Fund is not restricted from waiving all or part of these preconditions to tender in the Tender Offer at its discretion.

Also, in connection with the Tender Offer, the Company entered into the MOU dated July 14, 2016 with Mr. Shinichiro Ishikawa, the representative director and president of the Target Company. The following has been agreed on by the parties as the major contents of the MOU.

- (i) Mr. Shinichiro Ishikawa shall not tender the Non-Tendered Shares (2,250 shares, Shareholding Ratio: 0.96%) of the Target Company Shares that he owns (4,599 shares, Shareholding Ratio: 1.96%) in the Tender Offer.
- (ii) The Non-Tendered Shares shall not be assigned, transferred, made the subject of a security interest, or disposed of in any other way by Mr. Shinichiro Ishikawa until June 30, 2021
- (iii) Mr. Shinichiro Ishikawa shall have the right, at any time after July 1, 2021, to request the Company to purchase all or part of the Non-Tendered Shares at the price of the Tender Offer Price or the appraisal price by a third-party appraiser on which the Company and Mr. Shinichiro Ishikawa agreed, whichever is higher.

On the other hand, according to the Target Company, the Target Company and Mr. Shinichiro Ishikawa have entered into the Management Delegation Agreement dated July 14, 2016 which delegates the management of the Target Company after the completion of the Tender Offer. The following has been agreed on as the major contents of the Management Delegation Agreement.

- (i) Mr. Shinichiro Ishikawa shall comply with laws and regulations and perform his duties with the care of a

good manager in good faith as well as make the utmost efforts to maximize the corporate value and the shareholder value of the Target Company.

- (ii) In principle, Mr. Shinichiro Ishikawa shall not resign as the director and the representative director of the Company or refuse to be reappointed as a director and a representative director until the conclusion of the annual meeting of stockholders which is planned to be held in 2022 (the “Final Year Shareholders’ Meeting”).
- (iii) Mr. Shinichiro Ishikawa shall dedicate himself to carrying out his duties as a director of the Target Company and, in principle, shall not assume a position of an officer, employee, counsel, consultant, adviser or any other similar positions of companies or other associations other than the Target Company during the effective period of the Management Delegation Agreement (i.e. until the conclusion of the Final Year Shareholders’ Meeting).
- (iv) In principle, Mr. Shinichiro Ishikawa shall not assume a position of an officer, employee, counsel, consultant, adviser or any other similar positions of the Target Company’s competitors or run a business which would compete with the Target Company, whether directly or indirectly, during the effective period of the Management Delegation Agreement and for two years after the termination of the Management Delegation Agreement.
- (v) Mr. Shinichiro Ishikawa shall receive a fixed amount of money and performance-based monetary compensation in consideration of the performance of his duties as a director of the Target Company, subject to procedures required by laws and regulations.

2. Overview of the Tender Offer

(1) Outline of the Target Company

(i)	Name	GONZO K.K																					
(ii)	Address	5-17-13 Naritahigashi, Suginami-ku, Tokyo																					
(iii)	Title and Name of Representative	Representative Director and President Shinichiro Ishikawa																					
(iv)	Description of Business	Planning, development, production of animation, sales and import/export of animation, planning and implementation of management strategies and design and production for the group companies, financial management of the entire group, investment in contents, investment in works, copyright management, etc.																					
(v)	Stated Capital	3,361 million yen (as of March 31, 2016)																					
(vi)	Date of Incorporation	February 29, 2000																					
(vii)	Major Shareholders and Shareholding Ratios (as of March 31, 2016)	<table border="0"> <tr> <td>Iwakaze No. 1 Investment Business Limited Liability Partnership</td> <td style="text-align: right;">80.62%</td> </tr> <tr> <td>Shinichiro Ishikawa</td> <td style="text-align: right;">1.71%</td> </tr> <tr> <td>Sun Chlorella Corporation</td> <td style="text-align: right;">1.36%</td> </tr> <tr> <td>Hayazo Umemoto</td> <td style="text-align: right;">0.55%</td> </tr> <tr> <td>Shinichi Kurihara</td> <td style="text-align: right;">0.42%</td> </tr> <tr> <td>Kenzo Yamamoto</td> <td style="text-align: right;">0.37%</td> </tr> <tr> <td>Masanori Suzuki</td> <td style="text-align: right;">0.21%</td> </tr> <tr> <td>Katsuyuki Hishikawa</td> <td style="text-align: right;">0.21%</td> </tr> <tr> <td>HoriPro Inc.</td> <td style="text-align: right;">0.21%</td> </tr> <tr> <td>Hidenari Noguchi</td> <td style="text-align: right;">0.17%</td> </tr> </table>		Iwakaze No. 1 Investment Business Limited Liability Partnership	80.62%	Shinichiro Ishikawa	1.71%	Sun Chlorella Corporation	1.36%	Hayazo Umemoto	0.55%	Shinichi Kurihara	0.42%	Kenzo Yamamoto	0.37%	Masanori Suzuki	0.21%	Katsuyuki Hishikawa	0.21%	HoriPro Inc.	0.21%	Hidenari Noguchi	0.17%
Iwakaze No. 1 Investment Business Limited Liability Partnership	80.62%																						
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Katsuyuki Hishikawa	0.21%																						
HoriPro Inc.	0.21%																						
Hidenari Noguchi	0.17%																						
(viii)	Relationship between the Tender Offeror and the Target	<table border="1"> <tr> <td>Capital Relationship</td> <td>Not applicable.</td> </tr> <tr> <td>Personal Relationship</td> <td>Not applicable.</td> </tr> </table>		Capital Relationship	Not applicable.	Personal Relationship	Not applicable.																
Capital Relationship	Not applicable.																						
Personal Relationship	Not applicable.																						

	Business Relationship	Not applicable.		
	Status as a Related Party	The Target Company is not a related party to the Company.		
(ix)	Business performance and financial status of the Target Company for the last 3 years			
	Accounting Period	Fiscal Year Ended March 2014	Fiscal Year Ended March 2015	Fiscal Year Ended March 2016
	Net assets	-1,987 million yen	-1,584 million yen	-1,092 million yen
	Gross assets	996 million yen	948 million yen	1,412 million yen
	Net assets per share	-8,501.39yen	-6,776.74 yen	-4,672.30 yen
	Sales revenue	1,655 million yen	1,214 million yen	1,458 million yen
	Operating Profit	369 million yen	384 million yen	439 million yen
	Ordinary Profit	302 million yen	328 million yen	390 million yen
	Net Profit	440 million yen	403 million yen	491 million yen
	Earnings per share	1,882.42 yen	1,724.64 yen	2,104.44 yen
	Dividends per share	- yen	- yen	- yen

(Note) The stock ownership ratio stated above is the same as was reported in the Annual Securities Report.

(2) Timeline, etc.

(i) Timeline

Determination Date of Implementation of the Tender Offer	July 14, 2016 (Thursday)
Date of the Public Notice of the Tender Offer	July 15, 2016 (Friday) Public disclosure will be made electronically, and a notice of such disclosure will be published in <i>the Nihon Keizai Shimbun</i> . EDINET (electronic disclosure for investors' network): (http://disclosure.edinet-fsa.go.jp/)
Filing of the Tender Offer Registration Statement	July 15, 2016 (Friday)

(ii) Tender Offer Period as of the time of filing the Registration Statement

From July 15, 2016 (Friday) through August 22, 2016 (Monday) (25 business days)

(iii) Possible extension of the Tender Offer Period based on the Target Company's request

If the Target Company submits an opinion report requesting an extension of the period of the Tender Offer (the "Tender Offer Period") pursuant to Article 27-10, Paragraph 3 of the Act, the Tender Offer Period shall be extended to 30 business days in Japan, until August 29, 2016 (Monday).

(3) Tender Offer Price

26,819 yen per share of common stock

(4) Basis for Calculation for Tender Offer Price

(i) Basis of Calculation

In determining the Tender Offer Price, the Company held consultations and negotiations with Iwakaze Capital based on the price offered by the Company (26,819 yen per share) in the bidding process conducted by

Iwakaze Capital. The price was based on the results of the due diligence such as examination of material such as the financial information disclosed by the Target Company and of the material regarding the business, the financial affairs and the legal affairs of the Target Company which has been submitted by Iwakaze Capital and the Target Company, and interviews with the management of the Target Company, and having examined the synergy effects which may be expected from the Target Company, and after conducting analysis of the business and financial conditions of the Target Company from various aspects and in a comprehensive manner. In addition, the Company, comprehensively taking into account the issue of whether the Target Company would support the Tender Offer, in early July of 2016, reached a final agreement that the Tender Offer Price would be 26,819 yen per share which is equivalent to the bidding price, and determined the Tender Offer Price on July 14, 2016. Since the Tender Offer Price determined by the Company is the price agreed upon consultations and negotiations with Iwakaze Capital after comprehensively taking into account the above various factors and also having gone through the bidding process, the Company did not obtain any valuation report from a third-party appraiser.

To note, the Tender Offer Price is 26,115 yen higher than the closing price (704 yen per share) on the day before the date the Target Company's shares were delisted (July 29, 2009) from the Mothers market.

(ii) Background of Calculation

Since late March of 2016, the Company has been conducting an initial-stage review based on the material provided by Iwakaze Capital and submitted the first bid document to Iwakaze Capital in early April of 2016. Furthermore, in order to examine the investment possibility in the Target Company more precisely, the Company conducted due diligence from mid-April to mid-May of 2016 such as examination of material such as the financial information disclosed by the Target Company and of the material regarding the business, the financial affairs and the legal affairs of the Target Company which has been submitted by Iwakaze Capital and the Target Company, and interviews with the management of the Target Company and has been proceeding with analyzing and review with regard to purchase of the Target Company Shares. The Company also reviewed the synergy effect that may be anticipated by the Target Company in view of the results of due diligence, and proceeded to analyze the value of the Target Company Shares. The Company proceeded to analyze the value of the Target Company Shares based on the results of due diligence and also the results of the examination of the synergy effects which may be expected from the Target Company. In mid-May of 2016, the Company resolved at its board of directors' meeting that the representative director and president of the Company be authorized to negotiate and agree with Iwakaze Capital on the bidding conditions within such framework as approved by such board of directors' meeting, and to determine the implementation of the Tender Offer in the case where such agreement was reached with Iwakaze Capital. Thereafter, the Company submitted to Iwakaze Capital, a final proposal indicating its desire to purchase the Target Company Shares together with the conditions of the Tender Offer including the bidding price (26,819 yen).

As a result, in early June of 2016, the Company was appointed as the preferred negotiator. Following this, the Company had been in discussions and consultations with Iwakaze Capital with regard to the details of the scheme of transaction and various conditions of the Tender Offer including the purchase price.

Based on the above circumstances, and on the bidding price (26,819 yen per share) quoted by the Company, the Company held consultations and negotiations with Iwakaze Capital, and comprehensively taking into account the issue of whether the Target Company would support the Tender Offer, in early July of 2016, reached a final agreement that the Tender Offer Price would be 26,819 yen per share which is equivalent to the bidding price, and determined the Tender Offer Price on July 14, 2016.

(iii) Relationship with Appraiser

Not applicable because the Tender Offeror did not obtain any valuation report from a third-party appraiser in deciding the purchase price in respect of the Tender Offer.

(5) Number of Shares to be Purchased in the Tender Offer

Number of shares to be purchased	Minimum number of shares to be purchased	Maximum number of shares to be purchased
232,662 shares	188,458 shares	–

(Note 1) If the total number of shares tendered does not reach the minimum number of shares to be purchased (i.e. 188,458 shares), the Company will not purchase any Tendered Shares. If shares, the number of which is the minimum number of shares to be purchased (i.e. 188,458 shares) or more are tendered, the Company will purchase all the Tendered Shares.

(Note 2) No maximum number to be purchased is set in the Tender Offer. The number of shares to be purchased indicated in the above is the numbers of shares obtained by deducting the number of Non-Tendered shares (2,250 shares) among the shares held by Mr. Shinichiro Ishikawa for which he consented that he would not tender in the Tender Offer from the sum of the total number of issued and outstanding shares (233,743 shares) of the Target Company as of March 31, 2016 as set forth in its Annual Securities Report and the number of Target Company Shares underlying 1,169 stock options of the Target Company as of March 31, 2016 (i.e. 1,169 shares) as set forth in its Annual Securities Report (According to the Target Company, all the stock options have been exercised by today. Such exercising of stock options has been also confirmed by a certificate of all registered matters of the Target Company.). To note, the number of treasury shares held by the Target Company as of March 31, 2016 as set forth in its Annual Securities Report is 0.

(6) Change in Ownership Percentage of Shares due to the Tender Offer

Number of Voting Rights Represented by Shares Owned by Tender Offeror prior to the Tender Offer	–	(Ownership Percentage of Shares prior to the Tender Offer: – %)
Number of Voting Rights Represented by Shares Owned by Specially Related Parties prior to the Tender Offer	4,599	(Ownership Percentage of Shares prior to the Tender Offer: 1.96%)
Number of Voting Rights Represented by Shares Owned by Tender Offeror following the Tender Offer	232,662	(Ownership Percentage of Shares following the Tender Offer: 99.04%)
Number of Voting Rights Represented by Shares Owned by Specially Related Parties following the Tender Offer	2,250	(Ownership Percentage of Shares following the Tender Offer: 0.96%)
Total Number of Voting Rights of Shareholders of the	233,743	

Target Company		
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(Note 1) The “Total Number of Voting Rights of Shareholders of the Target Company” represents the total number of voting rights of all shareholders as of March 31, 2016 as set forth in the Target Company’s Annual Securities Report. However, because all of the Target Company Shares are subject to purchase through this Tender Offer (excluding Non-Tendered Shares), in calculating “Ownership Percentage of Shares prior to the Tender Offer” and “Ownership Percentage of Shares following the Tender Offer,” the denominator used is 234,912 shares which is the sum of the total number of issued and outstanding shares (233,743 shares) of the Target Company as of March 31, 2016 as set forth in its Annual Securities Report and the number of Target Company Shares underlying 1,169 stock options of the Target Company as of March 31, 2016 (i.e. 1,169 shares) as set forth in its Annual Securities Report (According to the Target Company, all the stock options have been exercised by today. Such exercising of stock options has been also confirmed by a certificate of all registered matters of the Target Company.).

(Note 2) The “Ownership Percentage of Shares prior to the Tender Offer” and the “Ownership Percentage of Shares following the Tender Offer” are rounded to the nearest hundredth of a percent.

(7) Tender Offer Price JPY 6,239,762,178

(Note) The “Tender Offer Price” is an amount calculated by multiplying the number of shares to be purchased (232,662 shares) through the Tender Offer by the Tender Offer Price per share (26,819 yen).

(8) Method of Settlement

(i) Name and Location of Head Office of Security Companies and Banks, etc. in Charge of Settlement for the Tender Offer

Daiwa Securities Co., Ltd.
9-1, Marunouchi 1-Chome, Chiyoda-ku, Tokyo

(ii) Commencement Date of Settlement

September 28, 2016 (Wednesday)

(Note) The commencement date of settlement shall be October 5, 2016 (Wednesday) in the event that the Target Company submits an opinion report requesting an extension of the Tender Offer Period pursuant to Article 27-10, Paragraph 3 of the Act.

(iii) Method of Settlement

Promptly after the end of the Tender Offer Period, a notice of purchase under the Tender Offer will be mailed to the address or location of shareholders who consented to the offer for purchase of the shares subject to the Tender Offer or shareholders who tendered their shares (the “Tendering Shareholders”) (or the standing proxy in case of Foreign Shareholders).

Purchases will be made in cash. The Tender Offer Agent will, in accordance with the instructions of

Tendering Shareholders (or the standing proxy in case of Foreign Shareholders), remit (in which case the Tendering Shareholders may be requested to bear the bank fees) the purchase price promptly after the commencement date of settlement to the account designated by Tendering Shareholders (the standing proxy in case of Foreign Shareholders) or pay to the account of Tendering Shareholders with the Tender Offer Agent where the application of Tendering Shareholders was accepted.

The commencement of settlement is subject to completion of registration of transfer of shares in the shareholder register with respect to the shares purchased through the Tender Offer. Specifically, the Tender Offeror will assume the following procedures through the Tender Offer Agent as necessary: (i) immediately after the Tender Offer Period, fix the total number of Tendered Shares subject to purchase through the Tender Offer, and deliver to the Target Company's share transfer agent, Mitsubishi UFJ Trust and Banking Corporation ("Share Transfer Agent"), the "Request for Registration of Share Transfer" with respect to the shares subject to purchase through the Tender Offer which shall indicate the name and address of the shareholder indicated in the document entitled "Certificate of Balance of Shares Held" or "Notice of Balance of Shares Held" that certifies the number of shares held by that shareholder (These shall hereinafter be referred to as "Certificate of Number of Shares Held.") that are issued by the Share Transfer Agent, and which shall have impressed thereon the registered seal (if the seal is lost, then the individual's registered seal and in the case of corporate entities, the corporate seal, and also attaching thereto the seal certificate for such registered seal and corporate seal (the original certificate dated within 6 months from the date this was issued which certificate shall indicate the same address and name as indicated in the Target Company's shareholder register)) ("Other Tendering Documents"); (ii) after receipt of notice from the Share Transfer Agent that the registration of the relevant share transfer is completed, and after confirming the completion of registration of the share transfer in the shareholder registry with respect to the share purchased through the Tender Offer; (iii) shall commence the settlement on the date indicated in above "(ii) Commencement Date of Settlement" in respect of the Tendering Shareholders who completed the registration of share transfer. If the "Tender Offer Application Form," "Certificate of Number of Shares Held" and "Other Tendering Document" are incomplete and the Transfer Agent is unable to complete the registration of transfer by the date indicated in above (ii) "Commencement Date of Settlement," the shares tendered by the Tendering Shareholder will not be purchased and settlement will not be commenced with respect to the relevant Tendering Shareholder. Also, there may be a time lag from the time the rights in the shares purchased through the Tender Offer is transferred from the Tendering Shareholder to the Tender Offeror (the time when registration of transfer in above (ii) is completed) and the time from when the sales proceeds for those shares purchased through the Tender Offer is paid to the Tendering Shareholder. This time lag is due to time incurred for administrative procedures due to the Target Company not being listed and is not a share certificate issuing company.

(iv) Method of Returning Shares

If all of the shares tendered are not purchased under the conditions stated in "(i) Conditions set forth in each Item of Article 27-13, Paragraph 4 of the Act" and "(ii) Conditions of Withdrawal, etc. of the Tender Offer, Details thereof and Method of Disclosure of Withdrawal, etc." in below "(9) Other Conditions and Methods of the Tender Offer," the Certificate of Number of Shares Held that must be returned shall be issued to the Tendering Shareholder or mailed to the address or location of the Tendering Shareholder (or to the standing proxy in case of Foreign Shareholders) on the second business day from the last day of the Tender Offer Period without delay. As a note, the Target Company is not a share certificate issuing company and does not issue shares and thus there are no share certificates to be returned.

(9) Other conditions and Methods of the Tender Offer

(i) Conditions set forth in each Item of Article 27–13, Paragraph 4 of the Act

If the total number of shares tendered does not reach the minimum number of shares to be purchased (i.e. 188,458 shares), the Company will not purchase any Tendered Shares. If shares, the number of which is the minimum number of shares to be purchased (i.e. 188,458 shares) or more are tendered, the Company will purchase all the Tendered Shares.

(ii) Conditions of withdrawal, etc. of the Tender Offer, Details thereof and Method of Disclosure of Withdrawal, etc.

Upon the occurrence of any event listed in Article 14, Paragraph 1, Items 1.1 (*i*) through 1.8 (*chi*) and Items 1.12 (*wo*) through 1.18 (*so*), Items 3.1 (*i*) through 3.7 (*to*) and 3.10 (*nu*), as well as Article 14, Paragraph 2, Items 3 through 6 of the Financial Instruments and Exchange Act Enforcement Order (Cabinet Order No. 321 of 1965, as amended; the “Enforcement Order”), the Tender Offeror may withdraw the Tender Offer.

In this Tender Offer, the “facts equivalent to the facts listed in 3.1 (*i*) through 3.9 (*r*)” in Article 14, Paragraph 1, Item 3.10 (*nu*) mean the discovery of any false indication concerning important matters or omission of important matters that must be indicated in the statutory disclosure documents submitted by the Target Company in the past.

In the event that the Tender Offeror intends to withdraw the Tender Offer, the Tender Offeror will make a public notice electronically and also publish a notification in the *Nihon Keizai Shimbun*, provided, however, that if it is impracticable to give such notice by the last day of the Tender Offer Period, the Tender Offeror will make a public announcement in accordance with the method stipulated in Article 20 of the Cabinet Ordinance Concerning the Disclosure of Tender Offers for Shares, Etc., by Persons Other Than Issuers (Ministry of Finance Ordinance No. 38 of 1990, as amended) (the “TOB Order”) and make a public notice forthwith.

(iii) Conditions of Reduction of Purchase Price, etc., Details thereof and Method of Disclosure of Reduction

Pursuant to Article 27–6, Paragraph 1, Item 1 of the Act, if the Target Company takes any action stipulated in Article 13, Paragraph 1 of the Enforcement Order, the Tender Offeror may reduce the purchase price of the Tender Offer in accordance with the criteria under Article 19, Paragraph 1 of the TOB Order.

In the event that the Tender Offeror intends to reduce the purchase price of the Tender Offer, the Tender Offeror will make a public notice electronically and also publish a notification in *the Nihon Keizai Shimbun*, provided, however, that, if it is impracticable to give such public notice by the last day of the Tender Offer Period, the Tender Offeror will make a public announcement pursuant to Article 20 of the TOB Order and make a public notice forthwith. If the purchase price is reduced, the Tender Offeror will purchase tendered shares prior to the date of such public notice at the reduced purchase price.

(iv) Matters Concerning Tendering Shareholders’ Right of Cancellation of Contract

Tendering Shareholders may, at any time during the Tender Offer Period, cancel an application for the Tender Offer. In case of such cancellation, Tendering Shareholders must deliver or mail a written request to cancel the application for the Tender Offer (to cancel the receipt slip of the Tender Offer Application form and to terminate the Tender Offer Agreement; the “Written Request for Cancellation”) to the head office or any of the nationwide branches of the Tender Offer Agent, which accepted the application, by 16:00 on the last day of the Tender Offer Period. When mailing the Written Request for Cancellation, this must reach the Tender Offer Agent by 16:00 on the last day of the Tender Offer Period.

Tender Offeror will not claim for payment of damages or penalty to any Tendering Shareholders in the

event that the contract by Tendering Shareholders is canceled. The cost of returning the Certificate of Number of Shares Held will be also borne by the Tender Offeror. In case of cancellation, the Tender Offer Agent will promptly return the Certificate of Number of Shares Held by the method described in “(iv) Method of Returning Shares” in “(8) Method of Settlement” above following the completion of the cancellation procedures.

(v) Method of Disclosure if the Terms and Conditions, etc. of the Tender Offer are Changed

Except in the instance prohibited by Article 27-6, Paragraph 1 of the Act and Article 13 of the Enforcement Order, the Tender Offeror may change the terms and conditions, etc. of the Tender Offer during the Tender Offer Period. Should any terms and conditions, etc. of the Tender Offer be changed, the Tender Offeror will give public notice thereof electronically and also publish the notification in *the Nihon Keizai Shimbun*, provided, however, that, if it is impracticable to give such notice by the last day of the Tender Offer Period, the Tender Offeror will make a public announcement pursuant to Article 20 of the TOB Order and make a public notice forthwith. The purchase of the shares tendered on or prior to such public notice will also be made pursuant to the amended terms and conditions.

(vi) Method of Disclosure if Amendment to Registration Statement is Filed

If an amendment to the registration statement is submitted to the Director-General of the Kanto Local Finance Bureau except for cases set forth in the proviso to Article 27-8, Paragraph 11 of the Act, the Tender Offeror will forthwith make a public announcement of the contents thereof to the extent relevant to the contents of the public notice of the Tender Offer, pursuant to Article 20 of the TOB Order. The Tender Offeror will also forthwith amend the tender offer explanatory statement and provide the amended tender offer explanatory statement to Tendering Shareholders who have received the previous Tender Offer Explanatory Statement. However, if the amendments are minor, the Tender Offeror will amend tender offer explanatory statement by delivering to Tendering Shareholders a document stating the reason(s) for the amendments, the matters amended and the details thereof.

(vii) Method of Disclosure of Results of the Tender Offer

The Tender Offeror will make a public announcement regarding the results of the Tender Offer, pursuant to Article 9-4 of the Enforcement Order and Article 30-2 of the TOB Order, on the day following the last day of the Tender Offer Period.

(viii) Others

The Tender Offer shall not, directly or indirectly, be carried out in the United States or be directed toward the United States, or by the U.S. postal service, or any other means or instrumentality of interstate or international commerce (including but not limited to telephone, telexes, facsimile transmissions, electronic mail, and internet communications), or through securities exchange facilities in the United States. Applying for the Tender Offer by means of the above methods/means, or through the above facilities, or from the United States, shall not be permitted.

In addition, the Registration Statement for the Tender Offer and relevant documents shall not be mailed or distributed in, to, or from the United States via the postal service or any other means, and accordingly, such delivery or distribution shall not be permitted. Applications to the Tender Offer which violate the above restriction, directly or indirectly, shall not be accepted.

In the event of applying for the Tender Offer, the Tendering Shareholders (or the standing proxy in case of Foreign Shareholders) may be required to represent and warrant the following to the Tender Offer Agent:

The Tendering Shareholder is not located in the United States either at the time of the Tender or at the time of mailing the Tender Offer Application Form; Tendering Shareholder has not, directly or indirectly, received or sent any information (including a copy of the information) pertaining to the Tender Offer in, directed to, or from within the United States; In engaging in the Tender Offer or in executing the Tender Offer Application Form, Tendering Shareholder has not, directly or indirectly, used the U.S. postal service or any other means or instrumentality of interstate or international commerce (including but not limited to telephone, telexes, facsimile transmissions, electronic mail, and internet communications), or securities exchange facilities in the United States; Tendering Shareholder is not a person acting as an agent or a trustee/delegate, without discretion, of another person (except where such other person provides the relevant holder with all instructions pertaining to the Tender from outside the United States).

(10) Date of Public Notice of Commencement of the Tender Offer

July 15, 2016 (Friday)

(11) Tender Offer Agent

Daiwa Securities Co., Ltd.
9-1, Marunouchi 1-Chome, Chiyoda-ku, Tokyo

3. Policies after the Tender Offer and Future Prospects

With respect to policies after the Tender Offer, please refer to “(2) Purpose and Background of Decision to Conduct the Tender Offer and Management Policy after the Tender Offer” in above “1. Purpose of the Tender Offer.”

4. Other Information

(1) Agreements between the Tender Offeror and the Target Company or its Directors and Officers, and Contents Thereof

(i) Support of the Tender Offer

According to the Target Company, as a result of careful examination of the purchase price and other conditions in respect of the Tender Offer, the Target Company determined that the Tender Offer enhances the corporate value of the Target Company, and thus contributes to an increase in shareholder value, and resolved, at its board of directors’ meeting held on July 14, 2016, that the Target Company would issue an opinion in support of the Tender Offer. On the other hand, the Target Company decided not to obtain a valuation report from a third-party appraiser with regard to its shares, and resolved that it will reserve its opinion on the appropriateness of the Tender Offer Price of the Target Company, leaving it up to the judgment of its shareholders whether or not to tender in the Tender Offer, on the grounds that (i) the Tender Offer Price was determined after a bidding process and through the consultation and negotiation between the Tender Offeror and Iwakaze Capital, (ii) the Target Company was not involved in the process of determining the Tender Offer Price and (iii) the Tender Offeror intends to make the Target Company its consolidated subsidiary but not a wholly owned subsidiary company and therefore the Tender Offeror does not plan to conduct the so-called “two-step acquisition,” and also taking into account that (a) it is possible for the shareholders of the Target Company to maintain ownership of the Target Company Shares even after the Tender Offer and (b) accordingly

the Target Company can proceed to enhance and increase its corporate value with its shareholders.

For details on the above Target Company's board resolution, please see "(iii) Unanimous Approval by the Non-Interested Directors and No Objection from Corporate Auditors of the Target Company" in "(3) Measures to Ensure the Fairness of the Tender Offer including Those to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest" in above "1. Purpose of the Tender Offer."

(ii) Agreements between the Tender Offeror and the Target Company's Directors and Officers

In connection with the Tender Offer, the Company has concluded with Mr. Shinichiro Ishikawa, representative director and president of the Target Company, the MOU as of July 14, 2016 with the expectation that Mr. Ishikawa is even more motivated to participate in the operation of the Target Company in furtherance of the shareholder value of the Target Company after the Tender Offer. Under the MOU, among the Target Company Shares held by Mr. Ishikawa (i.e. 4,599 shares; Shareholding Ratio 1.96 %), Non-Tendered Shares (i.e. 2,250 shares; Shareholding Ratio 0.96%) will not be tendered to the Tender Offer. On the other hand, the Target Company has concluded with Mr. Shinichiro Ishikawa, the Management Delegation Agreement to delegate the management of the Target Company after the completion of the Tender Offer as of July 14, 2016. For details on the above memorandum and the Management Delegation Agreement, please see "(5) Matters Concerning Material Agreements Related to the Tender Offer" in above "1. Purpose of the Tender Offer."

(2) Other Information Deemed Necessary for Decision-Making by Investors Concerning the Tender of Their Shares

Not applicable.

END

Contact: Kaori Nakajima
Office of Corporate Communications
ASATSU-DK INC.
Tel: +81-3-6830-3855
E-mail: adkpr@adk.jp