



January 10, 2017

Shinichi Ueno
President and Group CEO
ASATSU-DK INC.
Securities code: 9747

Notification on disclosure of “Investigation Report” compiled by the special investigation panel regarding inadequate accounting applied by a consolidated subsidiary

The special investigation panel that was set up by Asatsu-DK, INC. (hereinafter referred to as “ADK”) on November 10, 2016, as explained in a news release on January 6, 2017 titled “Notification on receipt of an investigative report compiled by the special investigation panel regarding inadequate accounting applied in past fiscal years by a consolidated affiliate”, for the purpose of investigating inadequate account processing during the years before ADK’s acquisition of GONZO K.K. (hereinafter referred to as “GONZO”), which in fact became one of its consolidated subsidiaries on completion of such acquisition in September 2016. We herein inform you that today we received, as below, an “investigative report (for disclosure)” (the version with specific individual and client names under anonymity. It is hereinafter referred to as “Investigation Report”) from the panel.

1. Summary of the special investigation panel

(1) Background of the establishment of the special investigation panel

Upon completion of the acquisition of GONZO by ADK in September, 2016, ADK was pointed out by Ernst & Young ShinNihon LLC (hereinafter referred to as “ADK’s auditor”) during the process of account auditing, that there was a possibility of inadequate account practice (hereinafter referred to as “such doubt in question”) that GONZO had applied before it was acquired by ADK. To address such doubt in question, ADK decided to set up an investigation team that is consisted of outside experts with neutral and fair views, but without a vested interest in ADK and/or GONZO. Such team named “the special investigation panel” was established in November 10, 2016 and has proceeded strict and thorough investigation to identify fact situations in relation to such doubt in question and provide ADK and GONZO with advice on finding out the cause and taking preventive measures in case that there were any problems in account practice in relation to such fact situation.

(2) Members of the special investigation panel

Chairman Uzawa Ayumi, CPA (Representative of CPA Uzawa Accounting Firm)
 Member Teruhisa Ishii, Attorney-at-Law (City Yuwa Partners)
 Member Maki Kumagaya, Attorney-at-Law (Iwaida Partners)

2. Gist of the result of investigation compiled by the said panel

The gist of fact situation of such doubt in question, etc. included in the Investigation Report, attached to this news release, is described as below.;

(1) Result of investigation in relation to such doubt in question

The special investigation panel determines, as described in the part two of the Investigation Report, that any doubts in question are non-conformity with generally accepted accounting standards

(2) Other issues identified by the special investigation panel

The said panel identified, other than such doubt in question, the probable presence of fictitious sales posted using capital transaction and subsequent off-the-book debts.

3. Impact on ADK performance, etc.

(1) Matters already changed before Investigation Report was submitted

ADK reflected the investigation result compiled by the said panel, except marginal changes, in the earnings briefing for the third quarter of the year ending December 2016, released on November 7, 2016, and the semi-annual report for the same period, released on November 9, 2016. Consequently we mentioned in a news release on December 27, 2016 titled “Notification on inadequate accounting applied in past fiscal years by a consolidated affiliate” , that such event does not impact ADK performance.

What already reflected as goodwill-related matters in ADK consolidated financial statements as of the end of September, 2016

(Round-down to the million yen)

Item already corrected	Amount	[Reference] Investigation Report Content number
Anime production sales and unrealized profit	¥421 million	Part 2, 2.
Sales for Company e	¥142 million	Part 2, 3.
Basis of reporting sales in relation to pre-sale	N/A	Part 2, 4.
Other accounting issues: (Details)	¥376 million	Part 2, 5.
Sales for Company o	¥21 million	

Matters related to content copyright and content copyright suspense account	¥69 million	
Matters related to work-in-progress	¥274 million	
Companies with excessive debts	¥10 million	
Transaction with Company b	¥45 million	Part 3, 3.
Other	¥39 million	—
Total	¥1,025 million	

(2) Additional matters included in the Investigation Reports

As mentioned in 2. (2) above, the investigation conducted by the said panel found more issues other than such doubt in question including a possibility of fictitious sales posted and off-the-book debts which we had not recognized previously. As of the date when the report was compiled, the said panel limited its comment to the probable presence of inadequate account processing since it was unable to clarify fact situation of some transactions. We are now conducting examination necessary to confirm fact situation of the matters which we had been unable to recognize. We will inform you how it may impact on ADK performance and adequacy of tender offer price as early as the end of January 2017.

4. Further actions to take

The extraordinary shareholders' meeting of GONZO held on December 14, 2016 appointed one full-time and two part-time directors and one part-time auditor, who were selected from the lineup of ADK directors, in order to establish the appropriate internal system in GONZO, strengthening the monitoring function in finance, business management and corporate governance, and also ensuring the application of ADK Group accounting policy and unifying the internal audit standard. The said full-time director puts stronger emphasis on GONZO's financial and accounting matters including capital management.

ADK continues further investigation and examination, and we, together with GONZO, put concrete preventive measures under ADK's instruction and supervision.

Note: This is the translated version of "Investigation Report for disclosure". The original version was disclosed on January 10, 2017.

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