For the sake of improved understanding of the Company's financial performance for non-Japanese investors, this earnings release is prepared in a different format from the Japanese original TSE filing document released on August 8, 2019. In the event of any discrepancy between this English document and the Japanese original, the original shall always prevail.

August 8, 2019

OPT Holding, Inc. (TSE 2389)
Consolidated Financial Results for the Six Month Ended June 30**, 2019 (J-GAAP, Unaudited)**

Tokyo, August 8, 2019, OPT Holding, Inc. ("the Company") announced today its consolidated financial results for the three month ended on June 30, 2019. (From April 1 to June 30, 2019, "2019 Q2")

(Amount are rounded down to the nearest million yen)

Consolidated Operating Results for 2019 Q2

(in million yen, unless otherwise stated)	Three month ended on June 30			Six month ended on June 30		
	2019	2018	YoY(%)	2019	2018	YoY(%)
Revenue	20,141	20,982	(4.0)%	41,696	43,755	(4.7)%
Operating Income or loss	(528)	81	-*3	(121)	1,089	-*3
Ordinary Income	(456)	(31)	-*3	(14)	842	-*3
EBIT*1	(724)	1,127	-*3	(281)	2,020	-*3
EBITDA*2	(247)	1,395	-*3	438	2,660	(83.5)%
Net income(loss) attributable to owners of parent	(596)	663	-*3	(353)	1,179	-*3
Earnings per share- diluted (yen)	-	29.07	-*3	-	51.86	-*3
Earnings per share- basic (yen)	(26.06)	29.35	-*3	(15.46)	52.14	-*3

Note:
1. EBIT= Net income (loss)before taxes and other adjustment＋interest paid－interest received
2. EBITDA = EBIT + other financial related gains (losses)+ depreciation + amortization of intangible assets + amortization of long-term prepaid expenses + Non-cash gain(loss)
3. Figures were omitted due to relevant amounts in reporting or the previous period are negative.

Consolidated Balance Sheet Data

(in million yen, unless otherwise stated)	As of June 30, 2019	As of December 31, 2018
Total assets*3	59,888	56,551
Net assets	31,606	27,133
Equity attributable to owners of parent*3	27,468	23,476
Ratio of equity attributable to owners of parent (%)	45.9%	41.5%
Assets under management (AUM) *4	27,004	21,218

Note:
4. Partial amendments to Accounting Standards for Tax Effect Accounting (ASBJ statement No.28, February 16, 2018) were applied from the beginning of first quarter in 2019, and total assets and ratio of equity attributable to owners of parent as of December 31, 2018 which were revised retrospectively.
5. AUM: Aggregate amount of (1) book value of subsidiaries' and affiliates' stocks and (2) fair market value (FMV*6) of operational investment securities and invested securities.
6. FMV (Fair market value): an estimated market value of a property or a liability, based on third-party transaction between a knowledgeable and willing buyer and a knowledgeable and willing seller

The AUM calculation is prepared with guidance and advice by KPMG Azsa.

Appropriate use of earnings forecast and forward looking statement

Although forward-looking statements contained in this document are based upon what management of the Company believes are reasonable assumptions, there can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. The Company undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change except as required by applicable securities laws. The reader is cautioned not to place undue reliance on forward-looking statements.

The information contained in this material is carefully scrutinized before presentation as it is intended to facilitate your understanding of the Company's business, management policies and plans, financial position, etc. However, we do not guarantee its accuracy, completeness, effectiveness, or security. None of the information herein is prepared to solicitate investment. The final decision on investing should be made by you, under your own responsibility. We will not be responsible or liable for any consequences resulting from investments made by you in reference to, or by use of, the information.

Any information herein other than past or present facts represents our future outlook developed based on the input currently available, and includes various risks and uncertainties. Thus, please note that actual business results released at a later date may differ due to such factors

Please see page 9, of this document for appropriate use and note on assumptions for earnings forecast. .

3. Dividends

	2019	2018	2019 Forecast
End of Q1 (yen)	-	-	
End of Q2 (yen)		0.00	-
End of Q3 (yen)		-	-
End of Q4 (yen)		19.00	-
Total		19.00	

The Company sets a consolidated payout ratio target of 20% of profit attributable to owners of parent before amortization of goodwill from the year ended December 31, 2017. The Company does not make a forecast for annual dividend for the year ending December 2019.

4. Forecast for the year ending December 31, 2019

(in million yen)	2019	YoY(%)
Marketing Business		
Revenue	86.500	7.3%
EBIT	2.900	(24.0)%
EBITDA	3.450	(27.8)%
Synergy Investment Business		
AUM (Range)	15~20%	
Internal Rate of Return; IRR (Range)	15~20%	
Corporate Function cost		
Selling, general & administration cost	2,300	

Note: Revision from the previous earnings forecast: Revised
EBIT and EBITDA forecasts of Marketing Business are before Corporate Function cost allocation
For the details of IRR calculation: See page 9 of footnote for Management Discussions and Analysis.

For more information: URL: https://www.optholding.co.jp/en/ir/

Coming Schedule for IR events and documents
Quarterly financial report (in Japanese): August 8, 2019
Effective Date of dividend payment: -

Additional materials and events 2019 Q2 results
Supplementary document for the results meeting: Available
Earnings conference for analysts and institutional investors: Held on August 8, 2019
Video streaming of results meeting: Available immediately after earnings conference in Japan

Changes in important subsidiaries for the reporting period
There was no material change in specific subsidiaries accompanying a change in scope of consolidation

Changes in accounting policies and changes in accounting estimates
(1) Changes in accounting policies required by amendments to accounting standards, etc.: None
(2) Other accounting policies except for item (1): None
(3) Accounting estimates: None
(4) Retrospective restatements: None

Number of shares issued –Common stock

	2019 Q2	2018
Number of shares issued including treasury shares	23,817,700	23,817,700
Number of treasury shares	917,705	917,705

	2019 Q2	2018 Q2
Average number of shares during the period	22,899,995	22,617,573

Change in monetary unit on financial statements

From the beginning of this reporting period, the unit amount shown on quarterly financial statements and other items has been changed to JPY million from JPY thousand.

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1. Management Discussion and Analysis

(1) Results of Operations

OPT group (hereinafter “the Group”) set the management policy to maximize corporate value and cash flows by leading any and all corporate "digital shift" in response to the rapidly advancing digital industrial revolution, based on the mission of "support, innovate, and create digital industrial revolution.”

In addition to internet ad agency business, which is our current pillar, we, as a Digital Shift (DS) company, are developing our strategy in the following three dimensions (so called “3DS (Digital Shift) strategy”). The first is "Support DS for clients.” The Group will serve for corporate clients to provide broader range of marketing solutions from 1P (“Promotion”, which we currently provide) to 7Ps (Promotion, Price, Product, Place, Personnel, Process and Physical Evidence). By providing 7Ps, the Group will extend the coverage of services and products. The second is “Innovate DS with clients”. The Group aims to take a role to accelerate corporate digital shift and to innovate through the alliance with client companies or establishing JVs with them. The third is "Create DS by Ourselves", which aims to create digital services from zero to one which is free from conventional business formats and ways of operating. Through these three dimensions, the Group aims to realize our business model diversification.

Also, in our core management policy, maintaining strong financial foundation is essential to increase our corporate value, at the same time, we will proactively utilize management resources, especially cash. We set at least 10% IRR (internal rate of return) as our targeted return from the investments, however, we are aiming to maximize shareholders’ return by accelerating mid-to-long term EPS growth through following measures. We plan to implement around JPY 20 billion investment on existing businesses related to digital shift and, different from this investment, M&A for digital shift creation for the next three years or so.

The results of operation for the three month ended on June 30, 2019 (hereinafter 2019 Q2) were as follows.

(in million yen unless otherwise stated)	2019 Q2	Year-on-year change (%)	
	Actual	Adjusted*6	Actual
Revenue	20,141	(1.4)%	(4.0)%
Gross profit	3,484	(13.8)%	(16.3)%
Operating income or loss	(528)	-*7	-*7
Ordinary income	(456)	-*7	-*7
Extraordinary profit	(271)	-*7	-*7
EBIT (Non-GAAP) *1	(724)	-*7	-*7
EBITDA (Non-GAAP) *2	(247)	-*7	-*7
Net income (loss)attributable to owners of parent	(596)	-*7	-*7
ROE*3 (Last twelve month; LTM, %)	1.54%	-	(5.80)pts
Free cash flow*4(Non-GAAP)	(472)	-*7	-*7
Earnings per share- diluted (yen)	-*5	-	-
Earnings per share- basic (yen)	(26.06)	-*7	-*7

Note:
1. EBIT= Net income (loss)before taxes and other adjustment＋interest paid－interest received
2. EBITDA = EBIT + other financial related gains (losses)+ depreciation + amortization of intangible assets + amortization of long-term prepaid expenses + Non-cash gain(loss)
3. Return on equity (ROE): Net income attributable to owners of parent in last twelve months/average amount of equity as of the end of reporting quarter and the same quarter in previous year
4. Free cash flow (FCF)=Operating cash flow+ investing cash flow ±one-off cash flow items
5. Earnings per share-diluted for 2Q of the fiscal year ended December 31, 2019 is not presented as the earnings per share for the quarter was a net loss although dilutive potential common shares exist
6. Figures are compared to excluding the impact of the business transfer implemented during 2018 Q3. Approx. 2.7% of quarterly consolidated sales for 2018 Q2 was by video streaming business, operated by relaid Inc., (formally Skill-up Video Technology, Inc.,).
7. Figures were omitted due to relevant amounts in reporting or the previous period are negative

Results by reporting segment is as follows.

The Group analyses and reports financial results for two reporting segments, Marketing Business and Synergy Investment Business and Corporate Function costs. Earnings of Marketing Business and Synergy Investment Business are shown before Corporate Function cost allocation.

Marketing Business

Marketing Business consists of two sub-segments: Large Corporation, which includes OPT, Inc. and seven other consolidated subsidiaries providing online advertising, digital marketing, and related services to enterprise clients. And Local SMEs, which includes Soldout, Inc., and five other subsidiaries providing a variety of digital marketing solutions in regional areas.

The table below shows 2019 Q2 results of Marketing Business.

(in million yen unless otherwise stated)	2019 Q2	Year-on-year change (%)	
	Actual	Adjusted*1	Actual
Revenue	19,269	(0.2)%	(3.0)%
Gross profit	3,141	(6.3)%	(9.6)%
Operating profit	303	(57.1)%	(53.6)%
Ordinary profit	301	-*2	-*2
Extraordinary profit	(62)	-*2	-*2
EBIT(Non-GAAP)	238	(66.6)%	(63.9)%
EBITDA(Non-GAAP)	396	(53.9)%	(55.9)%

Note:
1. To provide a more accurate comparative analysis of earnings, changes are shown adjusted to exclude the impact of any businesses not included in the current quarter's earnings due to such as business sell-off during the previous year. The reporting period excludes earnings from video streaming business of relaido, Inc. in Large Corporation sub-segment (the business was transferred after company-split in 2018 Q3. Recorded JPY 561 million of revenue in 2018 Q2).
2. Figures were omitted due to relevant amounts in reporting or the previous period are negative.

Demand for Internet ad in Japan has continued to grow by replacing traditional media such as TV and flyers. In addition, associated with diversification of Internet media, demands for digital marketing and digital shift by corporate clients have been further increased. On the other hand, same as in 1Q 2019, the trends which is reduction of advertising budget and shifting to in-house in part of existing clients have been continued.

In this market environment, the Group has made efforts for not only continuing existing marketing business but also proposal sales heading to digital shift support for corporate clients, development solution and our own products, in addition to acquiring new clients.

In the Q2 consolidated accounting period, the Marketing Business recognized revenue of JPY 19,269 million (down 3.0% YoY), gross profit of JPY 3,141 million (down 9.6% YoY), operating profit of JPY 303 million (down 53.6% YoY), ordinary profit of JPY 301 million (ordinary loss of JPY 74 million in 2018 Q2), extraordinary loss of 62 million (JPY 2 million in 2018 Q2) , EBIT of JPY 238 million (down 63.9% YoY), and EBITDA of JPY 396 million (down 55.9% YoY).

The key changes excluding the impact of businesses transfer in the previous Q2 consolidated accounting period were: sales decreased by 0.2%, gross profit decreased by 6.3%, operating income decreased by 57.1%, EBIT decreased by 66.6%, and EBITDA decreased by 53.9%. (Ordinary income and extraordinary profit were omitted due to the amounts in previous period are negative.)

Although the Group has focused on new large project orders primarily from national clients, the Company has made a downward adjustment in the earnings forecast of the Marketing Business segment for the fiscal year ended December 31, 2019. The adjustments in the forecast are due to a decrease in advertising budget of certain existing clients in the Large Corporations sub-segment for the Q2 consolidated accounting period along with and a decrease in gross profit margin of certain clients as a result of an intense competitive environment for new projects which surpassed initial forecasts.

After excluding results of relaido Inc.'s video streaming business from 2018 Q2, the reasons for the changes in the key items were as follows.

(1) In the Large Corporation sub-segment, the Group will continue to focus on acquiring new projects from national clients, and will recognize large scale orders acquired through competition in the upcoming Q3. However, the trend of reduction advertising budgets by a part of large clients started from Q1 has carried over into Q2, resulting in revenue of JPY 14,573 million (down 5.8% YoY). In the Local/SMEs sub-segment, the revenue was JPY 4,836 million, increased by 20.3%, due to acquisition of new clients and an increase in advertising costs, driven by the business expansion of existing clients. As a result, the revenue of the Marketing Business was JPY 19,269 million (down 0.2% YoY).

(2) With respect to operating income, although the Company is attempting to reduce the SG&A expenses in the first half of 2019, continuous investments of personnel recruiting / training has led to an increase in SG&A expenses for both the Large Corporations and the Local/SMEs sub-segments in anticipation of extended future business growth from the previous quarter. In the Large Corporations sub-segment, operating income was JPY 180 million (down 68.2% YoY), due to a decline in the gross profit accompanied by a decline in revenue, and poor performance of sales incentive from media in addition to the decrease in gross profit margin of certain new projects. In the Local SME sub-segment, operating income was JPY 123 million (down 12.9% YoY), due to a decline in sale incentive from certain media, despite of increased revenue. As a result, operating income in the Marketing Business was JPY 303 million (down 57.1% YoY).

(3) EBIT for the entire Marketing Business decreased to JPY 238 million (down 66.0% YoY). In the Large Corporation sub-

segment, EBIT was JPY 119 million (down 76.8% YoY) due to an increase in extraordinary loss from impairment of software resulted from the reorganization of Brainy Inc., a consolidated subsidiary. In the Local SMEs segment, EBIT was JPY126 million (down 13.4% YoY) due to a decrease in operating profit.

(4) EBITDA for the entire Marketing Business decreased to JPY 396 million(down 53.9% YoY).In the Large Corporations sub-segment, EBITDA was JPY 250 million(down 63.6% YoY) due to a decrease in EBIT despite the reversal of extraordinary loss such as amortization of software and impairment loss. In the Local SME's segment, EBITDA was JPY145 million (down 14.5% YoY) due to a decrease in EBIT.

As a result, in the Q2 cumulative consolidated accounting period of the Marketing Business, revenue was JPY 39,567 million (down 3.8% YoY), gross profit was JPY 6,706 million (down 8.6% YoY), operating profit was JPY 1,159 million (down 44.0% YoY), ordinary profit was JPY 1,170 million (down 12.6% YoY), extraordinary loss of 71 million (extraordinary loss of JPY 2 in 2018 Q2) EBIT was JPY 1,097 million (down 47.1% YoY), EBITDA was JPY 1,366 million (down 47.1% YoY).

After adjustment of the streaming business results of relaido Inc. in the previous year, revenue in 2019 Q2 was 1.1% lower YoY, gross profit was 5.5% lower YoY, operating profit was 45.9% lower YoY, ordinary income was 17.2% lower YoY, EBIT was 48.9% lower YoY, and EBITDA was 44.6% lower YoY. (Extraordinary profit were omitted due to the amounts in reporting and previous period are negative.)

The major activities in Marketing Business for this fiscal year were as follows.

- Actions for acquiring large-scale new clients such as manufacturers and retail distributors were taken principally through OPT, Inc.

  OPT, Inc.'s activity highlights:

  - Began offering creative production packages optimized for TikTok's unique outlook, in order to promote sales of TikTok's advertising services. Strengthened marketing support services for wide range of generation especially for young people.
  - Certified as a "five-star agent of Criteo Certified Partners", the highest rank in Japan, for four consecutive periods (certified in half a year).
  - Launched new marketing support program utilizing CDP for promoting digital shift for real store operators. CDP (Customer Data Platform) is a platform to collect, accumulate, and integrate individual user's profile and behavioral data without specific private information. Every user touching point data will be integrated into single user ID and it leads better services by sales personnel and promotion activities. OPT is the first agent among Japanese agencies to register " US CDP association" and aims to be a leading company in this field by actively holding events and seminars and introducing cases of CDP usage inside and outside of Japan.
  - Started to provide a newly developed analytic tool. It is an analytic tool for consumer insights; by constructing unique database with 37 profiles, 63 items, and log data which were obtained from a survey about purchase information and personal values toward more than 10,000 panels. With this tool, OPT will support more efficient marketing activities by providing concrete image of target users.
  - Awarded Gold in Technology Partner and Sales Partner in LINE Account Connect division and also awarded Silver in Sales Partner of LINE Ad Platform division in LINE Biz-Solutions Partner Program Award 2019 1st half, which certify their partners for their corporate service division. .

- Implemented sales activities and new client acquisition at 21 sites in Japan, by SoldOut Inc., (hereinafter, "SoldOut", securities code: 6553).and other subsidiaries in Local/SMEs segment.

  SoldOut's activity highlights:

  - Switched to the TSE First Section on March 22 2019.
  - Awarded the LINE Ads Platform Bronze Sales Partner Award in the LINE Biz-Solutions Partner Program 2019 1st half awards.
  - TechLoCo, Inc., a consolidated subsidiary of SoldOut released "lycle GMB (Google My Business, "GMB")," a tool to enter and control registration, updates, and improve efficiency on GMB from the LINE Talk Screen. The strength of this service is seamless controllability realized by joint development with LINE Corporation and Google. This service support store operators' marketing activities such as promoting recognition and customer attraction through widely spreading their attractive information with accuracy and easy-to-use operating system.

Synergy Investment Business

The Synergy Investment Business consists of the Business Development and Financial Investments sub-segments. The Business Development consists of SIGNATE, Inc.,("SIGNATE") which is involved mainly in AI business, and of the China cross-border business, while the Financial Investments consists of OPT Ventures # 1 and # 2 funds and investment businesses managed by OPT America, etc.,. It also includes the Overseas Marketing Business.

The table below shows 2019 Q2 results and KPIs of Synergy Investment Business. There is no item to be adjusted in the same period of previous year.

(in million yen unless otherwise stated)	2019 Q2	Year-on-year change (%)
Revenue	877	(23.8)%
Gross profit	368	(47.3)%
Operating income	(276)	-*2
Ordinary income	(48)	-*2
Extraordinary profit	(332)	-*2
EBIT(Non-GAAP)	(382)	-*2
EBITDA (Non-GA	(140)	-*2
AUM*1	27,004	(10.1)%
IRR*1	13.0%	(2.7)pts

Note:
1. AUM and IRR compare the recent previous quarter (2019 Q1). The details for calculation are disclosed in footnote on page 9.
2. Figures were omitted due to relevant amounts in reporting or the previous period are negative.

In 2019 Q2, the Synergy Investment Business recognized revenue of JPY 877 million (down 23.8% YoY), gross profit of JPY 368 million (down 47.3% YoY), operating loss of JPY 276 million (JPY 118 million in 2018 Q2), ordinary loss of JPY 48 million (JPY 350 million in 2018 Q2), extraordinary loss of 332 million (extraordinary profit of JPY 1,270 million in 2018 Q2), EBIT of JPY (382) million (JPY 941 million in 2018 Q2), and EBITDA of JPY (140) million (JPY 944 million in 2018 Q2).

The reasons for the difference from the second quarter of FY2018 are as follows.

(1) Revenue of Synergy Investment Business decreased by 23.8% year on year to JPY 877 million due to the impact from the deconsolidation of Writeup Co., Ltd. (hereinafter referred to as "Writeup") and the sale and liquidations of overseas subsidiaries (JPY355 million decreased YoY).
(2) Gross profit, same as revenue, decreased by 47.3% year on year to JPY 368 million mainly due to the impact from deconsolidation of Writeup (JPY 218 million decreased YoY).
(3) Operating loss was JPY (276) million (JPY 158 million decrease from JPY (118) million YoY).
(4) Although ordinary loss was negatively impacted by an operating loss, ordinary loss was JPY (48) million (JPY 301 million increase from JPY (350) million YoY), as the US investment fund income improved from a loss of JPY 191 million in the previous year to income of JPY 121 million in in financial investment sub-segment.
(5) Extraordinary loss was JPY (332) million (JPY 1,603 million decrease YoY), due to a gain of JPY 1,270 million recognized from the sale of Writeup Inc. shares in the previous year, an impairment loss of JPY 41 million in domestic affiliates, and an impairment loss of JPY 281 million in overseas investments.
(6) EBITDA increased JPY 241 million compared with EBIT due to reversal of the impairment loss of the investment of China business, but it was JPY (140) million decreased JPY1,085 million from JPY 944 million year on year due to extraordinary gain from transfer of Writeup's share in 2018 Q2.

As a result, in the cumulative consolidated Q2 of the Synergy Investment, revenue was JPY 2,138 million (decreased by 20.8% YoY), gross profit was JPY 985 million (decreased by 33.1% YoY), operating loss was JPY 190 million (operating loss of JPY 81 million YoY), ordinary profit of JPY 61 million (ordinary loss of JPY 398 million YoY), extraordinary loss of 326 million (extraordinary profit of JPY 1,270 million YoY) , EBIT was JPY (267) million (JPY 901 million YoY), and EBITDA was JPY 16 million (decreased by 98.3% YoY).

The major activities in Synergy Investment Business for this fiscal year were as follows.

- In financial investment sub-segment, OPT Ventures # 2 Investment Partnership LLC completed the first close and invested on Sider Inc., a provider of an AI tool for code review, on Zainar, Inc., a US company involved in developing and selling the system of identifying and synchronizing real-time location using wireless technology and on Crassone. co., Ltd. operating a matching platform for housebreakers.
- Transfer of all the shares of Writeup, an existing investee.

- In business development sub-segment, SIGNATE, Inc. solves companies' AI development using open innovation, with a membership base consisting of office workers and students possessing AI developmental skills. Participation of these members will expand the scope of the explanatory analysis, which has a significant influence on the accuracy of AI models, and will make the procurement of advanced AI possible. The number of registrants has increased, exceeding 20,000 users within a year from inception.
- SIGNATE released "Aldebaran," a platform for supporting to manage, operate, and re-learn of AIs and machine learning models support manage. Corporate users become able to use AI and machine learning model from the API without preparing compiling environment for them with initial setting supervised by SIGNATE's data scientists. SIGNATE will provide one-stop service from "development" of AIs and machine learning models, which SIGNATE have been providing, to "management, operation, and re-learning" of the developed programs.
- Digital Shift Academy (DSA) has been established to support customers in development of digital human resources. DSA supports digital shift of clients by developing human resources which can formulate and propose digital shift businesses and strategies through lectures, workshops, and technological tours to China.
- In China business, the Company established OPT China, Inc. by incorporation-type of company split to take over the China businesses operated by OPT Holding, in order to expand its earnings and to realize efficient group management (effective from 1 April 2019) . OPT China has changed its business model from conventional cross-border e-Commerce where sales contact is limited to special EC site to general trading model. In addition, OPT China is aiming to expand its business by changing its main vendors to Japanese SMEs with exclusive selling rights in China granted to OPT China, and by creating a structure to develop best-selling products with the manufacturers.

The Company discloses AUM (Assets Under Management) and IRR (Internal Rate of Return) to enhance the transparency of investment returns. At the end of the Q2 consolidated accounting period, AUM was JPY 27,004 million (down 10.1% compared to 2019 Q1), due to the decrease in market value of Raksul Inc., and impairment losses incurred from overseas investments. IRR after tax at the end of June 2019 was 13.0 %, and decreased by 2.7 point at the end of the 1Q consolidated accounting period in relation to the decline in market value of SoldOut Inc.. (Please see footnotes on page 10 for detailed calculation method applied to AUM and IRR)

Corporate Function cost.

The table below shows 2019 Q2 results of Corporate Function cost.

(in million yen unless otherwise stated)	2019 Q2	Difference from 2018 Q2*
Selling and administrative expense	(538)	(77)
Operating income or loss	(538)	(77)
EBIT(Non-GAAP)	(572)	(92)
EBITDA(Non-GAAP)	(483)	(32)

Note: Negative amount means increase of expense on this table.

The Corporate Functions acknowledges recruiting and development of human resources as an important management agenda to realize the medium-term management plan. Moreover, in September 2018, as a result of introducing a restricted stock compensation plan as an incentive to improve its corporate value, SG&A costs in the Corporate Function for 2019 Q2 was JPY (538) million, (JPY (460) million in 2018 Q2), and EBITDA was JPY (483) million (JPY (450) million in 2018 Q2).

As a result, in the Q2 of cumulative consolidated period of the Corporate Function, SG&A expenses were JPY (1,077) million (JPY (908) million in 2018 Q2), EBITDA was JPY (924) million (JPY (910) million in 2018 Q2).

Consolidated Results of Operations for 2019 Q2

Based on the segment results above, in 2019 Q2, revenue was JPY 20,141 million (down 4.0% YoY), gross profit was JPY 3,484 million (down 16.3% YoY), operating loss was JPY 528 million (operating profit of JPY 81 million in 2018 Q2), ordinary loss was JPY 456 million (JPY 31 million in 2018 Q2), extraordinary loss was JPY 271 million (extraordinary profit of JPY 1,152 million in 2018 Q2), EBIT was JPY (724) million (JPY 1,127 million in 2018 Q2), and EBITDA was JPY (247) million (JPY 1,395 million in 2018 Q2), and net loss attributable to owners of the parent was JPY 596 million (net profit of JPY 663 million in 2018 Q2).

In case of removing the streaming business results of relaido Inc. of the previous second quarter, the revenue was 1.4% lower and gross profit was 13.8% lower year on year. (Comparative of the same period of operating profit, ordinary profit, extraordinary profit, EBIT and net profit attributable to owners of the parent were omitted because of the relevant amounts in the current reporting period are negative.)

As a result, revenue in the second cumulative quarter was JPY 41,696 million (down 4.7% YoY), gross profit was JPY 7,662 million (down 12.9% YoY), operating loss was JPY 121 million (operating profit of JPY 1,089 million in 2018 Q2), ordinary loss was JPY 14 million (ordinary profit of JPY 842 million in 2018 Q2), extraordinary loss was JPY 275 million (extraordinary profit of JPY 1,164 million in 2018 Q2), EBIT was JPY (281) million (JPY 2,020 million in 2018 Q2), EBITDA was JPY 438 million (down 83.5% YoY), and net loss attributable to parent company shareholders was JPY 353 million (net profit of JPY 1,179 million in 2018 Q2).

In case of removing the streaming business results of relaido Inc. of the previous second quarter, the revenue was 2.2% lower YoY, gross profit was 10.4% lower YoY and EBITDA was 82.8% lower year on year. (Comparative of the same period of operating profit, ordinary profit, extraordinary profit, EBIT and net profit attributable to owners of the parent were omitted because of the relevant amounts in the current reporting period are negative.)

(2) Overview of the Financial Position

Partial amendments to Accounting Standards for Tax Effect Accounting (ASBJ statement No.28, February 16, 2018) were applied from the beginning of the 1Q consolidated accounting period and the financial position was comparative with retroactive restatement of the previous consolidated accounting year end.

(Assets)

Total assets at the end of the 2Q consolidated accounting period year were JPY 59,888 million, an increase of JPY 3,336 million from the end of the previous fiscal year.

Current assets were JPY 53,692 million, an increase of JPY 3,601 million from the end of the previous consolidated fiscal year. This is mainly due to the increase of JPY 7,233 million in operating investment securities, but the decrease in notes and accounts receivables trade of JPY 1,960 million, and decrease in cash and deposits of JPY 1,552 million.

Non-current assets were JPY 6,195 million, a decrease of JPY 265 million from the end of the previous consolidated fiscal year. This is mainly due to the increase of JPY 98 million in intangible non-current assets but the decrease of JPY 171 million in other non-current assets including deferred tax, a decrease of JPY 147 million in shares of subsidiaries, and a decrease of JPY 132 million in investment securities.

(Liabilities)

Total liabilities at the end of the period were JPY 28,281 million, a decrease of JPY 1,136 million from the end of the previous year.

Current liabilities were JPY 15,841 million, a decrease of JPY 2,737 million from the end of the previous year. This is due to a decrease of JPY 1,059 million in other current liabilities including consumption taxes payable, a decrease of JPY 1,063 million in notes and accounts payable-trade, a decrease of JPY 361 million in income taxes payable, and a decrease of JPY 252 million in provision for bonuses.

Non-current liabilities were JPY 12,440 million, an increase of JPY 1,600 million from the end of the previous year. This is mainly due to an increase of JPY 2,236 million in deferred tax liabilities resulting from the market valuation of operating investment securities, offset by a decrease of JPY 650 million in long-term loans payable.

(Net Assets)

Total net assets at the end of period under review increased by JPY 4,472 million from the end of the previous year to JPY 31,606 million. This is mainly due to an increase of JPY 4,963 million from valuation difference on available-for-sale securities, and an increase of JPY 481 million in non-controlling interests, offset by a decrease of JPY 788 million in retained earnings due to dividends declared and a quarterly net loss attributable to owners of parent, as well as a decrease of JPY 127 million in foreign currency translation adjustment.

(3) Consolidated Cash Flow

Cash and cash equivalents (hereinafter referred to as “Cash”) were JPY 18,047 million at the end of the 2Q consolidated accounting period, a decrease of JPY 1,551 million from the end of the previous fiscal year due to cash outflows from operating and investing activities. The following is the status of cash flows and major factors of each activity.

Cash flows from operating activities
Cash from operating activities decreased by JPY 537 million (JPY 1,341 million increase YoY). The increase in cash is mainly due to the decrease in notes and accounts receivable-trade by JPY 1,831 million, offset by a decrease in notes and accounts payables-trade by JPY 1,028 million, a decrease from payment of income taxes by JPY 933 million, and a quarterly net loss before taxes and other adjustments of JPY 289 million.

Cash flows from investing activities
Cash from investing activities decreased by JPY 440 million (JPY 739 million increase YoY). This decrease in cash flows was mainly due to the purchase of intangible assets of JPY 376 million.

Cash flows from financial activities
Cash from financial activities decreased by JPY 497 million (JPY 827 million decrease YoY). This decrease in cash flows was mainly due to the increase of JPY 643 million from non-controlling shareholders, offset by the decrease of JPY 650 million due to repayment of long-term loans and decrease of JPY 434 million from payments of cash dividend.

(4) Earnings Forecast for Year ending December 31, 2019

With respect to the earnings forecasts of the Marketing Business for the full fiscal year ended December 31, 2019, revenue and profit items during 2019 Q2 same as 2019 Q1, were lower on YoY basis. For 2019 Q3 and thereafter, although acquisition of brand advertisers and new large clients in the retail sector by entering the competition is expected, profitability of large projects is lower than existing projects due to intensifying competitive environment. Thus, the full fiscal year earnings forecasts released on February 8, 2019 is revised as follows.

Full year of earnings forecasts for FY2019 *(in million yen unless otherwise stated)*

	Revenue	EBIT	EBITDA
Original forecasts (A)	93,500	5,000	5,550
Revised forecasts (B)	86,500	2,950	3,450
Difference from original forecast (B-A)	(7,000)	(2,050)	(2,100)
Change (%)	(7.5)%	(41.0)%	(37.8)%
Reference: FY2018 (C) *	80,579	3,814	4,780
Difference YoY (B-C)	5,921	(864)	(1,330)
Change (%)	7.3%	(22.7)%	(27.8)%

Note: Figures exclude the performance from video streaming business of relaido, Inc.(formally Skill-up Video Technology, Inc.) because the business was transferred in FY2018 Q3

2nd half of earnings forecast for FY2019 *(in million yen unless otherwise stated)*

	Revenue	EBIT	EBITDA
Original forecasts (A)	46,933	1,853	2,084
Reference: FY2018 (B) *	40,581	1,664	2,311
Difference YoY (B-C)	6,352	189	(227)
Change (%)	15.7%	11.3%	(9.8)%

Note: Figures exclude the performance from video streaming business of relaido, Inc.(formally Skill-up Video Technology, Inc.) because the business was transferred in FY2018 Q3

For key items, the factors for increases/ (decreases) compared to the earnings forecasts from February 8, 2019 are noted below.

(1) With regard to revenue, the Large Corporations sub-segment has acquired large projects through proactive sales activities centering on participating the competitions to acquire new large clients focused on brand advertisers and retailers. On the other hand, the trend seen in 2019 Q1 that some large clients reduce their advertising budget, contrary to initial beginning of the year forecasts, is expected to continue in 2019 Q2 and thereafter. As a result, in the Large Corporations sub-segment, while the revenue growth rate after 2019 Q3 is expected to recover to approximately 14%, it is difficult to cover the decline in revenue to 2019 Q2. Similarly for the Local SMEs sub-segment, as result of scrutinizing the full fiscal year revenue forecast, although the revenue growth rate for 2019 Q3 and thereafter is expected to recover to approximately 24%, it is expected to be difficult to cover the transaction volume decline in some large clients during 2019 Q1 through the full fiscal year, and the revenue forecast for the entire Marketing Business is revised to JPY 86,500 million for a decrease of 7.5 % from original forecast.

(2) EBIT and EBITDA are expected to decrease by JPY 900 million in the Large Corporations sub-segment, and JPY 500 million in the Local SMEs sub-segment due to a decrease in gross profit from a decline in revenue, for a total decrease of approximately JPY 1,400 million. Further, for new projects in the Large Corporations sub-segment, due to reduction of margins in the advertising agency business resulting from price competition with rival companies and reduction in revenue incentives from media in connection with a slowdown in the revenue growth, gross profit is expected to decrease by approximately JPY 1,600 million yen compared with original forecasts. In addition, despite efforts to reduce SG&A expenses, as the Company continues to hire new graduates and provides training to achieve long-term growth, the upward revision from original forecasts in EBIT and EBITDA is expected to remain at JPY 900 million. Accordingly, forecasted EBIT and EBITDA for the Marketing Business are revised to JPY 2,950 million (down 41.0% from original forecasts) and to JPY 3,450 million (down 37.8% from original forecasts) respectively.

The Company will take countermeasures blow and make efforts for profit recovery from FY2020 onward.

- The Company will promote further BPR & BPO to reduce the business operating costs (e.g. automation of operations, utilization of nearshore/offshore etc.), and utilize AI technologies for work saving.
- The Company will expand training programs of the HR Development Center to increase sales per person through early sales force enablement/ development of human resources.

There are no changes in the outlook for the Synergy Investment Business and the HD management costs.

Footnotes for the definitions for KPIs

Assets Under Management (AUM)

AUM is defined as aggregate amount of 1) book value of subsidiaries' and affiliates' stocks and 2) fair market value of operational investment securities and invested securities. For assets categorized 2), impairment will be reflected to the value to be aggregated.

(1) Shares of subsidiaries and affiliates; book value is applied

(2) Operational investment securities and investment notes and securities: each notes and security's FMV is calculated depending on the classification shown below;

  i. Notes or securities of which investment amount is small: acquisition price
  ii. Listed companies' shares: closing price at the end of reporting period
  iii. Securities with financing in recent period: based on value of relevant financing
  iv. Other securities estimated by comparable multiple, DCF, or net asset valuation depending on each company's performance

The AUM calculation is prepared with guidance and advice by KPMG Azsa.

Internal Rate of Return (IRR)

Prerequisites for calculation (Un-sold securities are calculated as if they are sold)

- Subject to : Those the Company has invested in from 2003 to the end of June 2019 (including securities of operational investment securities, investment securities, shares of subsidiaries and shares of affiliates)
- The reference date for calculation: June 30, 2019

Method:

1. Impaired investment: Calculated as if they were sold at the net asset value after impairment.
2. Investment with recent financing: Calculated as if they were sold at the finance valuation.
3. IPOed investment: Calculated as if they were sold at the market value as of the reference date.
4. Fund: Calculated with the amount collected until the end of the reporting period and the book value as of the end of reporting period.
5. Others: Any other investment with no change in their acquisition cost due to sale, impairment, financing, IPO or the like are calculated as if they were sold on the reference date at the acquisition cost.

- Income tax are included

Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly consolidated balance sheets

(Unit: yen in millions)

	As of December 31, 2018	As of June 30, 2019
Assets		
Current assets		
Cash and deposits	19,631	18,078
Notes and accounts receivable-trade	13,652	11,692
Operational investment securities	15,337	22,570
Inventories	252	29
Other	1,266	1,351
Allowance for doubtful accounts	(49)	(30)
Total current assets	50,091	53,692
Noncurrent assets		
Tangible noncurrent assets	299	312
Intangible noncurrent assets		
Other	1,498	1,597
Total intangible noncurrent assets	1,498	1,597
Investments and other assets		
Shares of subsidiary companies	0	0
Shares of affiliate companies	1,027	880
Investment securities	2,208	2,076
Lease and guarantee deposits	731	773
Other	775	603
Allowance for doubtful accounts	(80)	(47)
Total investment and other assets	4,662	4,286
Total noncurrent assets	6,460	6,195
Total assets	56,551	59,888

(Unit: yen in millions)

	As of December 31, 2018	As of June 30, 2019
Liabilities		
Current liabilities		
Notes and accounts payable-trade	12,163	11,100
Short-term loans payable	1,300	1,300
Income taxes payable	557	196
Provision for bonuses	727	475
Other	3,829	2,769
Total current liabilities	18,578	15,841
Noncurrent liabilities		
Long-term loans payable	8,700	8,050
Liabilities on retirement benefits	200	209
Deferred tax liabilities	1,831	4,068
Asset retirement obligations	104	110
Other	1	1
Total noncurrent liabilities	10,839	12,440
Total Liabilities	29,418	28,281
Net assets		
Shareholders' equity		
Capital stock	8,212	8,212
Capital surplus	3,915	3,859
Retained earnings	5,442	4,654
Treasury stock	(698)	(698)
Total shareholders' equity	16,872	16,027
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,214	11,177
Foreign currency translation adjustment	390	263
Total accumulated other comprehensive income	6,604	11,440
Subscription rights to shares	0	0
Non-controlling interests	3,656	4,138
Total net assets	27,133	31,606
Total liabilities and net assets	56,551	59,888

(2) Quarterly consolidated statements of income and consolidated statements of comprehensive income

Quarterly consolidated statement of income for three month ended on June 30, 2019

(Unit: yen in millions)

	2018 Q2 (From January 1 to June 30, 2018)	2019 Q2 (From January 1 to June 30, 2019)
Revenue	43,755	41,696
Cost of sales	34,954	34,033
Gross profit	8,801	7,662
Selling, general and administrative expenses	7,711	7,784
Operating income or loss	1,089	(121)
Non-operating income		
Investment gain on equity method	-	-
Gain on investments in partnership	-	103
Gain on valuation of derivatives	56	-
Other	38	128
Total non-operating income	94	231
Non-operating expenses		
Interest expenses	17	12
Foreign exchange losses	24	29
Loss on investments in partnership	233	-
Investment loss on equity method	30	78
Other	35	4
Total non-operating expenses	341	123
Ordinary income	842	(14)
Extraordinary income		
Gain on change in equity	-	232
Gain on sales of investment securities	1,185	0
Other	0	(97)
Total extraordinary income	1,186	134
Extraordinary losses		
Loss of retirement of non-current asset	3	22
Impairment loss	1	43
Loss on sales of investment securities	15	-
Loss on valuation of investment securities	-	336
Other	1	8
Total extraordinary losses	21	410
Quarterly net income (loss)before taxes and other adjustments	2,006	(289)
Total income (loss)taxes	666	164
Quarterly net income(loss)	1,340	(453)
Quarterly net income (loss)attributable to non-controlling interests	161	(99)
Quarterly net income(loss) attributable to owners of parent	1,179	(353)

Quarterly statement of comprehensive income for three month ended on June 30, 2019

(Unit: Yen in millions)

	2018 Q1 (From January 1 to June 30, 2018)	2019 Q1 (From January 1 to June 30, 2019)
Net income(loss)	1,340	(453)
Other comprehensive income		
Valuation difference on available-for-sale securities	7,334	4,959
Foreign currency translation adjustment	(139)	(111)
Share of other comprehensive income of associates accounted for using equity method	(18)	(17)
Total other comprehensive income	7,176	4,831
Comprehensive income	8,517	4,377
Comprehensive income attributable to:		
Owners of parent	8,361	4,481
Non-controlling interests	156	(104)

(3) Quarterly consolidated statements of cash flows

(Unit: Yen in millions)

	2018 Q2 (From January 1 to June 30, 2018)	2019 Q2 (From January 1 to June 30, 2019)
Cash flows from operating activities		
Profit (loss) before income taxes	2,006	(289)
Depreciation	404	265
Amortization of goodwill	165	-
Loss (gain) on investments in partnership	233	(103)
Loss (gain) on sales of investment securities	(1,170)	-
Loss (gain) on valuation of investment securities	-	336
Share of loss (profit) of entities accounted for using equity method	30	(37)
Loss (gain) on valuation of derivatives	(56)	-
Impairment loss	1	43
Loss on retirement of non-current assets	3	22
Increase (decrease) in allowance for doubtful accounts	11	(35)
Increase (decrease) in provision for bonuses	(80)	(260)
Increase (decrease) in net defined benefit liability	33	22
Interest and dividend income	(3)	(3)
Interest expenses	17	12
Loss (gain) on change in equity	-	(116)
Decrease (increase) in notes and accounts receivable - trade	370	1,831
Decrease (increase) in investment securities for sale	(177)	(58)
Decrease (increase) in inventories	(298)	223
Increase (decrease) in notes and accounts payable - trade	165	(1,028)
Increase (decrease) in accrued consumption taxes	(164)	(947)
Other, net	420	508
Subtotal	1,915	383
Interest and dividend income received	2	3
Interest expenses paid	(17)	(12)
Income taxes paid	(600)	(933)
Income taxes refund	40	21
Cash flows from operating activities	1,341	(537)
Cash flows from investing activities		
Payments into time deposits	(199)	-
Proceeds from withdrawal of time deposits	287	-
Purchase of property, plant and equipment	(22)	(45)
Purchase of intangible assets	(434)	(376)
Purchase of investment securities	(171)	(85)
Proceeds from sales of investment securities	58	51
Refund of investment securities	-	228
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	(57)	-
Payments for sale of businesses	-	(177)
Proceeds from derivative settlement	524	-
Payments for lease and guarantee deposits	(27)	(50)
Decrease in lease and guarantee deposits	783	7
Payments of loans receivable	(15)	(0)
Collection of loans receivable	66	15
Other, net	(52)	(6)
Cash flows from investing activities	739	(440)

(Unit: Yen in millions)

	2018 Q2 (From January 1 to June 30, 2018)	2019 Q2 (From January 1 to June 30, 2019)
Cash flows from financial activities		
Net increase (decrease) in short-term loans payable	(16)	-
Repayment of long-term loans payable	(745)	(650)
Proceeds from payments from non-controlling shareholders	441	643
Repayments of finance lease obligations	(30)	(0)
Repurchase of treasury shares	(0)	-
Purchase of subsidiary’s treasury shares	(88)	(12)
Cash dividends paid	(272)	(434)
Cash dividends paid to non-controlling interests	(24)	(44)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(90)	-
Other	(2)	-
Cash flows from financial activities	(827)	(497)
Effect of exchange rate change on cash and cash equivalents	(77)	(75)
Net increase (decrease) in cash and cash equivalents	1,175	(1,551)
Cash and cash equivalents at beginning of period	15,417	19,598
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	74	-
Cash and cash equivalents at end of period	16,666	18,047

(4) Notes on Quarterly Consolidated Financial StatementsInQ3

(Note on the premise of a going concern)
Not applicable.

(Notes on significant changes in the amount of shareholders' equity)
Not applicable.

(Additional information)

(Partial amendments to Accounting Standards for Tax Effect Accounting)
Partial amendments to Accounting Standards for Tax Effect Accounting (ASBJ statement No.28, February 16, 2018) were applied from the beginning of this reporting quarter; three month ended on March 31, 2019, and deferred tax assets are categorized in other of investment and other assets, deferred tax liabilities are categorized in noncurrent liabilities.

(Disposal of Shares of a Material Subsidiary)
Deferred tax liability of JPY 85 million was recognized during this reporting period because the Company decided to transfer all interests held in its consolidated subsidiary, eMFORCE Inc. In 2019 Q3, extraordinary income of JPY 250 million and income taxes of JPY 88 million will be recorded due to the transaction of the interest transfer.

(Information on reporting segments)

I. For the three month ended on June 30, 2018 (2018 Q2)

1. Revenue and profit or loss by reporting segments for the three month ended on June 30, 2018

(Unit: Yen in millions)

	Reporting Segment			Adjustment *1	Consolidated
	Marketing Business	Synergy Investment Business	Total		
Revenue					
Revenue from third parties	41,110	2,644	43,755	―	43,755
Intersegment revenue or transfer	6	54	60	(60)	―
Total	41,116	2,698	43,815	(60)	43,755
Profit (loss) of segment *2	2,076	901	2,977	(956)	2,020
EBITDA*3	2,581	986	3,567	(906)	2,660
Interest paid – Interest received					14
Net income before taxes and other adjustments					2,006
Total income taxes					666
Income taxes – current					737
Income taxes - deferred, etc.					(71)
Net income attributable to non-controlling interests					161
Net income attributable to owners of parent					1,179

Notes:

1. The adjustment amount of JPY (956 million) for segment profit includes elimination of intersegment transaction and JPY (830 million) of Corporate Function cost which were not allocated to reporting segments and JPY 56 million of gain on valuation of derivatives for the Company's stock forward trading.
2. Segment profit and loss is denoted in EBIT (Net income before taxes and other adjustment ＋ interest paid －interest received)
3. EBITDA = EBIT + other financial related gains (losses)+ depreciation + amortization of intangible assets + amortization of long-term prepaid expenses + Non-cash gain(loss)

2. Information on assets of each reportable segment
The assets of each reportable segment for the second quarter consolidated accounting period under review significantly changed from the end of the previous consolidated fiscal year. This is outlined as follows.
The major factor is that the segment assets increased by ¥9,046,607 thousand due to the fair market valuation associated with new listing of Raksul Inc. an investee of the Company during the second quarter consolidated accounting period under review.

3. Impairment loss of non-current asset or goodwill, etc., by reporting segments

(Significant impairment loss of non-current asset)
Not applicable

(Significant change in amount of goodwill)
Not applicable

(Significant gain on negative goodwill)
Not applicable

II. For the three month ended on June 30, 2019 (2019 Q2)

1. Revenue and profit or loss by reporting segments for the three month ended on March 31, 2019

(Unit: Yen in millions)

	Reporting Segment			Adjustment[*1]	Consolidated
	Marketing Business	Synergy Investment Business	Total		
Revenue					
Revenue from third parties	39,565	2,130	41,696	-	41,696
Intersegment revenue or transfer	2	7	9	(9)	-
Total	39,567	2,138	41,705	(9)	41,696
Profit (loss) of segment [*2]	1,097	(267)	830	(1,111)	(281)
EBITDA[*3]	1,366	16	1,383	(945)	438
Interest paid – Interest received					8
Net income before taxes and other adjustments					(289)
Total income taxes, etc.					79
Income taxes – current					140
Income taxes – deferred					(61)
Net income attributable to non-controlling interests					(99)
Net income attributable to owners of parent					(268)

Notes:
1. The adjustment amount of JPY (1,111 million) for segment profit includes elimination of intersegment transaction and JPY (1,106 million) of Corporate Function cost which were not allocated to reporting segments.
2. Segment profit and loss is denoted in EBIT (Net income before taxes and other adjustment ＋ interest paid －interest received)
3. EBITDA = EBIT + other financial related gains (losses)+ depreciation + amortization of intangible assets + amortization of long-term prepaid expenses + Non-cash gain(loss)

2. Information on assets by reportable segment

There is no applicable information to be disclosed.

3. Impairment loss of non-current asset or goodwill, etc., by reporting segments

(Significant impairment loss of non-current asset)
Not applicable

(Significant change in amount of goodwill)
Not applicable

(Significant gain on negative goodwill)
Not applicable

(Important subsequent event)

(Disposal of shares of a material subsidiary)

In the Board of Directors meeting held on June 20, 2019, the Company decided to transfer all shares held of its consolidated subsidiary, eMFORCE Inc. to Digital Advertising Consortium Inc. On July 1, 2019, a Share Purchase and Sale Agreement (hereafter referred to “the Agreement”) was closed between the Company and Digital Advertising Consortium Inc. and was expected to be executed on July 31, 2019.

Based on the Company's decision of the share transfer, deferred tax liability of JPY 85 million was recognized during this reporting period. In 2019 Q3, extraordinary income of JPY 250 million and income taxes of JPY 88 million are expected to be recorded due to the transaction.

1. Reason for the share transfer

eMFORCE Inc. is a Korean internet-based advertisement agency with strengths in programmatic advertising based on search advertisement.

As internet advertising has swiftly expanded domestically in Japan, our Group’s tools and marketing know-how have been deployed overseas. In 2005, with the objective of developing our Group, the group acquired shares of eMFORCE Inc. and it was accounted for as our consolidated subsidiary. As approximately 14 years have passed since the share acquisition, eMFORCE Inc. has steadily developed its business in Korea. However, synergies with our Group’s Japan based Marketing Business had continued to fall short of initial expectations.

As a result of deliberate examination of the direction of our Group’s Overseas Digital Marking Business and allocation of management resources, the group has determined that reassessing certain aspects of our Overseas Digital Marketing Business and focusing on the Marketing Business in Japan where digital shift is demonstrating acceleration, judged that it contributes to the enhancement of our Group’s corporate value.

2. Counterparty to the share transfer

Digital Advertising Consortium Inc.

3. Date of the share transfer

July 31, 2019

4. Name of subsidiary, business, relationship with our company

(1)	Name	eMFORCE Inc.
(2)	Business	Internet Advertising Business
(3)	Relationship with our Company	No specific items to report

5. Number of shares before and after transfer, price of the share transfer, and income/loss on transfer

(1)	Number of shares held prior to the transfer	483,880 shares (percentage of voting rights 96.78%)
(2)	Number of shares transferred	483,880 shares (percentage of voting rights 96.78%)
(3)	Number of shares held after the transfer	0 shares (percentage of voting rights 0%)
(4)	Price of the share transfer	JPY 774 million

(5) income / Loss of transaction

An extraordinary income JPY 255 million is expected to be recognized in the consolidated accounting period of 2019 Q3.