*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 Novembert 11, 2019. In the event of any discrepancy between this English document and the Japanese original, the original shall always prevail.*

November 14, 2019

**OPT Holding, Inc. (TSE 2389)**

**Consolidated Financial Results for the Nine Months Ended** September 30**, 2019 (J-GAAP, Unaudited)**

Tokyo, November 14, 2019, OPT Holding, Inc. ("the Company") announced today its consolidated financial results for the three month ended on September 30, 2019. (From July 1 to September 30, 2019, "2019 Q3")

(Amount are rounded down to the nearest million yen)

***Consolidated Operating Results for 2019 Q3***

| *(in million yen, unless otherwise stated)* | Three months ended on September 30 | | | Nine months ended on September 30 | | |
|---|---|---|---|---|---|---|
| | 2019 | 2018 | YoY(%) | 2019 | 2018 | YoY(%) |
| Revenue | 20,877 | 20,314 | 2.8% | 62,573 | 64,069 | (2.3)% |
| Operating Income or loss | (420) | 134 | -*3 | (542) | 1,223 | -*3 |
| Ordinary Income | (358) | 418 | -*3 | (372) | 1,260 | -*3 |
| EBIT*1 | (44) | 520 | -*3 | (325) | 2,541 | -*3 |
| EBITDA*2 | 622 | 2,176 | (71.4)% | (1,060) | 4,837 | (78.1)% |
| Net income(loss) attributable to owners of parent | (16) | 56 | -*3 | (370) | 1,236 | -*3 |
| Earnings per share- diluted (yen) | - | 2.05 | -*3 | - | 54.13 | -*3 |
| Earnings per share- basic (yen) | (0.72) | 2.51 | -*3 | (16.18) | 54.59 | -*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 September 30, 2019 | As of December 31, 2018 |
|---|---|---|
| Total assets*3 | 56,566 | 56,551 |
| Net assets | 30,635 | 27,133 |
| Equity attributable to owners of parent*3 | 26,316 | 23,476 |
| Ratio of equity attributable to owners of parent (%) | 46.5% | 41.5% |
| Assets under management (AUM) *4 | 25,320 | 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 LLC.

***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 | 7.4% |
| EBIT | 2.950 | (22.7)% |
| 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.

The Marketing Business earnings forecast for the year ending December 2019, announced on February 7, 2019, was revised on August 8, 2019. For details, please refer to the "Notice Concerning Revision of Earnings Forecast" announced on August 8, 2019.

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

***Coming Schedule for IR events and documents***
Quarterly financial report (in Japanese): November 14, 2019
Effective Date of dividend payment: -

***Additional materials and events 2019 Q3 results***

Supplementary document for the results meeting: Available
Earnings conference for analysts and institutional investors: Held on November 14, 2019
Video streaming of results meeting: Available immediately after earnings conference in Japan

***Changes in material 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 Q3 | 2018 |
|---|---|---|
| Number of shares issued including treasury shares | 23,817,700 | 23,817,700 |
| Number of treasury shares | 917,705 | 917,705 |

| | 2019 Q3 | 2018 Q3 |
|---|---|---|
| Average number of shares during the period | 22,899,995 | 22,646,522 |

***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.

***Table of Contents***

## *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 September 30, 2019 (hereinafter 2019 Q3) were as follows.

| *(in million yen unless otherwise stated)* | 2019 Q3 | Year-on-year change (%) | |
|---|---|---|---|
| | Actual | Adjusted*[6] | Actual |
| Revenue | 20,877 | 4.5% | 2.8% |
| Gross profit | 3,152 | (20.1)% | (21.8)% |
| Operating income or loss | (420) | -*[7] | -*[7] |
| Ordinary loss | (358) | -*[7] | -*[7] |
| Extraordinary loss | 308 | -*[7] | -*[7] |
| EBIT (Non-GAAP) *[1] | (44) | -*[7] | -*[7] |
| EBITDA (Non-GAAP) *[2] | 622 | (13.4)% | (71.4)% |
| Net income (loss)attributable to owners of parent | (16) | -*[7] | -*[7] |
| ROE*[3] (Last twelve months; LTM, %) | 1.17% | - | (5.8)pts |
| Free cash flow*[4](Non-GAAP) | - | -*[7] | -*[7] |
| Earnings per share- diluted (yen) | - | - | - |
| Earnings per share- basic (yen) | (0.72) | -*[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 3Q 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. 1.7% of quarterly consolidated sales for 2018 Q3 was by video streaming business, operated by relaid Inc., (formally Skill-up Video Technology, Inc.,).
7. Figures were omitted as 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 Corporations, 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 , Inc(hereinafter, "SoldOut", securities code: 6553), and five other subsidiaries providing a variety of digital marketing solutions in regional areas.

The table below shows 2019 Q3 results of Marketing Business.

| *(in million yen unless otherwise stated)* | 2019 Q3 | Year-on-year change (%) | |
|---|---|---|---|
| | Actual | Adjusted[*1] | Actual |
| Revenue | 20,576 | 7.8% | 5.9% |
| Gross profit | 3,437 | (2.5)% | (4.9)% |
| Operating income | 669 | (14.4)% | (11.3)% |
| Ordinary profit | 672 | (15.0)% | (12.0)% |
| Extraordinary loss | (79) | -*[2] | -*[2] |
| EBIT(Non-GAAP) | 592 | 39.9% | (34.4)% |
| EBITDA(Non-GAAP) | 768 | (22.1)% | (68.5)% |

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 Corporations sub-segment (the business was transferred after company-split in 2018 Q3. Recorded JPY 343 million of revenue in 2018 Q3).
2. Figures were omitted due to relevant amounts in reporting or the previous period are negative.

The demand for Internet ad in Japan has continued to grow through the replacement of traditional media such as TV and flyers. In addition, demands for digital marketing and digital shift by corporate clients have continued to increase. On the other hand, similarly to 2019 Q1 and Q2, the trend of reduction in advertising budgets by a portion of our existing clients has also continued.

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

In the Q3 consolidated accounting period, the Marketing Business recognized revenue of JPY 20,576 million (up 5.9% YoY), gross profit of JPY 3,437 million (down 4.9% YoY), operating profit of JPY 669 million (down 11.3% YoY), ordinary profit of JPY 672 million (down 12.0% YoY), extraordinary loss of 79 million (up JPY 139 million YoY) , EBIT of JPY 592 million (down 34.4% YoY), and EBITDA of JPY 768 million (down 68.5% YoY).

The key changes excluding the impact of businesses transfer in the previous Q3 consolidated accounting period were: sales increased by 7.8%, gross profit decreased by 2.5%, operating income decreased by 14.4%,ordinary profit decreased by 15.0%, EBIT increased by 39.9%, and EBITDA decreased by 22.1%.

After excluding results of relaido, Inc.'s video streaming business from 2018 Q3, the reasons for the changes in the key items were as follows.

(1) In the Large Corporations sub-segment, revenue for 2019 Q3 was JPY 15,452 million (up 3.1% YoY) as a result of focusing on the acquisition of large-scale new project orders mainly from national clients since the first half of 2019, even though certain existing clients continued to reduce advertising budgets. In the Local SMEs sub-segment, revenue was JPY 5,268 million (up 24.3% YoY) due to the acquisition of new clients and an increase in advertising budgets by existing clients. As a result, revenue for the overall Marketing Business segment was JPY 20,576 million (up 7.8% YoY).

(2) In the Large Corporations sub-segment, gross profit was JPY 2,465 million (down 6.1% YoY) due to the decline in profit margins mainly for newly acquired projects. In the Local SMEs sub-segment, gross profit was JPY 965 million (up 9.7% YoY), mainly due to significant growth in revenue, partially offset by low profit margins in certain projects other than the operational agency service. As a result, gross profit for the overall Marketing Business segment was JPY 3,437 million (down 2.5% YoY).

(3) In the Large Corporations sub-segment, operating income was JPY 465 million (down 16.1% YoY) due to the decrease in profit margins mainly for newly acquired projects, in spite of continuing efforts to reduce selling, general and administrative expenses from the first half of 2019. In the Local SMEs sub-segment, operating incomewas JPY 204 million (down 10.2% YoY) due to an increase in selling, general, and administrative expenses and low profit margins of certain projects other than the operational agency service, in spite of an increase in operating profit based on a significant growth in revenue. As a result, operating profit for the overall Markeitng Business segment was JPY 669 million (down 14.4% YoY).

(4) In the Large Corporations sub-segment, EBIT was JPY 471 million (increase of JPY 277 million as compared to 2018 Q3) due to the impairment loss recognized for noncurrent assets in 2018 Q3. In the Local SMEs sub-segment, EBIT was JPY 127 million (down 44.9% YoY) due to the loss on valuation recognized for certain

investments in 2019 Q3. As a result, EBIT for the overall Marketing Busines segment was JPY 598 million (down 41.5% YoY).

(5) In the Large Corporations sub-segment, EBITDA was JPY 538 million (down 26.8% YoY) as a portion of extraordinary loss recognized for the reversal of valuation loss on noncurrent assets and other impairment. In 2018 Q3, an extraordinary loss of JPY 520 million was recorded for valuation losses for noncurrent assets and other impairment. In the Local SMEs sub-segment, EBITDA was JPY 237 million (down 8% YoY). As a result, EBITDA for the overall Marketing Business segement was JPY 775 million (down 21.5% YoY).

The table below shows the 2019 Q3 results of the Marketing Business.

（in million yen unless otherwise stated）

| | 2019 Q3 Actual | Year-on-year change (%) | |
|---|---|---|---|
| | | Adjusted*1 | Actual |
| Revenue | 60,144 | 1.8% | (0.7)% |
| Gross profit | 10,143 | (4.5)% | (7.4)% |
| Operating profit | 1,829 | (38.0)% | (35.2)% |
| Ordinary profit | 1,842 | (37.8)% | (35.1)% |
| Extraordinary loss | (151) | —*2 | —*2 |
| EBIT（Non-GAAP） | 1,690 | (33.5)% | (43.3)% |
| EBITDA（Non-GAAP） | 2,135 | (40.9)% | (57.5)% |

Note:

1. To provide a more accurate comparative analysis of earnings, the year-on-year changes are adjusted to exclude the impact of any results not included in the current quarter's earnings, such as the sale of businesses during the previous year. The current reporting period excludes earnings from the video streaming business of relaido, Inc., which was under the Large Corporation sub-segment (the business was transferred after the company-split in 2018 Q3 had revenue of JPY 557 million in 2018 Q3).

2.Figures were omitted as relevant amounts in the current or previous period are negative.

As a result, in the Q3 cumulative consolidated accounting period of the Marketing Business, revenue was JPY 60,144 million (down 0.7% YoY), gross profit was JPY 10,143 million (down 7.4% YoY), operating profit was JPY 1,829 million (down 35.2% YoY), ordinary profit was JPY 1,842 million (down 35.1% YoY), extraordinary loss of 151 million (extraordinary gain of JPY 137 million in 2018 Q3) EBIT was JPY 1,690 million (down 43.3% YoY), EBITDA was JPY 2,135 million (down 57.5% YoY).

After adjustment of the streaming business results of relaido Inc. in the previous year, revenue in 2019 Q3 was 1.8% higher YoY, gross profit was 4.5% lower YoY, operating profit was 38.0% lower YoY, ordinary income was 37.8% lower YoY, EBIT was 33.5% lower YoY, and EBITDA was 40.9% lower YoY. (Extraordinary profit were omitted due to the amounts in reporting and previous period are negative.)

The major activities in the 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:

  - Conducted a corporate split-up of the performance marketing business and the social media marketing business of Crossfinity Inc. and merged the businesses into OPT, Inc. In addition, executed a corporate reorganization through a split-up of its website consulting business and merged the business into Heartlass, Inc., to optimize the allocation of management resources to the focus areas.

  SoldOut's activity highlights:

  - On July 1, 2019, Search Life, Inc. and TechLoCo, Inc. the consolidated subsidiaries of SoldOut, merged and commenced operations as "SO Technologies Co., Ltd." In pursuit of the vision "To create a digital customer acquisition platform that makes it easy for anyone and anywhere in Japan to transform passion into earning power," the new entity will develop and provide higher-value services by harnessing accumulated know-how and technology.

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List of awards and certifications by media type (as of the end of September 2019)

| Media Type | Awards | Status | |
|---|---|---|---|
| | | OPT Inc. | SoldOut, Inc |
| Google | Search Innovation Award1 | — | Finalist in the Search Advertising Division |
| Google | Growing Businesses Online Awards2 | — | Ranked first domestically in Japan |
| Yahoo!JAPAN | Special Certified Partner3 | Advertising Operations Partner | Advertising Operations Partner |
| Yahoo!JAPAN | Search Advertising Award4 | — | First place in the Hokkaido area |
| Yahoo!JAPAN | Preferred Partner Program5 | — | ATOM Certified |
| Criteo | Criteo Certified Partners6 | Four stars（★★★★） | Two stars（★★） |
| LINE | LINE Ads Platform Division<br>Sales Partner7 | Silver | Silver<br>Certified as the Best SMB Partner |
| LINE | LINE Account Connect Division<br>Technology Partner7 | Diamond | — |
| LINE | LINE Account Connect Division<br>Sales Partner7 | Silver | — |
| Indeed | 2019 first half Strategic Products Award Featured Employer Division8 | — | First place |

*1 The Search Innovation Award is presented in the Premier Partners Awards 2018 event sponsored by Google Partners.

*2 The award is presented to agencies honored with a Premium Badge in the global Google AdWords Agency Contest.

*3 A "Special Certified Partner" conducts marketing methods requiring specialization and advertising operations under the "Yahoo! Marketing Solutions Partner Program" certified by Yahoo Japan Corporation.

*4 The "Search Advertising Award" is sponsored by Yahoo Japan Corporation, certifying agencies that continuously sell ad products.

*5 The "Preferred Partner Program" is a system supporting the operational efficiency of Yahoo! promotional advertisements presented by Yahoo Japan Corporation.

*6 Agencies that continuously sell ad products offered by CRITEO and pass a certification test are certified as Criteo Certified Partners (star agency system)

*7 he award is presented under the “Line Biz-Solutions Partner Program” division to partners certified for sales and development of corporate services offered by Line Corporation

*8 The award recognizes achievement in the proposals/operations for the “Featured Employer” provided by Indeed Japan Co., Ltd.

*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 Q3 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 Q3 | Year-on-year change (%) |
|---|---|---|
| Revenue | 320 | (65.1)% |
| Gross loss | (278) | -*2 |
| Operating loss | (545) | -*2 |
| Ordinary loss | (485) | -*2 |
| Extraordinary profit | 389 | -*2 |
| EBIT(Non-GAAP) | (96) | -*2 |
| EBITDA (Non-GA | 311 | 119.4% |
| AUM*1 | 25,320 | (6.2)% |
| IRR*1 | 11.3% | (1.7)pts |

Note:
1. AUM and IRR compare the recent previous quarter (2019 Q3). 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 Q3, the Synergy Investment Business recognized revenue of JPY 320 million (down 65.1% YoY), gross loss of JPY 278 million (JPY 444 million in 2018 Q3), operating loss of JPY 545 million (JPY (154) million in 2018 Q3), ordinary loss of JPY 485 million (JPY 123 million in 2018 Q3), EBIT of JPY (96) million (JPY 57 million in 2018 Q3), and EBITDA of JPY 311 million (JPY 141 million in 2018 Q3).

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

(1) In the Synergy Investment Business, revenue was JPY 320 million (down 65.1% YoY) due to the impact of the sale and deconsolidation of an overseas subsidiary, eMFORCE Inc. (hereinafter, “eMFORCE”) in July 2019.

(2) Gross loss was JPY 278 million as compared to gross profit of JPY 444 million in the same period of the previous fiscal year, due to the impact of the sale and deconsolidation of an overseas subsidiary, eMFORCE, and recording of a loss on valuation recognized for fund investments.

(3) Operating loss increased by JPY 391 million from JPY 154 million to JPY 545 million as compared to the same period of the previous fiscal year mainly due to a decrease in gross profit, in spite of a decrease in the selling, general and administrative expenses as a result of the sale of the overseas subsidiary, eMFORCE, and exclusion of the company from the consolidation.

(4) Ordinary loss was JPY 485 million, a deterioration of JPY 608 million as compared to ordinary profit of JPY 123 million in the same period of the previous fiscal year, mainly due to a deterioration in operating loss and a decrease in investment income to JPY 25 million from JPY 272 million in the same period of the previous fiscal year in spite of improvement of JPY 45 million of investment gain on equity method..

(5) Extraordinary profit increased by JPY 435 million to JPY 389 million mainly due to the gain recognized on the sale of the shares of a subsidiary in South Korea, eMFORCE, in July 2019 and the shares of an affiliated company, Chai Communication Co., Ltd. (hereinafter Chai), in September 2019. After the sale, Chai is no longer accounted for under the equity method.

(6) EBIT was negative JPY 96 million (as compared to negative JPY 57 million in the same period of the previous fiscal year) due to deterioration of ordinary profit/loss in spite of the extraordinary income recognized mainly on the sale of a overseas subsidiary and affiliate as mentioned in the note 5.

(7) EBITDA increased by 119.4% YoY due to the extraordinary income recognized on the sale of a overseas subsidiary and affiliate, as mentioned in note 5.

As a result, in the cumulative consolidated Q3 of the Synergy Investment, revenue was JPY 2,458 million (decreased by 32.1% YoY), gross loss was JPY 707 million (decreased by 63.1% YoY), operating loss was JPY 736 million (operating loss of JPY 236 million in 2018 Q3), ordinary loss of JPY 424 million (ordinary loss of JPY 261 million in 2018 Q3), extraordinary loss of 63 million (down 94.8% YoY) , EBIT was JPY (363) million (JPY 959 million in 2018 Q3), and EBITDA was JPY 327million (down 70.9% YoY).

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

- In financial investment sub-segment, OPT Ventures # 2 Investment

  In October 2019, a JPY 3 billion investment contract was signed with the Organization for Small & Medium Enterprises and Regional Innovation, JAPAN. companies such as Wealth Navi Co., Ltd. that operate an asset management robot advisor "WealthNavi" for individuals

- 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 23,000 users increase of XX users as compared to the end of June, 2019)

  Launched "SIGNATE Quest," an AI human resource development online course for corporations, aimed not only to develop data scientists who implement AI but also to develop business-related human resources that promote AI projects. Planning to introduce 100 companies in the first year and 400 companies in three years.

- Overseas marketing

  Sold all of the shares of a subsidiary in South Korea, eMFORCE, to Digital Advertising Consortium Co., Ltd. In addition, sold all of the shares of the affiliated company, Chai, to the company Chai and the president Mr. Young Sup Choi.

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 Q3 results of Corporate Function cost.

| *(in million yen unless otherwise stated)* | 2019 Q3 | Difference from 2018 Q3* |
|---|---|---|
| Selling and administrative expense | (535) | (85) |
| Operating income or loss | (548) | (97) |
| EBIT(Non-GAAP) | (543) | (220) |
| EBITDA(Non-GAAP) | (460) | (172) |

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 Q3 was JPY (535) million, (JPY (450) million in 2018 Q3), and EBITDA was JPY (460) million (JPY (288) million in 2018 Q3).

As a result, in the Q3 of cumulative consolidated period of the Corporate Function, SG&A expenses were JPY (1,613) million (JPY (1,359) million in 2018 Q3), EBITDA was JPY (1,385) million (JPY (1,198) million in 2018 Q3).

### (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 2019 Q1 consolidated accounting period, and the financial position is compared to the retroactively revised figures of the previous consolidated fiscal year end.

(Assets)

Total assets at the end of 2019 Q3 consolidated accounting period were JPY 56,566 million, an increase of JPY 14 million from the end of the previous consolidated fiscal year.

Current assets were JPY 50,764 million, an increase of JPY 673 million from the end of the previous fiscal year. This is mainly due to the decrease of JPY 2,963 million in cash and deposits and decrease of JPY 2,713 million in notes and accounts receivable-trade, offset by the increase of JPY 5,639 million in operating investing securities and increase of JPY 861 million in other current assets including income taxes receivable.

Noncurrent assets were JPY 5,802 million, a decrease of JPY 658 million from the end of the previous fiscal year. This is mainly due to the increase of JPY 136 million in lease and guarantee deposits, offset by the decrease of JPY 387 million in shares of associate companies and decrease of JPY 267 million in investment securities.

(Liabilities)

Total liabilities at the end of 2019 Q3 were JPY 25,930 million, a decrease of JPY 3,487 million from the end of the previous consolidated fiscal year.

Current liabilities were JPY 15,491 million, a decrease of JPY 3,087 million from the end of the previous fiscal year. This is due to the decrease of JPY 1,617 million in other current liabilities including accrued consumption taxes and decrease of JPY 1,572 million in notes and accounts payable-trade.

Noncurrent liabilities were JPY 10,439 million, a decrease of JPY 399 million from the end of the previous fiscal year. This is mainly due to the increase of JPY 1,846 million in deferred tax liabilities resulting from the valuation of operating investment securities offset by the decrease of JPY 2,050 million in long-term loans payable.

(Net assets)

Total net assets at the end of 2019 Q3 consolidated accounting period were JPY 30,635 million, an increase of JPY 3,501 million from the end of the previous fiscal year.

This is mainly due to the increase of JPY 3,776 million in the valuation difference on available-for-sale securities.

### (3) Consolidated Cash Flow

Cash and cash equivalents (hereinafter referred to as “Cash”) at the end of the 2019 Q3 consolidated accounting period were JPY 16,668 million, a decrease of JPY 2,930 million from the end of the previous fiscal year due to cash outflows from operating, investing, and financing activities.

The following is the status of cash flows from major factors of each activity:

| | 2019 Q3 (From January 1, 2019 to September 30, 2019) | 2018 Q3 (From January 1, 2019 to September 30, 2019) | Difference from 2018 Q3 |
|---|---|---|---|
| Cash flows from operating activities | (2,008) | (811) | (1,196) |
| Profit (loss) before income taxes | (49) | 513 | (562) |
| Decrease(increase) in notes and accounts receivable - trade | (400) | 11 | (412) |
| Increase (decrease) in accrued consumption taxes | (402) | 143 | (545) |
| Other, net | (1,156) | (1,480) | 324 |
| Cash flows from investing activities | 409 | 2,366 | (1,956) |
| Proceeds from sales of investment securities | 544 | 180 | 364 |
| Proceeds from sale of businesses | — | 2,164 | (2,164) |

| | | | |
|---|---|---|---|
| Decrease in lease and guarantee deposits | 6 | 1 | 5 |
| Other, net | （141） | 20 | （162） |
| Free cash flow | (1,599) | 1,554 | (3,153) |
| Adjustment*1 | ― | ― | ― |
| Adjusted free cash flow | (1,599) | 1,554 | (3,153) |
| Cash flow from financing activities | 218 | (396) | 614 |
| Repayment of long-term loans payable | (400) | (5,790) | 5,390 |
| Proceeds from payments from non-controlling shareholders | 666 | 13 | 653 |
| Other | (48) | 5,380 | (5,429) |
| Effect of exchange rate change on cash and cash equivalents | 1 | 63 | (61) |
| Cash and cash equivalents | (1,379) | 1,220 | (2,600) |

*1 Adjustment ＝nonrecurring cash flow item

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

The consolidated earnings forecast for the full fiscal year ending December 31, 2019, released on February 7, 2019, was revised on August 8, 2019. For details, please refer to the "Notice Concerning Revision of Earnings Forecast" released on August 8, 2019.

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, in spite of 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 September 30, 2019 |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 19,631 | 16,668 |
| Notes and accounts receivable-trade | 13,652 | 10,939 |
| Operational investment securities | 15,337 | 21,026 |
| Inventories | 252 | 30 |
| Other | 1,266 | 2,128 |
| Allowance for doubtful accounts | (49) | (28) |
| Total current assets | 50,091 | 50,764 |
| Noncurrent assets | | |
| Tangible noncurrent assets | 299 | 246 |
| Intangible noncurrent assets | | |
| Other | 1,498 | 1,617 |
| Total intangible noncurrent assets | 1,498 | 1,617 |
| Investments and other assets | | |
| Shares of subsidiary companies | 0 | - |
| Shares of affiliate companies | 1,027 | 640 |
| Investment securities | 2,208 | 1,940 |
| Lease and guarantee deposits | 731 | 867 |
| Other | 775 | 536 |
| Allowance for doubtful accounts | (80) | (47) |
| Total investment and other assets | 4,662 | 3,937 |
| Total noncurrent assets | 6,460 | 5,802 |
| Total assets | 56,551 | 56,566 |

(Unit: yen in millions)

| | As of December 31, 2018 | As of September 30, 2019 |
|---|---|---|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable-trade | 12,163 | 10,591 |
| Short-term loans payable | 1,300 | 2,300 |
| Income taxes payable | 557 | 113 |
| Provision for bonuses | 727 | 273 |
| Other | 3,829 | 2,211 |
| Total current liabilities | 18,578 | 15,491 |
| Noncurrent liabilities | | |
| Long-term loans payable | 8,700 | 6,650 |
| Liabilities on retirement benefits | 200 | - |
| Deferred tax liabilities | 1,831 | 3,678 |
| Asset retirement obligations | 104 | 110 |
| Other | 1 | 0 |
| Total noncurrent liabilities | 10,839 | 10,439 |
| Total Liabilities | 29,418 | 25,930 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 8,212 | 8,212 |
| Capital surplus | 3,915 | 3,918 |
| Retained earnings | 5,442 | 4,701 |
| Treasury stock | (698) | (698) |
| Total shareholders' equity | 16,872 | 16,133 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 6,214 | 9,990 |
| Foreign currency translation adjustment | 390 | 191 |
| Total accumulated other comprehensive income | 6,604 | 10,182 |
| Subscription rights to shares | 0 | 0 |
| Non-controlling interests | 3,656 | 4,319 |
| Total net assets | 27,133 | 30,635 |
| Total liabilities and net assets | 56,551 | 56,566 |

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

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

(Unit: yen in millions)

| | 2018 Q3 (From January 1 to September 30, 2018) | 2019 Q3 (From January 1 to September 30, 2019) |
|---|---|---|
| Revenue | 64,069 | 62,573 |
| Cost of sales | 51,236 | 51,758 |
| Gross profit | 12,833 | 10,815 |
| Selling, general and administrative expenses | 11,609 | 11,357 |
| Operating income or loss | 1,223 | (542) |
| Non-operating income | | |
| Investment gain on equity method | - | 88 |
| Gain on investments in partnership | 37 | 120 |
| Gain on valuation of derivatives | 56 | - |
| Other | 55 | 24 |
| Total non-operating income | 149 | 233 |
| Non-operating expenses | | |
| Interest expenses | 25 | 18 |
| Foreign exchange losses | - | 28 |
| Loss on investments in partnership | 50 | - |
| Investment loss on equity method | 36 | 17 |
| Other | 112 | 63 |
| Total non-operating expenses | 1,260 | (372) |
| Ordinary income | | |
| Extraordinary income | - | 116 |
| Gain on change in equity | 1,219 | 450 |
| Gain on sales of investment securities | 506 | - |
| Other | 0 | 2 |
| Total extraordinary income | 1,726 | 569 |
| Extraordinary losses | | |
| Loss of retirement of non-current asset | 62 | 36 |
| Impairment loss | 377 | 44 |
| Loss on sales of investment securities | 10 | 421 |
| Loss on valuation of investment securities | 15 | 22 |
| Other | 1 | 10 |
| Total extraordinary losses | 466 | 536 |
| Quarterly net income (loss)before taxes and other adjustments | 2,520 | (338) |
| Total income (loss)taxes | 1,066 | 492 |
| Quarterly net income(loss) | 1,453 | (831) |
| Quarterly net income (loss)attributable to non-controlling interests | 217 | (460) |
| Quarterly net income(loss) attributable to owners of parent | 1,236 | (370) |

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

(Unit: Yen in millions)

| | 2018 Q3 (From January 1 to September 30, 2018) | 2019 Q3 (From January 1 to September 30, 2019) |
|---|---|---|
| Net income(loss) | 1,453 | (831) |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 10,860 | 3,773 |
| Foreign currency translation adjustment | (37) | (105) |
| Share of other comprehensive income of associates accounted for using equity method | (8) | (95) |
| Total other comprehensive income | 10,814 | 3,573 |
| Comprehensive income | 12,267 | 2,742 |
| Comprehensive income attributable to: | | |
| Owners of parent | 12,050 | 3,207 |
| Non-controlling interests | 217 | (464) |

(3) Quarterly consolidated statements of cash flows

(Unit: Yen in millions)

| | 2018 Q3 (From January 1 to September 30, 2018) | 2019 Q3 (From January 1 to September 30, 2019) |
|---|---|---|
| Cash flows from operating activities | | |
| Profit (loss) before income taxes | 2,520 | (338) |
| Depreciation | 594 | 399 |
| Amortization of goodwill | 237 | - |
| Loss (gain) on investments in partnership | (37) | (120) |
| Loss (gain) on sales of investment securities | (1,203) | (428) |
| Loss (gain) on valuation of investment securities | 10 | 421 |
| Share of loss (profit) of entities accounted for using equity method | 50 | (88) |
| Loss (gain) on valuation of derivatives | (56) | - |
| Impairment loss | 377 | 44 |
| Loss on retirement of non-current assets | 62 | 36 |
| Loss (gain) on transfer of business | (506) | - |
| Increase (decrease) in allowance for doubtful accounts | 7 | (13) |
| Increase (decrease) in provision for bonuses | (160) | (461) |
| Increase (decrease) in net defined benefit liability | 45 | 22 |
| Interest and dividend income | (4) | (4) |
| Interest expenses | 25 | 18 |
| Decrease (increase) in notes and accounts receivable – trade | 382 | 1,430 |
| Decrease (increase) in investment securities for sale | (401) | (279) |
| Decrease (increase) in inventories | (343) | 221 |
| Increase (decrease) in notes and accounts payable – trade | (189) | (913) |
| Increase (decrease) in accrued consumption taxes | (20) | (1,349) |
| Other, net | 142 | 464 |
| Subtotal | 1,529 | (937) |
| Interest and dividend income received | 3 | 4 |
| Interest expenses paid | (24) | (18) |
| Income taxes paid | (1,019) | (1,616) |
| Income taxes refund | 40 | 21 |
| Cash flows from operating activities | 529 | (2,545) |
| Cash flows from investing activities | | |
| Payments into time deposits | (198) | - |
| Proceeds from withdrawal of time deposits | 285 | - |
| Purchase of property, plant and equipment | (31) | (55) |
| Purchase of intangible assets | (646) | (571) |
| Purchase of investment securities | (321) | (140) |
| Proceeds from sales of investment securities | 238 | 595 |
| Proceeds from withdrawal of investment securities | 378 | 258 |
| Proceeds from transfer of business | 2,164 | - |

| | | |
|---|---|---|
| Payments for sale of businesses | - | (177) |
| Payments for sales of investments in subsidiaries resulting in change in scope of consolidation | (57) | - |
| Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation | - | 292 |
| Proceeds from derivative settlement | 524 | - |
| Payments for lease and guarantee deposits | (33) | (257) |
| Payments for return and guarantee deposits | 784 | 13 |
| Payments of loans receivable | (15) | 0 |
| Collection of loans receivable | 73 | 18 |
| Other, net | (38) | (6) |
| Cash flows from investing activities | 3,105 | (31) |

(Unit: Yen in millions)

| | 2018 Q3 (From January 1 to September 30, 2018) | 2019 Q3 (From January 1 to September 30, 2019) |
|---|---|---|
| Cash flows from financial activities | | |
| Net increase (decrease) in short-term loans payable | (16) | - |
| Repayment of long-term loans payable | 5,500 | - |
| Proceeds from payments from non-controlling shareholders | (6,535) | (1,050) |
| Repayments of finance lease obligations | 454 | 1,310 |
| Repurchase of treasury shares | (44) | 0 |
| Purchase of subsidiary’s treasury shares | 0 | - |
| Cash dividends paid | (146) | (12) |
| Cash dividends paid to non-controlling interests | (272) | (434) |
| Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation | (24) | (44) |
| Other | (135) | - |
| Cash flows from financial activities | (3) | (48) |
| Effect of exchange rate change on cash and cash equivalents | (1,224) | (279) |
| Net increase (decrease) in cash and cash equivalents | (14) | (74) |
| Cash and cash equivalents at beginning of period | 2,396 | (2,930) |
| Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation | 15,417 | 19,598 |
| Cash and cash equivalents at end of period | 74 | - |
| Cash and cash equivalents at end of period | 17,887 | 16,668 |

(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 months ended on March 31, 2019.

Deferred tax assets are classified in investments and other assets and deferred tax liabilities are classified 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 September 30, 2018 (2018 Q3)

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 | 60,512 | 3,557 | 64,069 | - | 64,069 |
| Intersegment revenue or transfer | 28 | 61 | 90 | (90) | - |
| Total | 60,540 | 3,619 | 64,159 | (90) | 64,069 |
| Profit (loss) of segment *2 | 2,979 | 959 | 3,938 | (1,397) | 2,541 |
| EBITDA*3 | 5,026 | 1,127 | 6,154 | (1,316) | 4,837 |
| Interest paid – Interest received | | | | | 21 |
| Net income before taxes and other adjustments | | | | | 2,520 |
| Total income taxes | | | | | 1,066 |
| Income taxes – current | | | | | 1,280 |
| Income taxes - deferred, etc. | | | | | (213) |
| Net income attributable to non-controlling interests | | | | | 217 |
| Net income attributable to owners of parent | | | | | 1,236 |

Notes:

1. The adjustment amount of JPY (1,397 million) for segment profit includes elimination of intersegment transaction and JPY (1,359 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 3rd 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 14,621 yen in millionsdue 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 noncurrent asset or goodwill, etc., by reporting segments

(Significant impairment loss of noncurrent 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 September 30, 2019 (2019 Q3)

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 | 60,138 | 2,434 | 62,573 | - | 62,573 |
| Intersegment revenue or transfer | 6 | 24 | 30 | (30) | - |
| Total | 60,144 | 2,458 | 62,603 | (30) | 62,573 |
| Profit (loss) of segment [*2] | 1,690 | (363) | 1,326 | (1,651) | (325) |
| EBITDA[*3] | 2,135 | 327 | 2,463 | (1,402) | 1,060 |
| Interest paid – Interest received | | | | | 13 |
| Net income before taxes and other adjustments | | | | | (338) |
| Total income taxes, etc. | | | | | 492 |
| Income taxes – current | | | | | 292 |
| Income taxes – deferred | | | | | (200) |
| Net income attributable to non-controlling interests | | | | | (460) |
| Net income attributable to owners of parent | | | | | (370) |

Notes:

1. The adjustment amount of JPY (1,651 million) for segment profit includes elimination of intersegment transaction and JPY (1,650 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 noncurrent asset or goodwill, etc., by reporting segments

(Significant impairment loss of noncurrent asset)

Not applicable

(Significant change in amount of goodwill)

Not applicable

(Significant gain on negative goodwill)

Not applicable

(Business integration)

(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.