

Business Results for the First Half of the Fiscal Year Ending March 31, 2015 (FY2015)

October 17, 2014



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1H FY2015 Income Statement (Consolidated)

(millions of yen)

	1H FY2015	% of total	1H FY2014	% of total	YoY comparison
Net sales	8,736	100.0%	8,569	100.0%	102.0%
Operating income	657	7.5%	887	10.4%	74.1%
Ordinary income	673	7.7%	889	10.4%	75.7%
Net income	401	4.6%	551	6.4%	72.7%

□ In addition to advertising restrictions, the pachinko parlor industry was affected by soaring prices of construction materials and worker shortage, and the number of grand openings in the period under review was lower than the average year.

□ In its mainstay advertising business, the Group worked to further increase the number of client parlors to expand sales share, while driving forward formulation of a new structure and future sales strategy for U&U Co., Ltd. (the “UU”), which became a subsidiary at the end of FY2014.

□ As a result, net sales for the first half totaled ¥ 8,736 million (up 2.0% year on year), operating income amounted to ¥ 657 million (down 25.9% year on year), ordinary income amounted to ¥ 673 million (down 24.3% year on year) and net income amounted to ¥ 401 million (down 27.3% year on year).

Breakdown by Business Segment

□ 1H FY2015

(millions of yen)

	Advertising	Real Estate	Adjustment	Consolidated
Net sales	8,661	74	-	8,736
of which mail order advertising	510			
Segment income	848	29	(220)	657

□ Change versus 1H FY2014

(millions of yen)

	Advertising	Real Estate	Adjustment	Consolidated
Net sales	+192	(25)	-	167
Segment income	(207)	(5)	(17)	(230)

□ While consolidated net income increased by ¥167 million thanks to the contribution from the mail order advertising business, which became a consolidated subsidiary at the end of FY2014, segment income declined by ¥230 million.

1H FY2015 Income Statement (Advertising)

(millions of yen)

Advertising	1H FY2015	1H FY2014	YoY comparison
Net sales	8,661	8,469	102.3%
of which mail order advertising	510	-	-
Operating expense	7,813	7,414	105.4%
Segment income	848	1,055	80.4%

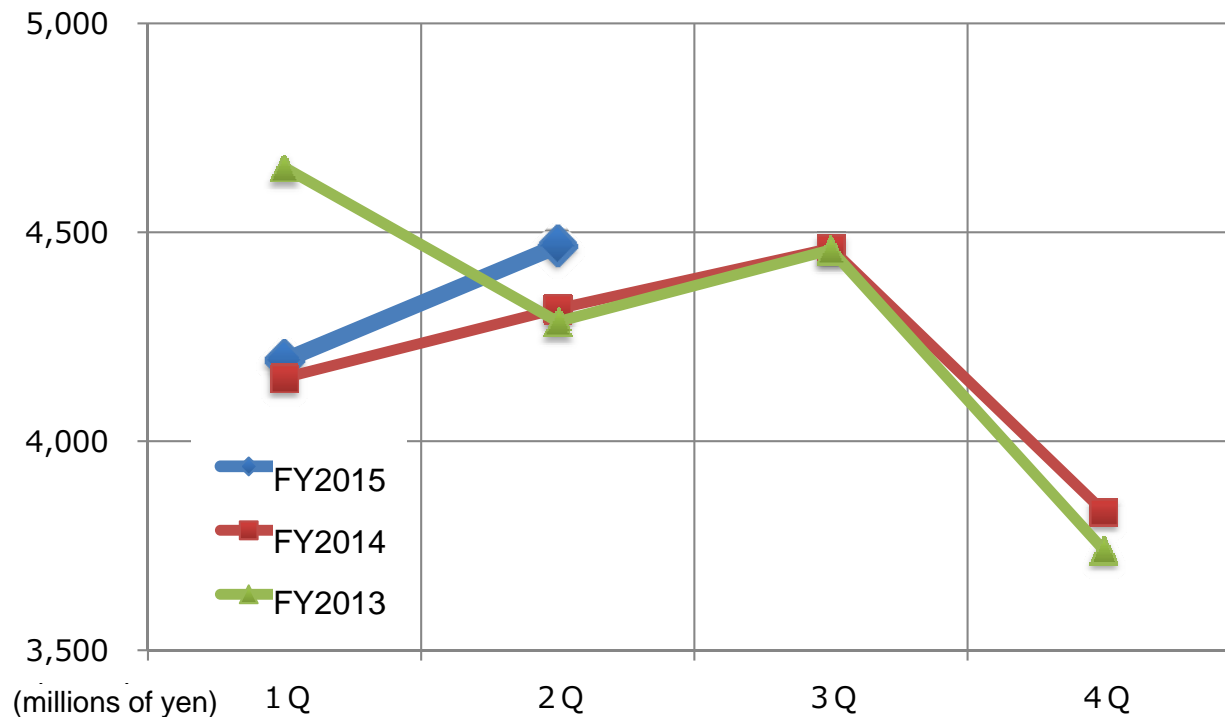
□ Advertising demand in the pachinko parlor market continued to slump due to the impact of the advertising restrictions. Against this backdrop, the Group - strengthened advertising proposals aimed at further increasing the number of client parlors in the pachinko advertising business, while working on cost reduction through improving efficiency of the design operation, and - in the mail order advertising business, it drove forward formulation of a new structure and sales strategy following the acquisition at the end of FY2014.

□ As a result of these efforts, net sales of the Advertising Business came to ¥8,661 million (up 2.3% year on year) due to the contribution of ¥510 million in UU's net sales. However, segment income totaled ¥848 million (down 19.6% year on year), margin declined reflecting the decline in net sales of the pachinko advertising business.

Quarterly Sales Trends (Advertising)

(millions of yen)

	1 Q	2 Q	3 Q	4 Q	Full year
FY2015	4,194	4,467	-	-	8,661
of which mail order advertising	276	234	-	-	510
FY2014	4,152	4,317	4,462	3,831	16,762
FY2013	4,655	4,286	4,458	3,739	17,138

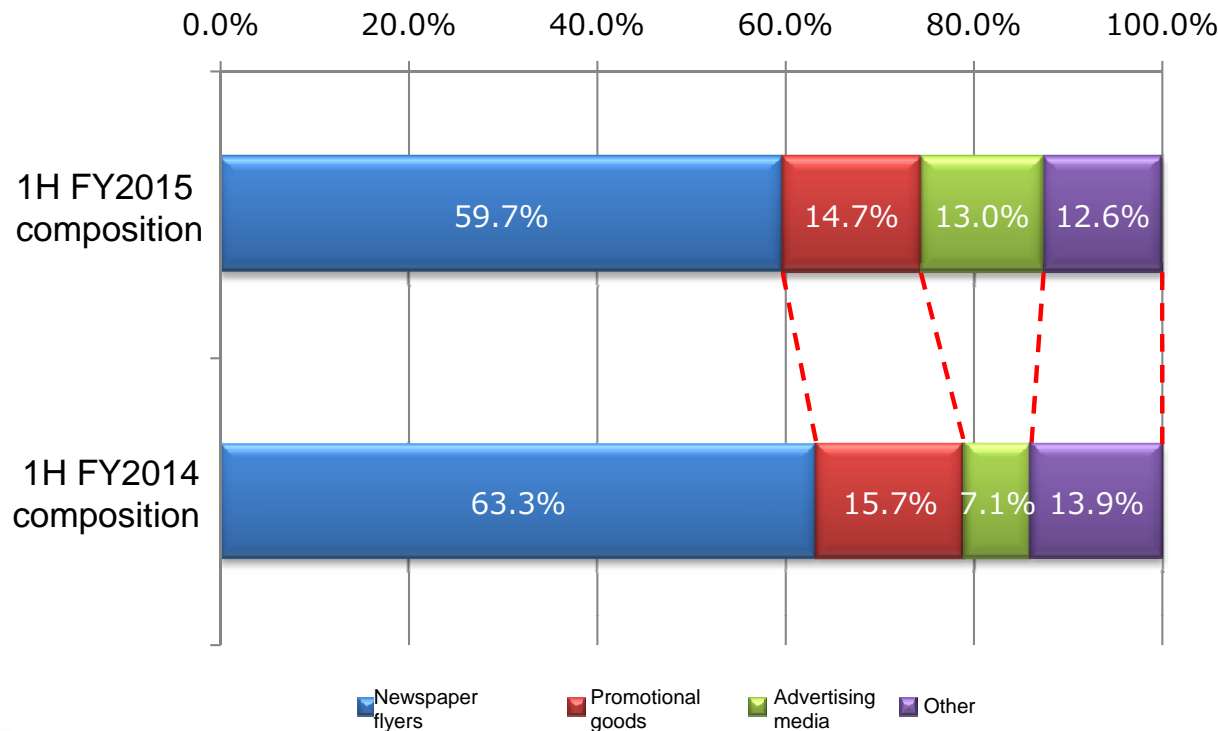


□ Partly due to the impact of the mail order advertising, net sales increased by ¥192 million compared with FY2104.

Sales Breakdown (Advertising)

(millions of yen)

	1H FY2015	% of total	1H FY2014	% of total	YoY comparison
Newspaper flyers	5,168	59.7%	5,359	63.3%	96.4%
Promotional goods	1,271	14.7%	1,332	15.7%	95.4%
Advertising media	1,130	13.0%	600	7.1%	188.5%
Other	1,090	12.6%	1,177	13.9%	92.6%
	8,661	100.0%	8,469	100.0%	102.3%



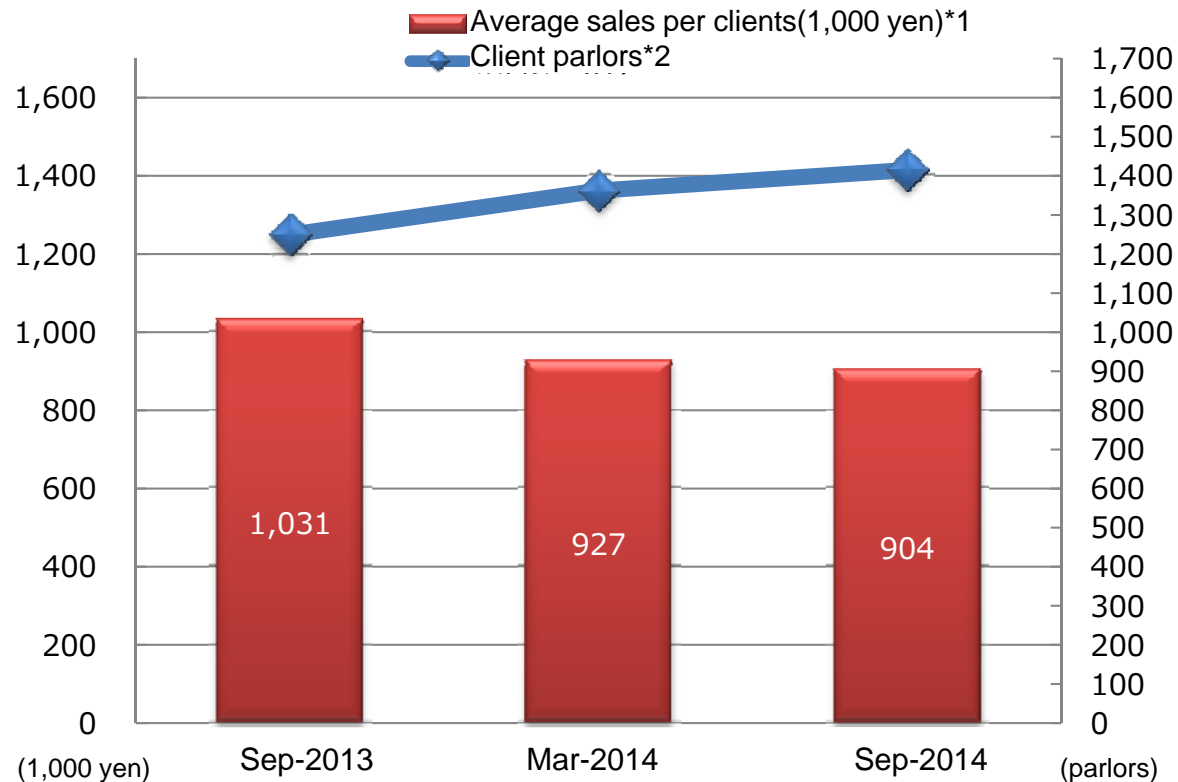
□ Sales and ratio of the advertising media increased by ¥530 million and 5.9%, as the Group made the mail order advertising business into a consolidated subsidiary.

Clients (Advertising)

□ While the number of client parlors in single month September increased 166 (up 13.3%), the average sales per client declined ¥127,000 (down 12.3%) , as clients' advertising cost continued to decrease.

Active clients	Sep-2013	Mar-2013	Sep-2014
Average sales per client (1,000 yen) ^{*1}	1,031	927	904
Client parlors ^{*2}	1,249	1,362	1,415

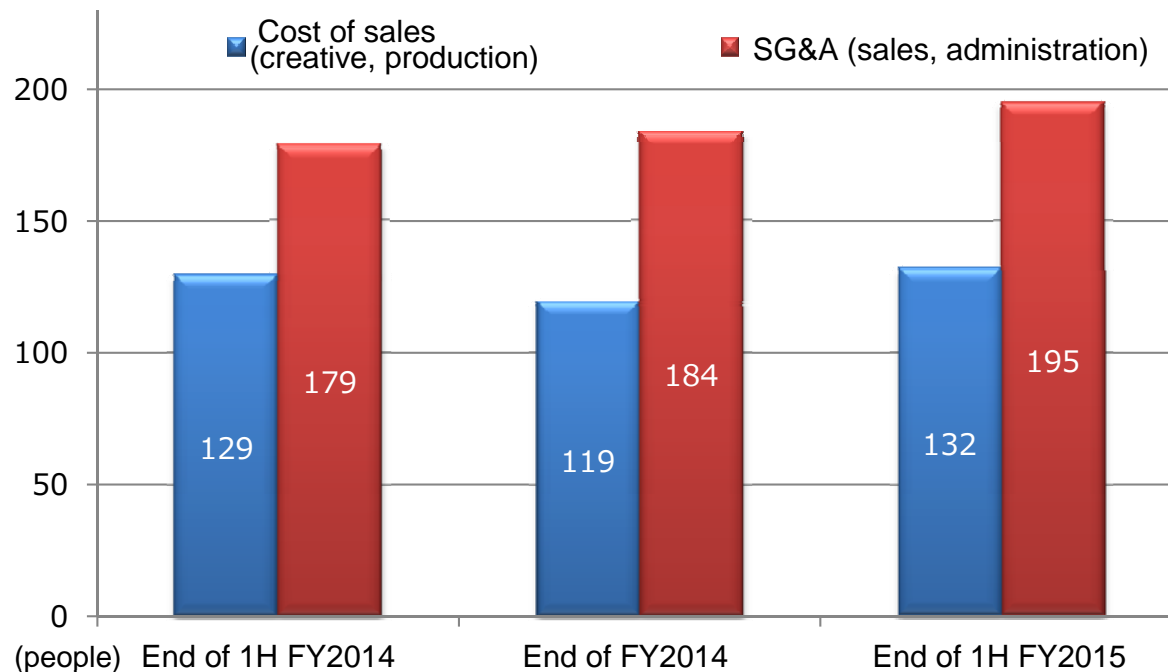
*1 Figures are on a single-month basis *2 Client parlors refer to customers with more than 50,000 yen in monthly transactions



Employees (Advertising)

(people)

	End of 1H FY2014	End of FY2014	End of 1H FY2015
Cost of sales (creative, production)	129	119	132
SG&A (sales, administration)	179	184	195
Subtotal for advertising	308	303	327



□ The number of employees increased by 19 compared with a year ago, mainly due to the addition of the mail order advertising business's 17 people.

1H FY2015 Income Statement (Real Estate)

(millions of yen)

Real Estate	1H FY2015	1H FY2014	YoY comparison
Net sales	74	99	75.2%
Operating expense	45	65	69.2%
Segment income	29	34	85.1%

- ❑ In the first half, some spot brokerage agreements were added to the two existing, ongoing leasing agreements. As a result, net sales totaled ¥74 million, down 24.8% from the same period of the previous fiscal year, and segment income came to ¥29 million, down 14.9% year on year.

1H FY2015 Balance Sheet (Consolidated)

(millions of yen)

	End of FY2014 (A)	End of 1H FY2015 (B)	Change (B) – (A)	
Cash and cash equivalents	3,804	3,448	(355)	(1) Decline in cash and cash equivalents due to payment of taxes and dividends
Notes and accounts receivables	2,226	2,244	18	
Other current assets	180	308	128	
Tangible fixed assets	893	918	25	
Intangible fixed assets	259	321	62	
Investment and other assets	1,124	937	(187)	
Total assets	8,487	8,178	(309)	
Notes and accounts payables	1,289	1,346	57	(2) Decline in short-term borrowings
Short-term borrowings (incl. long-term borrowings due within a year)	756	360	(396)	
Accrued income taxes	318	256	(62)	
Other current liabilities	238	257	19	(3) Increase in long-term borrowings
Long-term borrowings	270	720	450	
Other fixed liabilities	26	18	(8)	
Total liabilities	2,898	2,959	60	
Shareholders' equity	5,567	5,184	(383)	(4) Decline of ¥369 million year on year
Other	20	33	13	
Total net assets	5,589	5,219	(369)	Main factors +¥401 million in net income -¥551 million in treasury stock -¥232 million in dividend payments
Total liabilities and net assets	8,487	8,178	(309)	

1H FY2015 Cash Flow Statement (Consolidated)

(millions of yen)

	1H
Net income before income taxes	637
Amortization of goodwill	22
Depreciation and amortization	34
Changes in allowance for doubtful accounts	(0)
Interest and dividends received	(3)
Interest expenses	4
Exchange gain or loss	(16)
Change in accounts receivable	(11)
Change in inventories	(11)
Change in accounts payable	58
Other	45
Subtotal	759
Income taxes paid	(301)
Other	(2)
Cash flow from operations	457
Payment for purchase of tangible/intangible fixed assets	(145)
Proceeds from sale of tangible/intangible fixed assets	1
Payment for purchase of investment securities	(0)
Proceeds from sale of investment securities	30
Deposits and guarantee money paid	(34)
Proceeds from collection of lease and guarantee deposits	40
Other	15
Cash flow from investing activities	(92)
Change in short-term borrowings	(500)
Proceeds from long-term borrowings	700
Repayment of long-term borrowings	(167)
Proceeds from stock issuance to minority shareholders	21
Payment for purchase of treasury stock	(551)
Dividends paid	(232)
Cash flow from financing activities	(729)
Translation adjustments related to cash and cash equivalents	12
Change in cash and cash equivalents	(352)
Cash and cash equivalents at beginning of the period	3,839
Cash and cash equivalents at end of the period	3,486

(1) ¥301 million in payment of income taxes on earnings in the previous fiscal year

(2) ¥551 million for acquisition of treasury stock

(3) ¥232 million in payment of year-end dividend for earnings in the previous fiscal year

Revision of FY2015 Consolidated Earnings Forecast

(millions of yen)

	1H FY2015 results	FY2015 full-year forecast (A) *Announced on April 18, 2014	Percent achieved	FY2015 revised full-year forecast (B)	Percent achieved	Change (B-A)	Change (%)
Net sales	8,736	18,500	47.2%	17,300	50.5%	-1,200	-6.5%
Operating income	657	1,700	38.6%	1,450	45.3%	-250	-14.7%
Ordinary income	673	1,700	39.6%	1,450	46.4%	-250	-14.7%
Net income	401	1,100	36.5%	900	44.6%	-200	-18.2%

□ In the first half, advertising demand for large-scale projects declined compared to initial forecast, as advertisements for new openings of pachinko parlors fell due to the impact of rising construction costs and the increase in the consumption tax rate. Further, introduction of new pachislo machine models to the market is expected to be sluggish due to the impact of the changes to the testing method for pachislo machines effective since September 2014. Since this is also expected to negatively affect the new parlor opening plans, the number of advertisements for large-scale projects in the second half is expected to fall short of the initial forecast. In addition, demand for advertisements for new machine replacements is also expected to decline compared with the initial forecast due to the aforementioned impact of the delay in the introduction of new models. As a result, net sales for the pachinko parlor advertising for the full year is expected to decline by ¥800 million compared to the previous forecast.

Net sales in mail order advertising business is expected to be ¥400 million lower than the previous forecast, as UU, a company specializing in mail order advertising business, which was made a consolidated subsidiary in March this year, would require more time to acquire new clients.

Operating income, ordinary income and net income are expected to be lower than previous forecast reflecting primarily the decrease in margin following the fall in sales in the pachinko parlor advertising business.

The Group maintains a dividend payout ratio of 50% as its basic policy on dividends, and there is no change to the dividend forecast following the revision to the earnings forecast.

These materials, which contain earnings forecasts and other forward-looking statements, are based on information available to the Company at the time of preparation and on certain other information the Company believes to be reasonable. Actual business results may differ materially from those expressed or implied herein due to a range of factors.

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