



Business Results for the First Half of the Fiscal Year Ending March 31, 2016(FY2016)

October 16, 2015

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1H FY2016 Income Statement (Consolidated)

(millions of yen)

	1H FY2016	% of total	1H FY2015	% of total	YoY comparison
Net sales	8,294	100.0%	8,736	100.0%	94.9%
Operating income	519	6.3%	657	7.5%	79.1%
Ordinary income	525	6.3%	673	7.7%	78.0%
Net income	333	4.0%	401	4.6%	83.1%

✓ The pachinko parlor industry continues to be in a severe business environment as user spending and user count declines. New parlor openings have been showing a declining trend on the whole, as the number of new large-scale projects, which start with land acquisition, decreased while that of small-sized projects, in which operators acquire the buildings of existing parlors, refurbish and open them, has been increasing.

✓ In its mainstay advertising business, the Group worked proactively to expand sales of Internet media and outdoor advertising to transform its earnings structure. It newly started printing and design contracted services targeting new industries in an effort to raise the level of profits.

✓ As a result, net sales for the first half totaled ¥ 8,294 million (down 5.1% year on year), operating income amounted to ¥ 519 million (down 20.9% year on year), ordinary income amounted to ¥ 525 million (down 22.0% year on year) and net income amounted to ¥ 333 million (down 16.9% year on year).

Breakdown by Business Segment

□ 1H FY2016

(millions of yen)

	Advertising	Real Estate	Other	Adjustment	Consolidated
Net sales	8,180	77	36	(0)	8,294
Segment income	684	33	(12)	(185)	519

□ Change versus 1H FY2015

(millions of yen)

	Advertising	Real Estate	Other	Adjustment	Consolidated
Net sales	(481)	+3	+36	(0)	(442)
Segment income	(164)	+4	(12)	+35	(138)

✓ Consolidated net sales declined by ¥ 442 million and segment income decreased by ¥ 138 million, as the advertising business of pachinko parlors and mail order services underperformed the same period a year earlier.

1H FY2016 Income Statement (Advertising)

(millions of yen)

Advertising	1H FY2016	1H FY2015	YoY comparison
Net sales	8,180	8,661	94.4%
Operating expense	7,496	7,813	95.9%
Segment income	684	848	80.6%

✓ In addition to the continued slump in demand in the pachinko parlor advertising market due to the impact of the advertising restrictions, the overall advertising demand continued to decline given the prolonged cutbacks in advertising expenses stemming from worsening profitability at pachinko parlor operators.

Under such circumstances, the Group worked on the following initiatives in the advertising business:

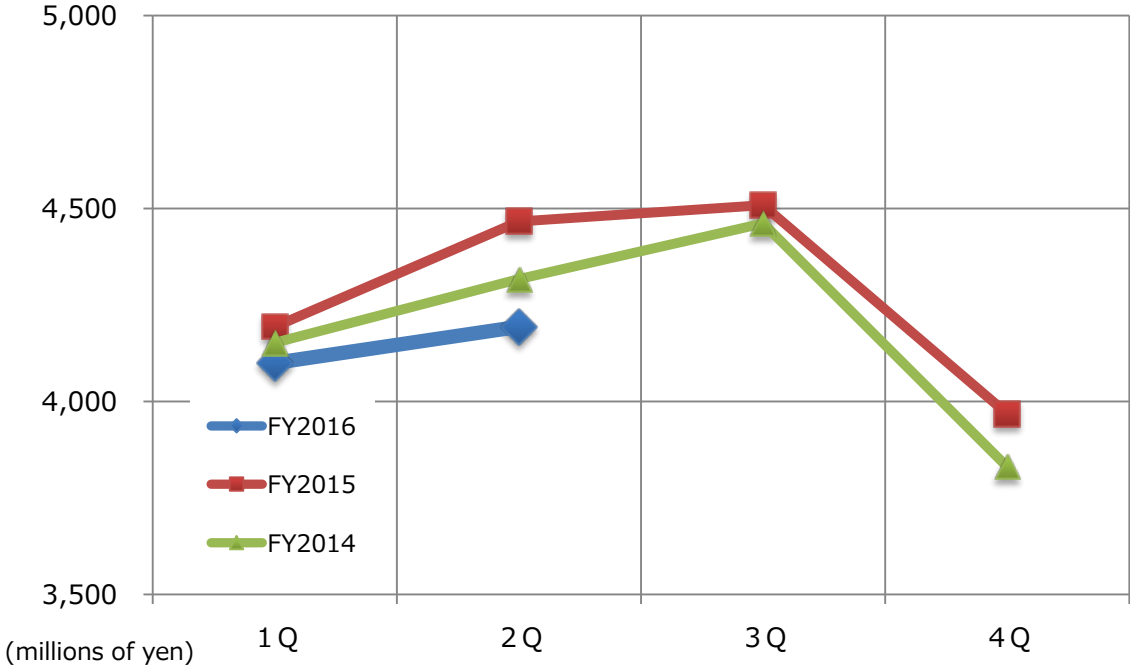
- the Group pursued proposals to increase the handling of Internet media and outdoor advertising, while at the same time carrying out sales activities for steadily capturing orders based on special demand cases;
- the Group started to work on cost reduction through streamlining of design work and reduction of DM-related costs by reviewing partner companies; and
- the Group started printing and design on contract basis for corporate customers in other industries.

✓ As a result of these efforts, net sales of the Advertising Business came to ¥ 8,180 million (down 5.6% year on year) and segment income declined 19.4% to ¥ 684 million.

Quarterly Sales Trends (Advertising)

(millions of yen)

	1 Q	2 Q	3 Q	4 Q	Full year
FY2016	4,100	4,194	-	-	8,294
FY2015	4,194	4,467	4,509	3,968	17,138
FY2014	4,152	4,317	4,462	3,831	16,762



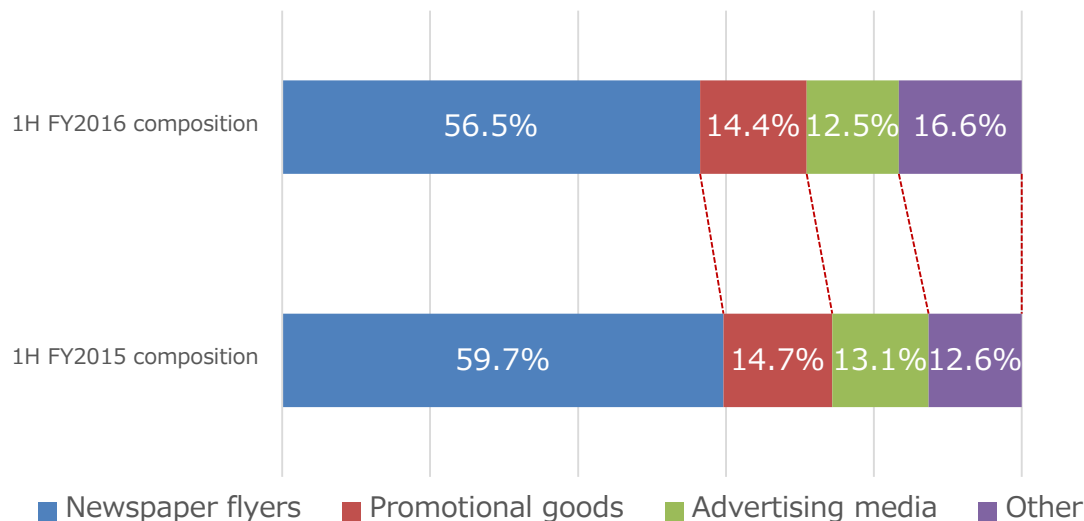
✓ Net sales of the Advertising Business in 2Q declined ¥ 273 million compared with the same period a year earlier due to fewer large-scale special demand projects.

Sales Breakdown (Advertising)

(millions of yen)

	1H FY2016	% of total	1H FY2015	% of total	YoY comparison
Newspaper flyers	4,622	56.5%	5,168	59.7%	89.4%
Promotional goods	1,179	14.4%	1,271	14.7%	92.7%
Advertising media	1,019	12.5%	1,130	13.1%	90.2%
Other	1,359	16.6%	1,090	12.6%	124.7%
	8,180	100%	8,661	100%	94.4%

0.0% 20.0% 40.0% 60.0% 80.0% 100.0%



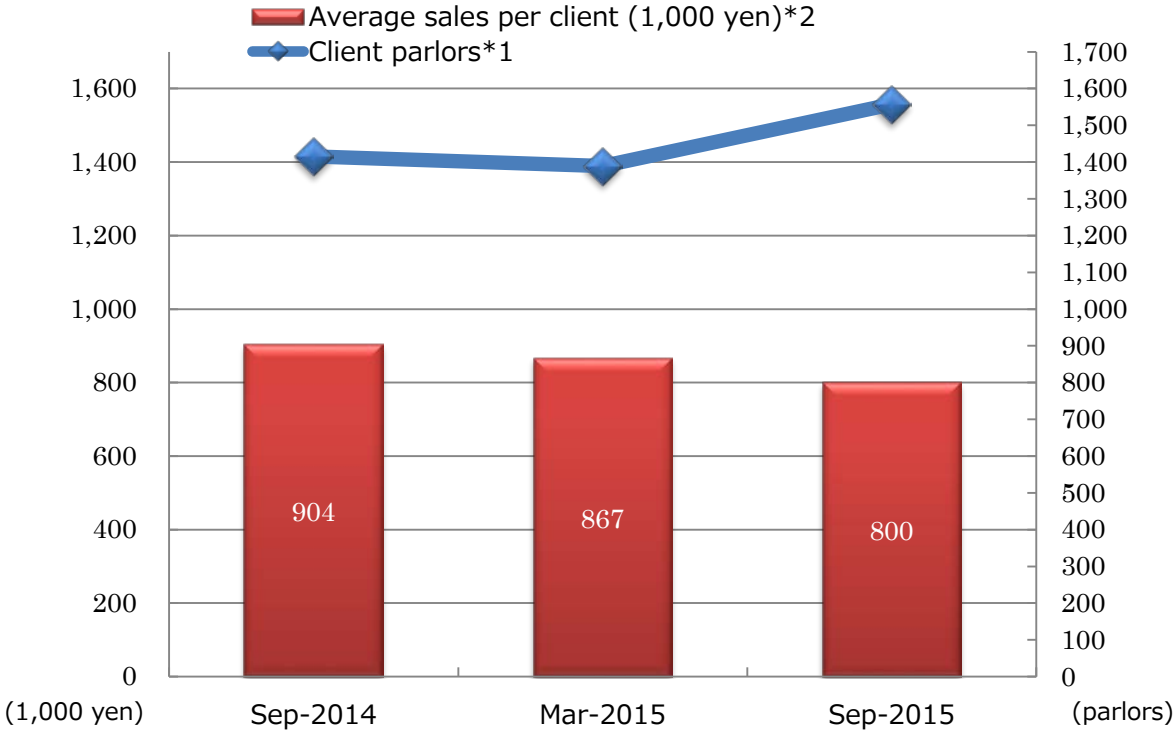
✓ Net sales of newspaper flyers, which are the mainstay medium of the pachinko advertising business, declined ¥546 million year on year and its share in the business also fell 3.2 pp.

Clients (Advertising)

While the number of client parlors in single month September increased 142 (up 10%), partly as Gendai added a new major parlor operator, the average sales per client declined ¥104,000 (down 11.5%), as clients' advertising cost continued to decrease.

Active clients	Sep-2014	Mar-2015	Sep-2015
Client parlors ^{*1}	1,415	1,389	1,557
Average sales per client (1,000 yen) ^{*2}	904	867	800

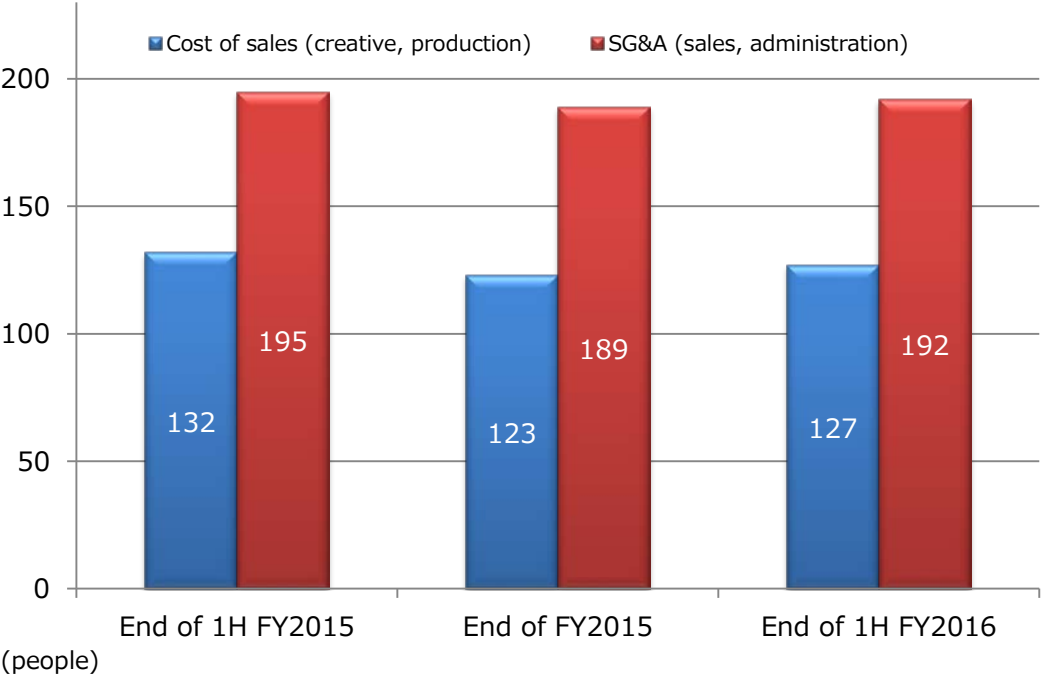
^{*1} Client parlors refer to customers with more than 50,000 yen in monthly transactions ^{*2} Figures are on a single-month basis



Employees (Advertising)

(people)

	End of 1H FY2015	End of FY2015	End of 1H FY2016
Cost of sales (creative, production)	132	123	127
SG&A (sales, administration)	195	189	192
Subtotal for advertising	327	312	319



✓ There has been no major change in the number of employees as of the end of 1H FY2016 compared with the end of FY2015.

1H FY2016 Income Statement (Real Estate)

(millions of yen)

Real Estate	1H FY2015	1H FY2014	YoY comparison
Net sales	77	74	103.4%
Operating expense	44	45	97.8%
Segment income	33	29	113.9%

✓ In the first half, some spot brokerage agreements were added to the two existing, ongoing leasing agreements. As a result, net sales totaled ¥77 million, up 3.4% from the same period of the previous fiscal year, and segment income came to ¥33 million, up 13.9% year on year.

1H FY2016 Balance Sheet (Consolidated)

(millions of yen)

	End of FY2015 (A)	End of 1H FY2016 (B)	Change (B) – (A)
Cash and cash equivalents	3,494	3,432	(62)
Notes and accounts receivables	2,105	2,166	61
Other current assets	305	334	29
Tangible fixed assets	939	961	22
Intangible fixed assets	321	282	(39)
Investment and other assets	961	872	(89)
Total assets	8,129	8,049	(79)
Notes and accounts payables	1,220	1,262	42
Short-term borrowings (incl. long-term borrowings due within a year)	460	550	90
Accrued income taxes	234	237	3
Other current liabilities	334	191	(143)
Long-term borrowings	490	370	(120)
Other fixed liabilities	18	18	-
Total liabilities	2,758	2,630	(127)
Shareholders' equity	5,353	5,395	42
Other	17	23	6
Total net assets	5,370	5,419	48
Total liabilities and net assets	8,129	8,049	(79)

(1) Decline in cash and cash equivalents due to payment of taxes and dividends

(2) Declines of ¥69 million in accrued consumption tax, etc. and ¥49 million in other accounts payable

(3) +¥333 million in net income -¥235 million in dividend payments

1H FY2016 Cash Flow Statement (Consolidated)

(millions of yen)

	1H
Net income before income taxes	542
Amortization of goodwill	22
Depreciation and amortization	51
Changes in allowance for doubtful accounts	(0)
Interest and dividends received	(9)
Interest expenses	3
Exchange gain or loss	1
Change in accounts receivable	(60)
Change in inventories	(0)
Change in accounts payable	41
Other	(90)
Subtotal	501
Income taxes paid	(208)
Other	8
Cash flow from operations	300
Payment for purchase of tangible/intangible fixed assets	(32)
Payment for purchase of investment securities	(286)
Proceeds from sale of investment securities	163
Deposits and guarantee money paid	(13)
Proceeds from collection of lease and guarantee deposits	10
Other	21
Cash flow from investing activities	(137)
Change in short-term borrowings	100
Repayment of long-term borrowings	(130)
Dividends paid	(235)
Cash flow from financing activities	(265)
Translation adjustments related to cash and cash equivalents	0
Change in cash and cash equivalents	(102)
Cash and cash equivalents at beginning of the period	3,536
Change in cash and cash equivalents due to new consolidation	40
Cash and cash equivalents at end of the period	3,474

(1) ¥208 million in payment of income taxes on earnings in the previous fiscal year

(2) ¥286 million in payment for purchase of investment securities

(3) ¥163 million in proceeds from redemption/sale of investment securities

(4) ¥235 million in payment of year-end dividend for earnings in the previous fiscal year

Revision of FY2016 Consolidated Earnings Forecast

(millions of yen)

	1H FY2016 results	FY2016 full-year forecast (A) *Announced on April 17, 2015	Percent achieved	FY2016 revised full-year forecast (B) *Announced on October 16, 2015	Percent achieved	Change (B-A)	Change (%)
Net sales	8,294	16,700	49.7%	16,000	51.8%	-700	-4.2%
Operating income	519	1,220	42.5%	1,000	51.9%	-220	-18.0%
Ordinary income	525	1,220	43.0%	1,000	52.5%	-220	-18.0%
Net income	333	810	41.1%	650	51.2%	-160	-19.8%

✓ In the first half, recurring advertising demand in the pachinko parlor advertising market declined more than initially expected due to the deteriorating profitability of pachinko parlors. Special demand projects such as advertising new parlor openings also remained comparatively low.

In addition, due to uncertainties that are highly likely to impact the profitability of pachinko parlors in the second half, such as the changes to the performance of machines to be newly installed, the Group expects advertising demand to remain lower than the initial forecast for the time being. The Group, therefore, is recalculating its earnings forecasts and revising the figures.

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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