TRANSLATION FOR REFERENCE ONLY

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For Immediate Release

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Notice Concerning a Revision to the Consolidated Results Forecasts for the Fiscal Year Ending December 31, 2015 and the Posting of a Loss on the Valuation of Inventories and Extraordinary Loss

The Company announces that its consolidated results forecasts for the fiscal year ending December 31, 2015 (from January 1, 2015 to December 31, 2015, FY2015) published in the *Consolidated Financial Results for FY2014 (Japanese Standards)* on February 13, 2015 (hereinafter "the initial forecasts") have been revised as follows in light of recent performance trends and other factors and that it will post a loss on valuation of inventories and an extraordinary loss.

1. Revision to the consolidated results forecasts for the fiscal year ending December 31, 2015 (from January 1, 2015 to December 31, 2015)

	Net Sales	Operating Income
	million yen	million yen
Forecasts previously announced (A)	3,078	-765
Forecasts announced herein (B)	1,546	-2,410
Change (B) – (A)	-1,532	-1,645
Change ratio (%)	-49.8	—
(Reference) Financial results for the preceding fiscal year (FY 2014)	2,172	-2,766

*The Company refrains from disclosing the ordinary income forecast and the net income forecast for the fiscal year ending December 31, 2015, given that it is not easy to reasonably foresee foreign exchange gains and losses while net sales from the overseas Internet of Things (IoT) business are expected to grow.

2. Grounds for the revision
   (a) Technology Business

For the consolidated fiscal year in question, i.e. ending December 31, 2015, the Company's Technology Business is giving shaping to projects for adding IoT support to customers' products with the use of the Company's technology. However, the timing of the release of IoT products will be around six to nine months later than expected by customers and by the Company. Accordingly, revenues from the IoT-related business, which were expected to come into being within the consolidated fiscal year concerned, will be confirmed in the fiscal year ending December 31, 2016 (from January 1, 2016 to December 31, 2016) and that means a decrease in net sales by approximately 1,085 million yen. While focusing on the IoT-related business, the Company downsized the beacon-related consulting service and other conventional services to eventually lower net sales by around 487 million yen. In view of these factors, the Company decided to revise the consolidated results forecasts for the fiscal year in question. The delay in the release of IoT is due chiefly to the lack of knowledge and experience requisite for commercialization of IoT products on the part of customers and their EMS, ODM, OEM (See Note) and other contracted manufacturers and to difficulties in different kinds of coordination between customers and their contracted manufacturers requisite to commercialization of IoT products. As a backdrop to these circumstances, European and American manufacturers, which make up the majority of the Company's customer base, tend to discover products from manufacturers that suit their brand image in trade shows and other events and then release them as their ODM products. They communicate their requests for colors, shapes and other specifications to ODM manufacturers in order to create the products. However, commercialization of IoT products involved so much knowledge and so many processes unfamiliar to customers and to their contracted manufacturers that it took a longer time than initially expected for the release of such products.

In order to shorten the period before the release of future IoT products, the Company started to serve as a mediator between customers and their contracted manufacturers, many of whom are based in China, for offering assistance in project management in English and Chinese, in addition to technical support covering design, prototyping and inspection, and provision of terminals for inspection, as well as other equipment. This assistance was so highly regarded that it began to produce an effect that would lead to business expansion through attracting customers and their contracted manufacturers. For example, Western manufacturers that we serve introduce the Company to Chinese contracted manufacturers in other products, and Chinese contracted manufacturers now introduce the Company to other Western manufacturers that they serve. Even so, the Company understands that, for the purpose of achieving profitability in this business, it is vital to earn sales from revenue sharing and other deals by realizing earlier releases of customers' IoT-ready products to the market. In the future, the Company will continue to expand sales of all-inclusive solutions necessary for the commercialization of IoT products ranging from communication modules to smartphone apps and cloud services. In addition, it will offer project management services to customers and their contracted manufacturers in an effort to shorten the time required for IoT product commercialization and to establish the Company's superiority in the field of IoT-related manufacturing.

On the other hand, it is anticipated that the slide in net sales will directly affect the operating income in the Company's Technology Business. Regarding other factors for a change in the operating income, expenses for raw materials and others are expected to fall by some 625 million yen from the level in the initial forecasts following a considerable shrinkage of net sales from the initial forecasts. For departure from the game and animation business, in which it is now difficult to earn stable revenues and from the embedded software licensing business, where future profitability became difficult to attain and for making a fresh start as an IoT start-up company, the Company spent about 82 million yen on increased overseas sales activities and advising activities. The Company re-examined the assets that would not be helpful to its new business orientation to treat approximately 170 million yen worth of inventories as expenses (See 3. *Recording of loss on valuation of inventories*). As it started in the preceding consolidated fiscal year, the Company posted around 352 million yen as expenses related to the closing down of its software infrastructure technology business that it used to engage in. On aggregate, operating expenses will result in a level close to the initial forecasts.

(b) Publishing and Video Business

The publishing and video business is performing well and steadily growing, with net sales increasing about 3.6% from the nine months of the previous fiscal year and the operating loss falling by about 52 million yen. In the current consolidated fiscal year, the financial results are also expected to slightly exceed the initial forecast. In addition, because the amortization of goodwill (approximately 80 million yen is recorded in the current consolidated fiscal year) of Flex Comix Inc. and HOLP SHUPPAN, Publishing, which the Company made consolidated subsidiaries in August 2012, was completed in September 2015, the results for the original business activities will be reflected in the profits as they are in the future. In the publishing and video business, we will continue to work on creating titles that are well-received by a greater number of readers, while also maintaining a high level of cost awareness.

In addition to the aforementioned results, about 101 million yen is expected to be recorded as a temporary expense associated with the relocation of the head office. As a result, the expected net sales for the current consolidated fiscal year will be 1,546 million yen, while the operating loss will be 2,410 million yen.

Expenses associated with the relocation and removal of the head office and the termination of the software infrastructure technology business are limited to the current consolidated fiscal year. Expenses such as deprecation, for which about 135 million yen was recorded in the nine months of the current consolidated fiscal year, will not be posted from the fiscal year ending December 31, 2016 due to the impairment of the following non-current assets (refer to 4-(1) "Recording of impairment losses"). In addition, because of the contribution made by eliminating the amortization of goodwill in the publishing and video business, expenses related to operating activities are expected to decline from the fiscal year ending December 31, 2016.

(Note) EMS (Electronics Manufacturing Service): Service that undertakes the outsourced manufacturing of electronic devices.

ODM (Original Design Manufacturing): Type of operation involving the outsourced design and manufacturing of customer products.

OEM (Original Equipment Manufacturing): Type of operation in which customers design products and only outsource the manufacturing.

3. Recording of loss on valuation of inventories

Due to the reasons previously stated in "Grounds for the revision" in 2., we recorded 170 million yen in the cost of sales for inventories, such as raw materials for primarily the technology business, in accordance with the Accounting Standards for Measurement of Inventories" (Accounting Standards Board of Japan (ASBJ) Statement No. 9) after conservatively reviewing the inventories of the Company.

4. Recording of extraordinary losses

(1) Recording of impairment losses

Due to the reasons previously stated in "Grounds for the revision" in 2., we recorded 481 million yen as extraordinary losses on a consolidated basis for the non-current assets of all the businesses of the Company based on the Accounting Standard for Impairment of Fixed Assets.

(2) Recording of loss on valuation of shares of subsidiaries and associates

Due to the reasons previously stated in "Grounds for the revision" in 2., we recorded 321 million yen as a loss on valuation of shares of subsidiaries and associates in extraordinary losses on a non-consolidated basis, based on the Accounting Standards for Financial Instruments. The reason for this was the substantial decline in the actual value of shares of subsidiaries that were involved in the old businesses of the shares of subsidiaries and associates which the Company owns. Because the loss on valuation of shares of subsidiaries and associates will be eliminated in the consolidated settlement of accounts, it will not have an impact on consolidated profits and losses.

* The forecasts above are prepared based on information available as of the publication date of this material. The actual results may differ from forecast values due to various factors.