Member of Financial Accounting Standards Foundation (FASF)

Consolidated Financial Results (Japanese Accounting Standards) for the First Six Months of the Fiscal Year Ending December 31, 2016

July 28, 2016

Company name: Okabe Co., Ltd.
Stock exchange listing: First Section of the Tokyo Stock Exchange
Stock code: 5959
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Scheduled date for filing of quarterly report: August 10, 2016
Scheduled date of commencement of dividend payment: September 5, 2016
Supplementary documents for quarterly results: None
Quarterly results briefing: Yes (for institutional investors and analysts)

(Figures are rounded down to the nearest one million yen.)

1. Consolidated Financial Results for the First Six Months Ended June 30, 2016 (January 1, 2016 – June 30, 2016)

(1) Consolidated Results of Operations (Accumulated Total) (Percentages represent year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
Six months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
June 30, 2016	30,355	(7.9)	1,946	(21.4)	2,007	(20.4)	1,164	(29.6)
June 30, 2015	32,950	1.4	2,474	(17.5)	2,522	(17.7)	1,655	(4.1)

(Note) Comprehensive income: -196 million yen (–%) for the six months ended June 30, 2016
2,487 million yen (34.1%) for the six months ended June 30, 2015

	Profit per share (basic)	Profit per share (diluted)
Six months ended	Yen	Yen
June 30, 2016	22.86	–
June 30, 2015	31.56	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
Six months ended June 30, 2016	79,526	47,793	60.1
Year ended December 31, 2015	83,786	48,601	58.0

(Reference) Shareholders' equity: Six months ended June 30, 2016: 47,793 million yen
Year ended December 31, 2015: 48,601 million yen

2. Dividends

	Dividend per share				
	End of first quarter	End of second quarter	End of third quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended December 31, 2015	–	12.00	–	12.00	24.00
Year ending December 31, 2016	–	12.00			
Year ending December 31, 2016 (forecasts)			–	12.00	24.00

(Note) Revisions to dividend forecasts published most recently: None

3. Consolidated Forecasts for the Fiscal Year Ending December 31, 2016 (January 1, 2016 – December 31, 2016)

(Percentage figures for the fiscal year represent the changes from the previous year.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	63,700	(7.7)	5,600	(11.5)	5,700	(12.8)	7,800	84.2	153.07

(Note) Revisions to financial forecasts published most recently: Yes

* Notes

(1) Changes in important subsidiaries during the period
(changes of specific subsidiaries in accordance with changes in the scope of consolidation): None

(2) Application of particular accounts procedures to the preparation of quarterly consolidated financial statements: Yes
(Note) Please refer to “Application of Particular Accounts Procedures to the Preparation of Quarterly Consolidated Financial Statements” on page 4 for details.

(3) Changes in Accounting Policies, Accounting Estimates and Restatement

(i) Changes in accounting policies caused by revision of accounting standards:	Yes
(ii) Changes in accounting policies other than (i):	Yes
(iii) Changes in accounting estimates:	Yes
(iv) Restatement:	None

(Note) The items above fall under Article 10-5 of the “Ordinance on Terminology, Forms and Preparation Methods of the Quarterly Consolidated Financial Statements.” Please refer to “Changes in Accounting Policies, Accounting Estimates and Restatement” on page 4 for details.

(4) Number of shares outstanding (common shares):

(i) Number of shares outstanding at end of period (including treasury shares)	
As of June 30, 2016:	53,790,632 shares
As of December 31, 2015:	53,790,632 shares
(ii) Number of treasury shares at end of period	
As of June 30, 2016:	2,833,290 shares
As of December 31, 2015:	2,833,250 shares
(iii) Average number of shares outstanding during the period	
Six months ended June 30, 2016:	50,957,359 shares
Six months ended June 30, 2015:	52,457,507 shares

* Status of a quarterly review
This financial summary does not need to undergo a quarterly review under the Financial Instruments and Exchange Act. Procedures for a quarterly review of the consolidated financial statements had not been completed at the time of the announcement of this financial summary.

* Explanations and other special notes concerning the appropriate use of business performance forecasts
The forward-looking statements in these materials are based on information available to management at the time this report was prepared, and on assumptions that management believes are reasonable. Actual results may differ significantly from these statements for a number of reasons.

○ Index for Supplementary Information

1. Qualitative Information Regarding Results of Operations for the First Six Months Ended June 30, 2016

(1) Explanation Regarding Results of Operations

In the consolidated first six months under review (January 1, 2016 to June 30, 2016), the Japanese economy showed signs of improvement in the employment environment and an upturn in capital spending. However, the outlook remained uncertain given a downturn in China and other emerging economies in Asia and in resource-producing countries.

In the Japanese construction industry, the Okabe Group’s core customer, there are signs of recovery in construction starts, primarily in the Tokyo Metropolitan area. However, the floor area of construction projects that started in the first six months declined from a year ago, indicating that the situation remained challenging.

In this business environment, the Okabe Group worked to expand the market share for major products by strengthening product development through collaboration between development, production, and sales in its core construction-related products business. It also sought to improve its production and logistics functions with Ibaraki Factory, which went into full-scale operation at the start of this year, as the pillar of this effort.

However, consolidated net sales for the first six months under review decreased 7.9% year on year, to 30,355 million yen, chiefly due to the significant adverse effect of a decline in construction starts. Operating income declined 21.4% to 1,946 million yen, and ordinary income fell 20.4% to 2,007 million yen. Profit attributable to owners of parent was down 29.6% to 1,164 million yen.

Results of operations by business segment are as follows:

(a) Construction-related products

Segment sales fell 8.2% year on year, to 22,746 million yen, and operating income declined 25.6% year on year, to 1,606 million yen. Sales of construction materials in North America were strong, but sales of construction-related products overall were weak due to less-than-expected construction starts in Japan.

(b) Automotive products

Sales decreased 6.6% year on year to 4,666 million yen, and operating income dropped 10.6% year on year to 507 million yen. Sales of battery terminals were strong in Europe but weak in North America due to the decline in demand caused by the unusually warm winter.

(c) Hotel business

Sales fell 6.6% year on year to 2,422 million yen, resulting in an operating loss of 136 million yen (compared with an operating loss of 238 million yen in the same period a year ago). The negative effects of a stronger yen offset increased sales on a local currency basis from strong sales at all hotels, reflecting an increase in demand for accommodations.

(d) Other businesses

Sales declined 9.6% year on year, to 520 million yen due to the postponement of a large project in the marine business until the second half of the fiscal year. An operating loss of 30 million yen was posted (compared with an operating loss of 13 million yen in the same period a year ago).

(For reference)
Net sales by business segments and product category (consolidated)

(Yen in millions, rounded down)

		Previous consolidated first six months (Jan. 1, 2015 – Jun. 30, 2015)		Consolidated first six months under review (Jan. 1, 2016 – Jun. 30, 2016)		Change (%)
		Amount	Proportion (%)	Amount	Proportion (%)	
Construction-related products	Temporary building and formwork products	4,079	12.4	3,498	11.5	(14.2)
	Civil engineering products	3,083	9.3	2,535	8.4	(17.8)
	Building structural products	9,477	28.8	8,320	27.4	(12.2)
	Building materials	8,142	24.7	8,392	27.6	3.1
	Total of construction-related products	24,782	75.2	22,746	74.9	(8.2)
Automotive products		4,997	15.2	4,666	15.4	(6.6)
Hotel business		2,594	7.9	2,422	8.0	(6.6)
Other businesses		576	1.7	520	1.7	(9.6)
Total		32,950	100.0	30,355	100.0	(7.9)

(2) Explanation Regarding Forecast for Fiscal Year Ending December 31, 2016

In consideration of the Group’s cumulative business results in the first six months of the fiscal year under review, we have revised our forecast of business results for the full fiscal year from the forecast announced on February 15, 2016.

Net sales, operating income, and ordinary income for the year ending December 31, 2016 are expected to fall below the previous forecasts chiefly due to the significant effect of a decline in construction starts mainly in the domestic construction-related products business.

Profit attributable to owners of parent is expected to vastly exceed the previous forecast, reflecting extraordinary income from the sale of the hotel business.

We will work to enhance the corporate value and stock value in the long term by promoting acquisitions and capital expenditures associated with core and semi-core businesses in Japan and overseas.

Revision of consolidated performance forecasts for the fiscal year ending December 31, 2016
(Jan. 1, 2016 – Dec. 31, 2016)

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent	Profit per share
	Million yen	Million yen	Million yen	Million yen	Yen
Previous forecast (A)	70,000	6,600	6,700	4,250	83.40
Revised forecast (B)	63,700	5,600	5,700	7,800	153.07
Change (B-A)	(6,300)	(1,000)	(1,000)	3,550	–
Change (%)	(9.0)	(15.2)	(14.9)	83.5	–
(Reference) Actual results for previous fiscal year (year ended December 31, 2015)	68,985	6,327	6,539	4,234	81.62

2. Summary Information (Notes)

(1) Changes in Important Subsidiaries during the Period

Not applicable

(2) Application of Particular Accounts Procedures to the Preparation of Quarterly Consolidated Financial Statements

(Calculation of Tax Expenses)

Taxes are calculated by multiplying profit before income taxes by a reasonable estimate of the effective tax rate after adjustments for tax-effect accounting for profit before income taxes in the current fiscal year.

(3) Changes in Accounting Policies, Accounting Estimates and Restatement

(Changes in Accounting Policies)

(Application of Accounting Standard for Business Combinations, etc.)

From the first three months of the fiscal year under review, the Group has applied the Accounting Standard for Business Combinations (Accounting Standards Board of Japan (ASBJ) Statement No. 21, September 13, 2013), the Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, September 13, 2013) and the Accounting Standard for Business Divestitures (ASBJ Statement No. 7, September 13, 2013). Under these accounting standards, the Group will post in capital surplus differences arising from changes in the Company's equity interests in subsidiaries over which the Company retains control, and will record expenses related to purchases as expenses in the fiscal year in which the expenses are incurred. For business combinations from the beginning of the first three months of the fiscal year under review, the Company will reflect the review of the allocation of acquisition costs following the completion of provisional accounting in the quarterly consolidated financial statements for consolidated quarters in which business combinations take place. The presentation of net income and other items has been changed. To reflect these changes, the quarterly consolidated financial statements for the first six months of the previous fiscal year have been replaced.

In the quarterly consolidated statement of cash flows for the first six months of the fiscal year under review, cash flows associated with the purchases or sales of shares in subsidiaries that do not result in a change in the scope of consolidation are posted in Cash flows from financing activities. Cash flows associated with expenses related to the purchases of shares in subsidiaries that result in a change in the scope of consolidation and expenses related to the purchases or sales of shares in subsidiaries that do not result in a change in the scope of consolidation are posted in Cash flows from operating activities.

The Accounting Standard for Business Combinations, etc. are applied from the beginning of the first three months of the fiscal year under review, and the application follows the provisional accounting set out in 58-2 (4) of the Accounting Standard for Business Combinations, 44-5 (4) of the Accounting Standard for Consolidated Financial Statements, and 57-4 (4) of the Accounting Standard for Business Divestitures.

The application of these accounting standards has no impact on earnings.

(Changes in Accounting Policies That Are Difficult to Distinguish from Changes in Accounting Estimates)

(Changes in Depreciation Method of Property, Plant and Equipment)

Previously, the depreciation of property, plant and equipment (excluding lease assets) of the Company and its domestic consolidated subsidiaries had been calculated using mainly the declining balance method (the straight line method was used for the depreciation of buildings (excluding structures attached to buildings) acquired on or after April 1, 1998). However, from the first three months of the fiscal year under review, the method for the depreciation of property, plant and equipment was changed from the declining balance method to the straight line method.

This change is based on the judgment that changing the method for the depreciation of property, plant and equipment from the declining balance method to the straight line method will reflect the actual status more appropriately since an investigation of the usage of property, plant and equipment in Japan that was carried out when the Ibaraki Factory, established the previous fiscal year, went into full-scale operation in the fiscal year under review found that the stable operation of the equipment of the Company and its domestic consolidated subsidiaries was expected in the long term.

As a result, operating income, ordinary income and profit before income taxes for the first six months of the fiscal year under review each increased 143,677 thousand yen compared with their respective values calculated using the conventional accounting methods.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheet

(Thousand yen)

	Fiscal year ended December 31, 2015 (As of December 31, 2015)	First six months ended June 30, 2016 (As of June 30, 2016)
ASSETS		
Current assets		
Cash and deposits	15,195,942	15,364,522
Notes and accounts receivable - trade	21,626,846	18,523,147
Merchandise and finished goods	5,135,923	5,418,851
Work in process	847,791	947,056
Raw materials and supplies	1,564,992	1,736,161
Other	1,265,808	1,087,305
Allowance for doubtful accounts	(34,533)	(33,247)
Total current assets	45,602,769	43,043,797
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	16,776,108	16,218,495
Machinery, equipment and vehicles, net	3,577,032	3,450,092
Land	6,145,856	6,048,079
Other, net	2,338,244	2,000,238
Total property, plant and equipment	28,837,241	27,716,906
Intangible assets		
Goodwill	447,811	382,839
Other	608,579	543,117
Total intangible assets	1,056,391	925,957
Investments and other assets		
Investment securities	6,863,372	6,361,943
Other	1,618,739	1,638,341
Allowance for doubtful accounts	(191,673)	(160,647)
Total investments and other assets	8,290,438	7,839,637
Total non-current assets	38,184,071	36,482,501
Total assets	83,786,841	79,526,299

(Thousand yen)

	Fiscal year ended December 31, 2015 (As of December 31, 2015)	First six months ended June 30, 2016 (As of June 30, 2016)
LIABILITIES		
Current liabilities		
Notes and accounts payable - trade	5,499,809	4,521,447
Electronically recorded obligations - operating	9,041,472	7,601,383
Short-term loans payable	5,470,045	3,574,405
Income taxes payable	678,261	581,851
Provision for bonuses	70,883	98,462
Other	3,133,059	3,122,234
Total current liabilities	23,893,531	19,499,785
Non-current liabilities		
Long-term loans payable	7,088,000	8,306,000
Net defined benefit liability	1,591,309	1,628,955
Asset retirement obligations	39,829	39,998
Other	2,572,624	2,257,707
Total non-current liabilities	11,291,763	12,232,662
Total liabilities	35,185,295	31,732,447
NET ASSETS		
Shareholders' equity		
Capital stock	6,911,700	6,911,700
Capital surplus	6,039,545	6,039,545
Retained earnings	35,248,014	35,801,317
Treasury shares	(1,693,473)	(1,693,500)
Total shareholders' equity	46,505,786	47,059,061
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,732,095	1,405,171
Foreign currency translation adjustment	399,513	(650,170)
Remeasurements of defined benefit plans	(35,849)	(20,210)
Total accumulated other comprehensive income	2,095,759	734,790
Total net assets	48,601,546	47,793,851
Total liabilities and net assets	83,786,841	79,526,299

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income

(Quarterly Consolidated Statement of Income)

(First six-month period)

(Thousand yen)

	First six months ended June 30, 2015 (Jan. 1, 2015 – Jun. 30, 2015)	First six months ended June 30, 2016 (Jan. 1, 2016 – Jun. 30, 2016)
Net sales	32,950,180	30,355,983
Cost of sales	24,327,259	22,427,791
Gross profit	8,622,921	7,928,192
Selling, general and administrative expenses	6,148,070	5,981,986
Operating income	2,474,851	1,946,205
Non-operating income		
Interest income	21,915	15,563
Dividend income	49,452	55,223
Reversal of allowance for doubtful accounts	15,159	31,057
Other	67,515	48,221
Total non-operating income	154,042	150,066
Non-operating expenses		
Interest expenses	76,402	48,971
Commission for syndicate loan	17,900	17,900
Foreign exchange losses	7,995	20,375
Other	3,604	1,541
Total non-operating expenses	105,902	88,788
Ordinary income	2,522,990	2,007,483
Extraordinary income		
Gain on sales of non-current assets	224,005	479
Total extraordinary income	224,005	479
Extraordinary losses		
Loss on disposal of non-current assets	3,217	2,822
Office transfer expenses	–	6,170
Total extraordinary losses	3,217	8,992
Profit before income taxes	2,743,778	1,998,971
Income taxes – current	1,109,170	846,113
Income taxes – deferred	(21,099)	(11,933)
Total income taxes	1,088,071	834,179
Profit	1,655,706	1,164,791
Profit attributable to owners of parent	1,655,706	1,164,791

(Quarterly Consolidated Statements of Comprehensive Income)

(First six-month period)

(Thousand yen)

	First six months ended June 30, 2015 (Jan. 1, 2015 – Jun. 30, 2015)	First six months ended June 30, 2016 (Jan. 1, 2016 – Jun. 30, 2016)
Profit	1,655,706	1,164,791
Other comprehensive income		
Valuation difference on available-for-sale securities	352,716	(326,923)
Foreign currency translation adjustment	476,859	(1,049,684)
Remeasurements of defined benefit plans, net of tax	2,069	15,638
Total other comprehensive income	831,645	(1,360,969)
Comprehensive income	2,487,352	(196,178)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,487,352	(196,178)

(3) Quarterly Consolidated Statements of Cash Flows

(Thousand yen)

	First six months ended June 30, 2015 (Jan. 1, 2015 – Jun. 30, 2015)	First six months ended June 30, 2016 (Jan. 1, 2016 – Jun. 30, 2016)
Cash flows from operating activities		
Profit before income taxes	2,743,778	1,998,971
Depreciation	863,386	881,251
Increase (decrease) in provision for bonuses	29,378	27,579
Increase (decrease) in allowance for doubtful accounts	(11,993)	(30,617)
Increase (decrease) in net defined benefit liability	17,194	55,019
Interest and dividend income	(71,367)	(70,787)
Interest expenses	76,402	48,971
Loss (gain) on sales of non-current assets	(224,005)	1,325
Decrease (increase) in notes and accounts receivable - trade	1,952,590	2,948,377
Decrease (increase) in inventories	(543,587)	(767,975)
Increase (decrease) in notes and accounts payable - trade	(1,115,913)	(842,659)
Increase (decrease) in other current liabilities	(191,997)	21,697
Increase (decrease) in accrued consumption taxes	(268,464)	343,134
Other, net	(94,951)	110,819
Subtotal	3,160,449	4,725,106
Income taxes paid	(1,447,116)	(1,021,596)
Net cash provided by (used in) operating activities	1,713,332	3,703,509
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	–	127,640
Purchase of property, plant and equipment	(2,109,488)	(1,937,556)
Purchase of intangible assets	(33,023)	(12,833)
Proceeds from sales of intangible assets	222,467	–
Purchase of investment securities	(300,000)	–
Proceeds from sales of investment securities	300,531	–
Purchase of shares of subsidiaries	(30,000)	(30,000)
Purchase of insurance funds	(13,000)	(92,256)
Interest and dividend income received	69,449	68,052
Other, net	(8,446)	26,667
Net cash provided by (used in) investing activities	(1,901,509)	(1,850,285)
Cash flows from financing activities		
Increase in short-term loans payable	5,375,849	3,466,600
Decrease in short-term loans payable	(5,240,784)	(3,073,208)
Proceeds from long-term loans payable	7,000,000	1,250,000
Repayments of long-term loans payable	(3,394,000)	(2,298,000)
Cash dividends paid	(576,593)	(612,795)
Interest expenses paid	(86,786)	(55,528)
Commission for syndicate loan paid	(187,920)	–
Other, net	(71,519)	(72,582)
Net cash provided by (used in) financing activities	2,818,245	(1,395,515)
Effect of exchange rate change on cash and cash equivalents	102,805	(146,584)
Net increase (decrease) in cash and cash equivalents	2,732,873	311,124
Cash and cash equivalents at beginning of period	17,782,908	14,445,204
Cash and cash equivalents at end of period	20,515,781	14,756,328

(4) Notes to Quarterly Consolidated Financial Statements

(Note to ongoing concern assumptions)

None

(Note to significant changes in shareholders' equity)

None

(Segment information)

[Segment information]

I. First six months ended June 30, 2015 (January 1, 2015 – June 30, 2015)

1. Net sales and income (loss) for each reportable business segment

(Thousand yen)

	Reportable segments					Adjustment	Amounts in quarterly consolidated statements of income (Note)
	Construction-related products	Automotive products	Hotel business	Other businesses	Total		
Net sales							
Sales to external customers	24,782,937	4,997,087	2,594,142	576,012	32,950,180	–	32,950,180
Intersegment internal sales and transfers	–	–	1,499	–	1,499	(1,499)	–
Total	24,782,937	4,997,087	2,595,642	576,012	32,951,680	(1,499)	32,950,180
Segment income (loss)	2,159,394	567,786	(238,742)	(13,586)	2,474,851	–	2,474,851

(Note) Segment income (loss) matches the operating income in the quarterly consolidated statements of income.

2. Non-current assets impairment losses, goodwill and other information for each reportable segment

None

II. First six months ended June 30, 2016 (January 1, 2016 – June 30, 2016)

1. Net sales and income (loss) for each reportable business segment

(Thousand yen)

	Reportable segments					Adjustment	Amounts in quarterly consolidated statements of income (Note)
	Construction-related products	Automotive products	Hotel business	Other businesses	Total		
Net sales							
Sales to external customers	22,746,754	4,666,073	2,422,569	520,586	30,355,983	–	30,355,983
Intersegment internal sales and transfers	–	–	1,277	–	1,277	(1,277)	–
Total	22,746,754	4,666,073	2,423,846	520,586	30,357,261	(1,277)	30,355,983
Segment income (loss)	1,606,039	507,424	(136,672)	(30,585)	1,946,205	–	1,946,205

(Note) Segment income (loss) matches the operating income in the quarterly consolidated statements of income.

2. Non-current assets impairment losses, goodwill and other information for each reportable segment

None

3. Matters related to changes in the reportable business segment

(Changes in Depreciation Method of Property, Plant and Equipment)

As stated in "Changes in Accounting Policies That Are Difficult to Distinguish from Changes in Accounting Estimates," the depreciation of property, plant and equipment (excluding lease assets) of the Company and its domestic consolidated subsidiaries was previously calculated using mainly the declining balance method (the straight line method was used for the depreciation of buildings (excluding structures attached to buildings) acquired on or after April 1, 1998). However, from the first three months of the fiscal year under review, the method for the depreciation of property, plant and equipment was changed from the declining balance method to the straight line method.

As a result, segment income in the construction-related products segment in the first six months of the fiscal year under review increased 140,982 thousand yen compared with the value calculated using the declining balance method, and the segment loss in the "other businesses" segment in the first six months under review declined 2,695 thousand yen.

(Significant events after the reporting period)

(Transfer of shares in subsidiaries)

The Company has decided to conclude a share transfer agreement with APA Hotel International Inc. as of July 28, 2016 regarding transfer of its hotel business (Okabe North America, Inc. and Coast Hotels Limited).

1. Reason for transferring the hotel business (consolidated subsidiaries)

The Company is engaged in the construction-related products business as its core business, the automotive products business as its semi-core business, the hotel business in Canada, and other businesses with the potential to become future core businesses.

Under the mid-term management plan "Okabe-Mirai Plan 2017" formulated in 2014, the Company is striving to expand business in the earthquake-proof, seismic isolation, and earthquake resistant product fields with growth potential over the medium and long term by various means including construction of a new factory. In addition, the Company is working on the development of new markets and fields, taking into account the forecast for stagnation in demand in construction after the Tokyo Olympics and Paralympics, which are slated to be held in 2020. Furthermore, the Company has been working to concretize its plans to acquire several domestic and overseas corporations that match its growth strategy.

In accordance with the above policies, the Company has decided to sell off the hotel business, which it has been operating since acquiring the business in 1988, to APA Hotel International Inc., with the aim of further promoting the selection and concentration of management resources.

The Company will temporarily have a larger cash position than usual in the course of the selection and concentration process. Meanwhile, we will endeavor to improve the Company's corporate value and stock value over the long term by taking measures such as stepping up efforts for corporate acquisition and domestic and overseas capital investment, such as expansion of technology development bases in Japan and establishment of logistic bases in the US, where the business is sound in the fields surrounding the core business and the semi-core business.

2. Company to which the business is transferred

APA Hotel International Inc. (wholly owned by APA Hotel Co., Ltd.)

3. Timing of the transfer

Early September, 2016 (scheduled)

4. Subsidiaries to be transferred and their business and transactions with the Company

Subsidiaries:	Okabe North America, Inc. and Coast Hotels Limited
Business:	Operation of hotels in North America
Transactions with the Company:	None

5. Transfer price, income from the transfer, and equity after the transfer

Transfer price:	16.3 billion yen
Income from the transfer:	If the share transfer is executed as scheduled, the Company plans to post extraordinary income of 5,900 million yen, and profit attributable to owners of parent is expected to increase by 4,100 million yen in the consolidated financial results for the fiscal year ending December 31, 2016.
Equity after the transfer:	–%