



*e-marketing company*

# 3<sup>rd</sup> Quarter, Business Results for the Fiscal Year Ended December 31, 2013

**Oct 28, 2013**

# **FY2013 Q3 ( July–September ) Consolidated Results Summary**

\*Unstated amounts are rounded down to the nearest one million yen unit, and percentages are rounded to the nearest unit.

**Operating income increased 18% YoY.  
Net sales decreased due to changes to  
business alliance with Dentsu.**

**Net Sales 53,548**  
(-6.7% YoY)

**Operating Income 1,041**  
(approx. ¥+160 YoY)

**Net sales increased 6.0%, and  
Gross profit increased 8.5% YoY.**

※excluding business alliance with Dentsu

**Net Sales 15,303**  
(-23.1% YoY)

**Operating Income 100**  
( approx. ¥-280 YoY)

# Net Sales and Operating Income by Segment



Changes to business alliance  
with Dentsu from Q2

		2011	2012				2013			12Q3 Comparison	
		FY	Q1	Q2	Q3	Q4	Q1	Q2	Q3		
Advertising & Solution Business	Net sales	59,325	17,727	17,253	17,909	18,850	20,134	13,132	12,756	(28.8%)	
	Operating income	1,305	465	367	547	606	436	191	6	(98.9%)	
Database Business	Net sales	1,636	636	618	692	760	738	694	789	+14.0%	
	Operating income	55	56	35	69	126	104	42	68	(2.0%)	
Social & Consumer Business (S&C Business)	Net sales	789	511	523	577	553	575	575	641	+11.1%	
	Operating income	(102)	(162)	(175)	(142)	(109)	(19)	56	19	Improve	
OverSeas Business	Net sales	654	201	185	838	1,401	948	1,149	1,079	+28.8%	
	Operating income	(152)	(43)	(32)	(83)	(2)	(52)	(46)	(54)	-	
Investment and Value Creation Business	Net sales							444	154	-	
	Operating income							224	60	-	
Total	Net sales	62,260	19,003	18,513	19,896	21,495	22,329	15,915	15,303	(23.1%)	
	Operating income	1,107	314	187	380	623	471	469	100	(73.6%)	
							Operating Income (Excluding the Investment and Value Creation Business)		245	40	-

- **After eliminating Dentsu revenue, net sales and gross profit increased YoY by 6.2% and 8.5% respectively, weaker than OPT's expectations.**
- **Earnings decreased in the Advertising & Solution Business.**
- **Operating income dropped due to rises of SGA by increase in employees and new business investments.**

## Market Factors

- **Conventional display ads dropped and shifted to targeted ads.**
- **Reduction in SEO business by changes in media policy and specifications.**

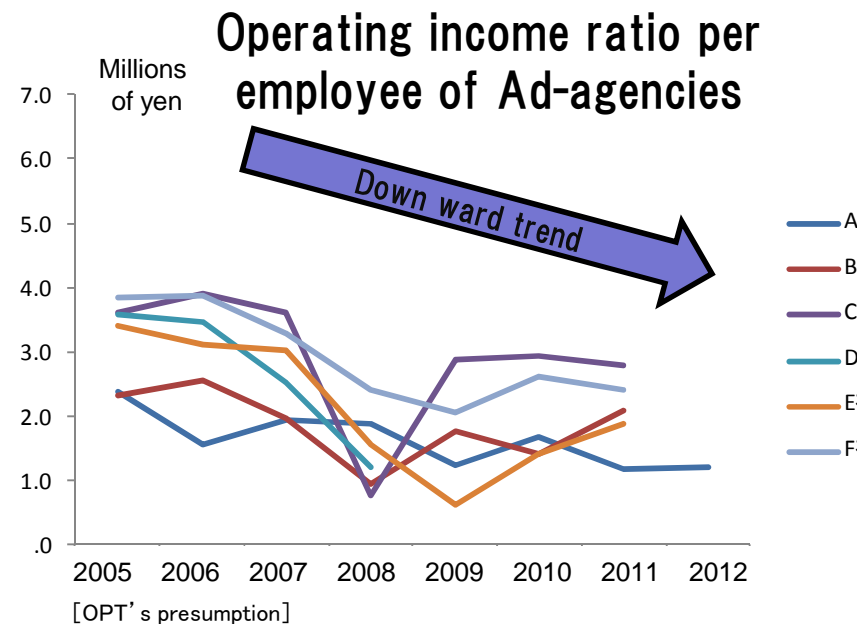
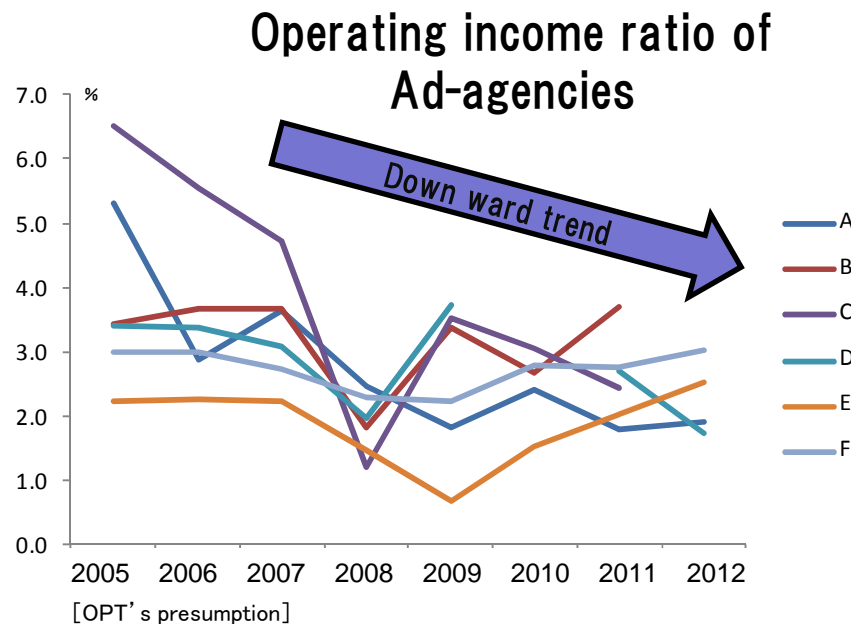
## Internal Factors

- Major formatting change in advertising submission system specifications.
  - ✓ Temporary deterioration in operational efficiency that exceeded initial expectations.
    - \*Resolved by the end of September.
  - ✓ As a result, new customers development stalled.
- Slowed growth of net sales and gross profit temporarily, due to revisions in competitive strategies.



## Business Environment

- Reduction in added value of advertising agency model (low profitability); decrease in operating income per employee.
- Reduced differentiation among agencies (leading to price competition).

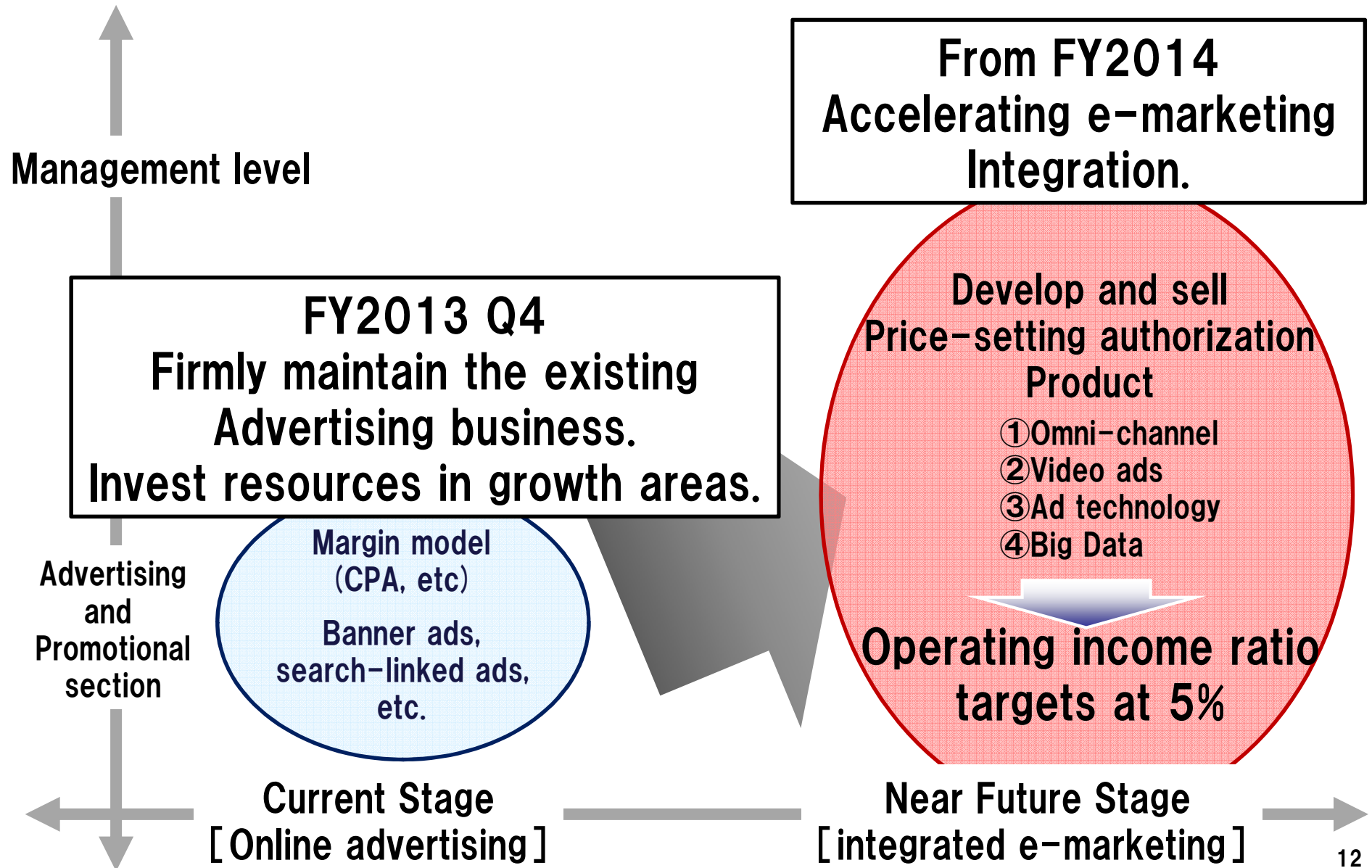


# Measures and Business Policies From the Q4 Onward

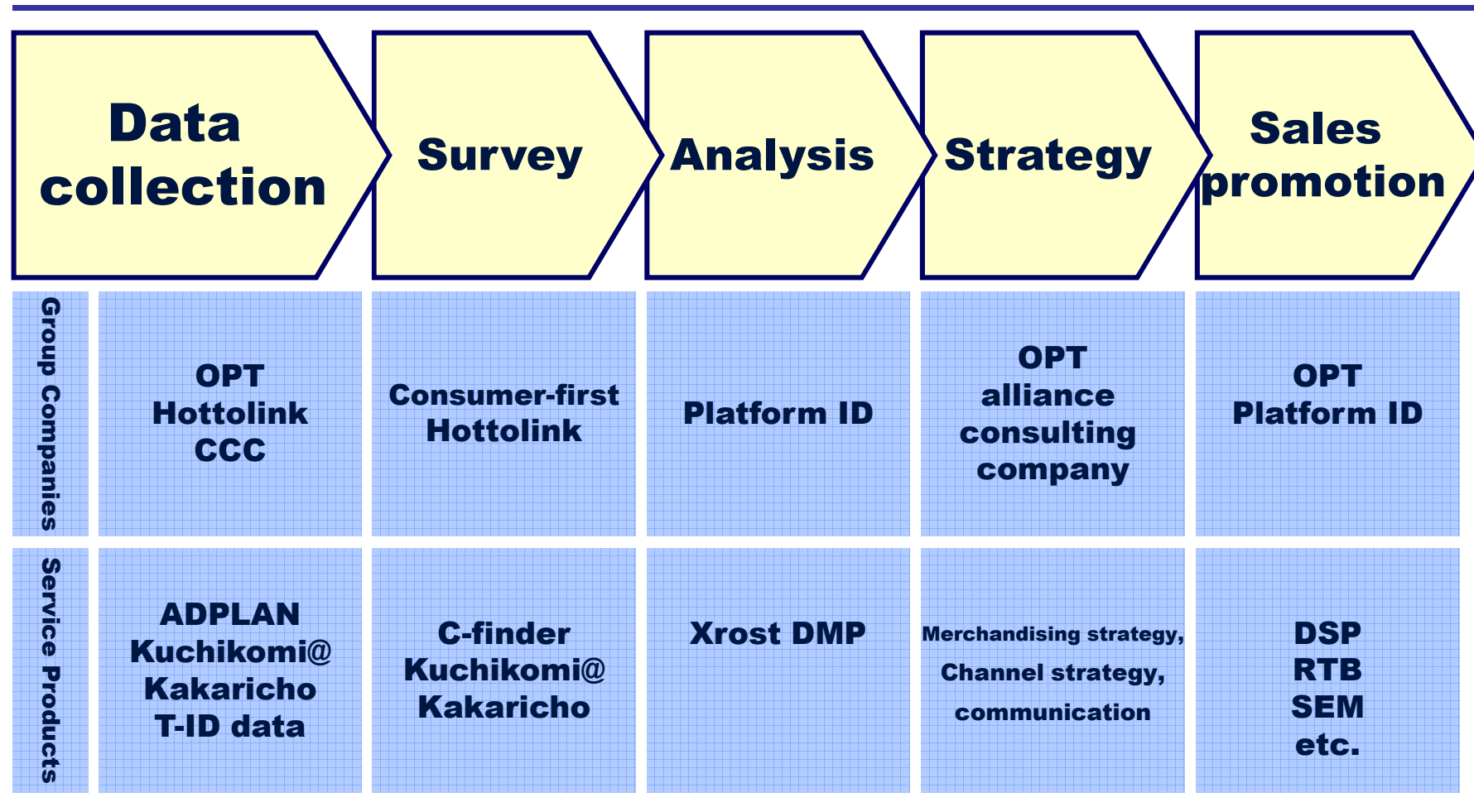
## Structural reforms underway.

- **Price-setting authorization product ratio.**
  - ✓ Aim to increase from current 5% (approx.) to 30%.
  - ✓ Product strategy being revised group wide.
  
- **Strategic organization.**
  - ✓ Restructure into a client needs-oriented organization.
  - ✓ Provide the OPT's unique added value.
  - ✓ Increase clients in new industry segments.

# Business Strategy



## ■ OPT group e-marketing value chain



# Topics of Q4

## June 2013

Started supporting business for regional clients to enhance online ads with Yahoo! Japan.

[OPT Group's Search LIFE received funding from Yahoo! Japan]

## September 2013

In addition to exclusive sales of new real estate, CLASSIFIED will begin sales from January 2014 onward of pre-owned real estate for Yahoo! Real Estate.

[OPT and Yahoo! Japan's joint venture, CLASSIFIED]

# Largest Single Local Government Ad-Network in Japan

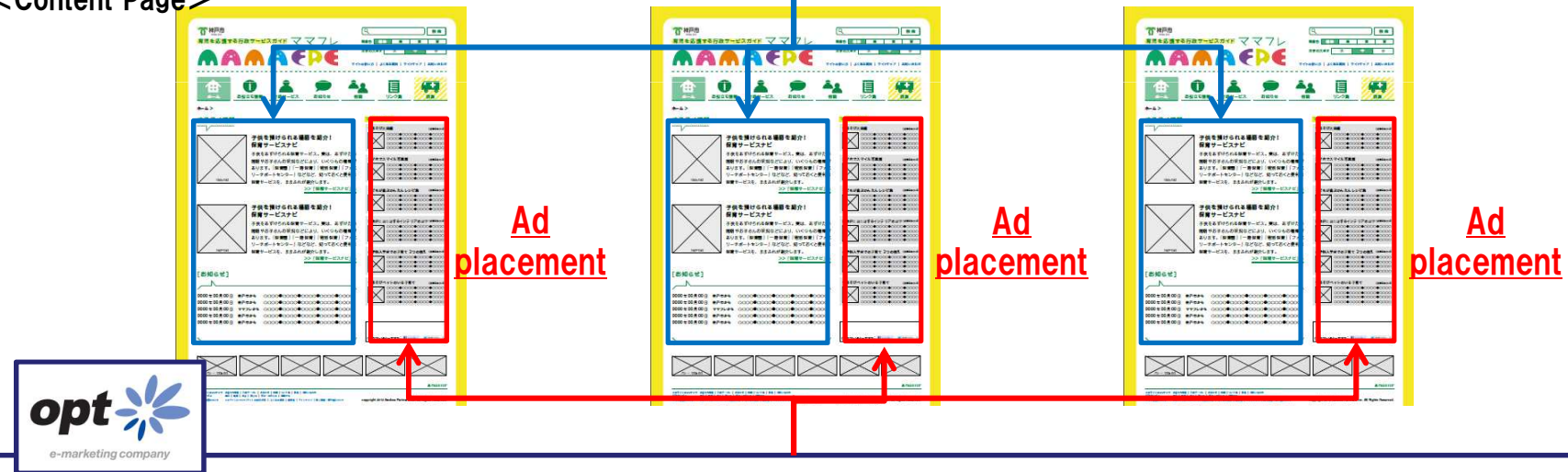


**Linked 60 websites to a single advertising network out of approx. 1,700 local governments nationwide.**



**Local governments make available paid content for free on their websites**

<Content Page>



**OPT's unique advertising through ad placements on child-raising, nursing and other web pages**

**Advertising submission**

**Advertisers: Major companies in such sectors as consumer items, food, finance and manufacturing**



# **FY2013 Progress of Forecast**

# FY2013 Progress of Forecast



**Progress of forecast for the Q4, the peak demand period in an average year.**

	<b>Jul.26 disclosure: Revised earnings forecast</b>	<b>Results for Q1-3</b>	<b>Progress</b>	<b>Behind</b>
<b>Net Sales</b>	<b>75,000</b>	<b>53,548</b>	<b>71.4%</b>	<b>21,452</b>
<b>Operating Income</b>	<b>2,150</b>	<b>1,041</b>	<b>48.4%</b>	<b>1,109</b>
<b>Ordinary Income</b>	<b>2,050</b>	<b>937</b>	<b>45.7%</b>	<b>1,113</b>
<b>Net Income</b>	<b>900</b>	<b>265</b>	<b>29.4%</b>	<b>635</b>

# Forecasts for Dividends

# Forecast for Dividends

**Target a consolidated dividend payout ratio of 30%  
Special dividend commemorating listed on  
the First Section of the Tokyo Stock Exchange**

[Unit:Yen]

	<b>FY2013 Forecast</b>	<b>FY2012 Result</b>	<b>Difference</b>
<b>Ordinary</b>	<b>9.0</b>	<b>8.5</b>	<b>+0.5</b>
<b>Commemorative</b>	<b>15.0</b>	<b>10.0</b>	<b>+5.0</b>
<b>Total</b>	<b>24.0</b>	<b>18.5</b>	<b>+5.5</b>

**\*notes**

1. On January 1, 2013, the Company conducted a 200-for-1 stock split for shareholders as of December 31, 2012. In addition, basic net income per share for the 3rd quarter of FY2013 and FY2012 was calculated assuming that said stock split was conducted at the beginning of the previous fiscal year.
2. FY2012's commemorative dividend is for 20th anniversary of our foundation.

# Public Offering

Commenced sales of shares following the listing on the First Section of the Tokyo Stock Exchange

➤ **Purpose: Improve liquidity of OPT**

➤ **Number of stocks:**

Dentsu Digital Holdings	1,200,000 ( approx. 4.0% )
Culture Convenience Club	900,000 ( approx. 3.0% )
Tomohito Ebine ( OPT' s pre-chairman )	50,000 ( approx. 0.2% )

\*Additional offering via overallotment

➤ **Liquidity ratio: 40.76% → 47.42% approx. 6.6% improve**

# **FY2013 Q3 ( July–September ) Results Summary**

## Advertising & Solution Business

**Net Sales 12,756 (-28.8% YoY)**

**Operating Income 6 (Strong decrease YoY)**

- ✓ Increase in investment and net sales in focus areas (Omni-channel, video ads, etc.) .
- ✓ Decrease in search-linked ads and SEO.
- ✓ Increase in costs accompanying system changes.



## Database Business

**Net Sales 789 (+14.0% YoY)**

**Operating Income 68 (-2.0% YoY)**

- ✓ Firm sales performance by Xrost DSP.
- ✓ Active investment in Xrost DMP.

## S & C Business

**Net Sales 641**  
**(+11.1% YoY)**

**Operating Income 19**

## Overseas Business

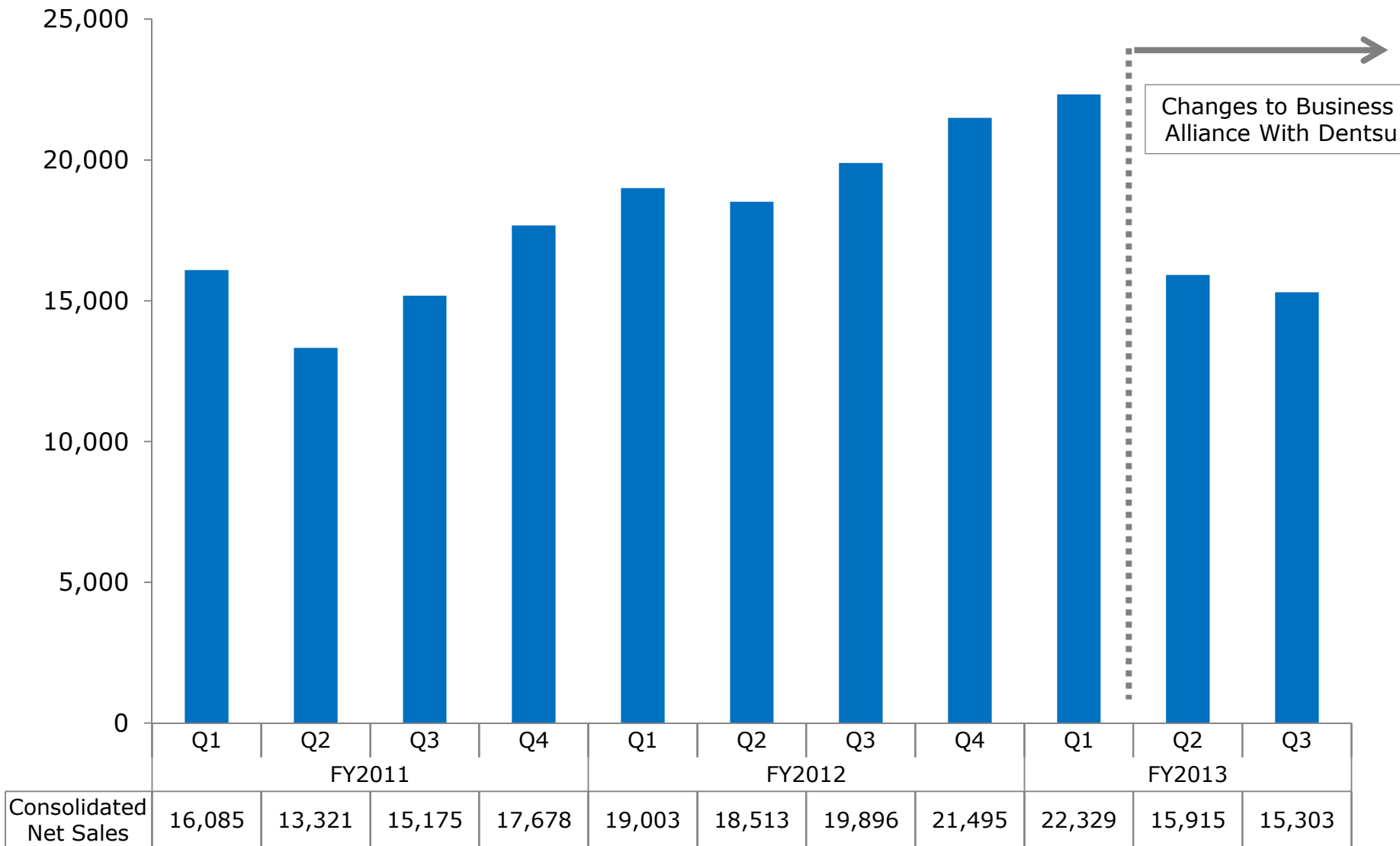
**Net Sales 1,079**  
**(+28.8% YoY)**

**Operating Loss 54**

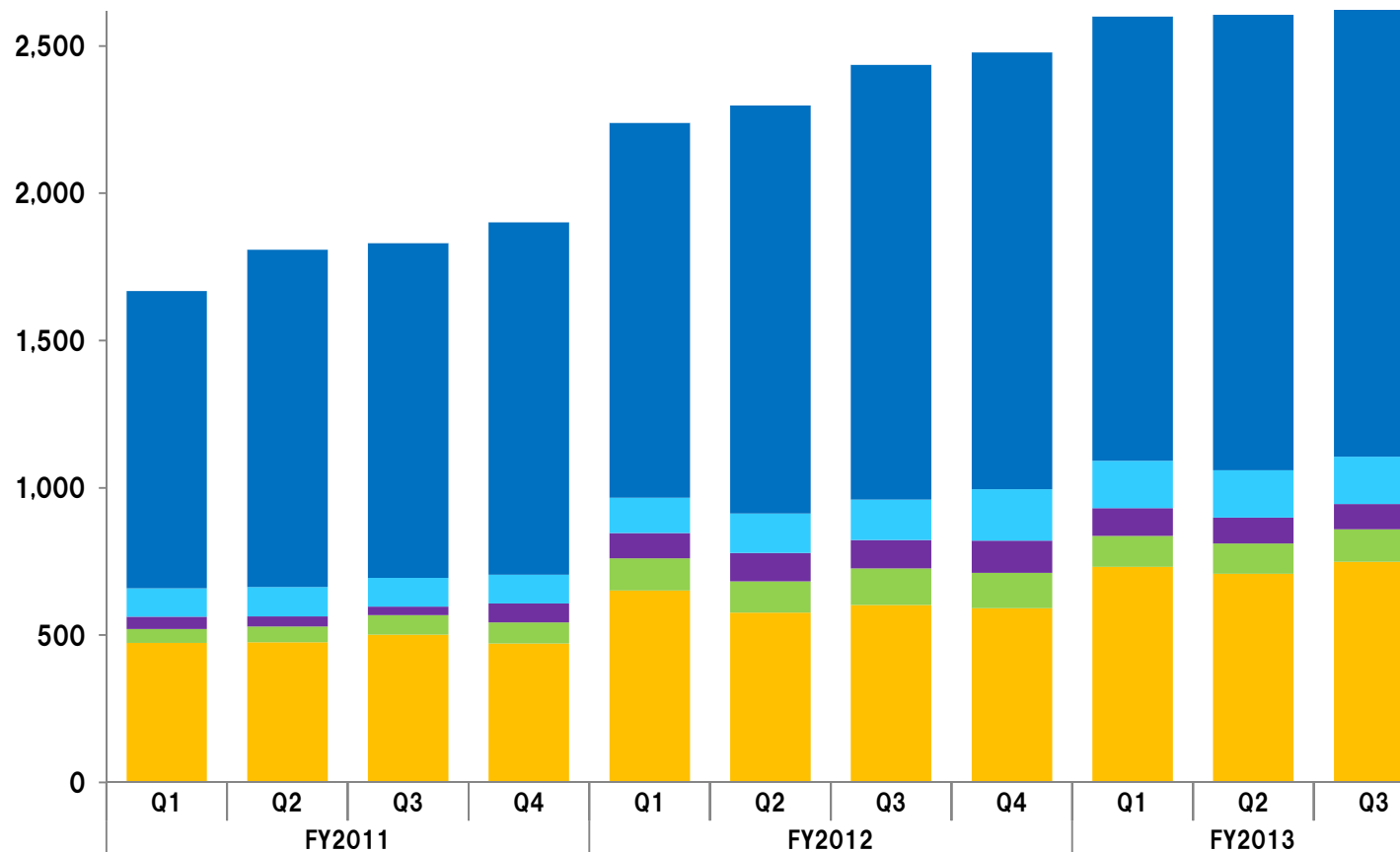
## Investment and Value Creation Business

**Net Sales 154**  
**Operating Income 60**

# Consolidated Net Sales



# Consolidated Sales Costs

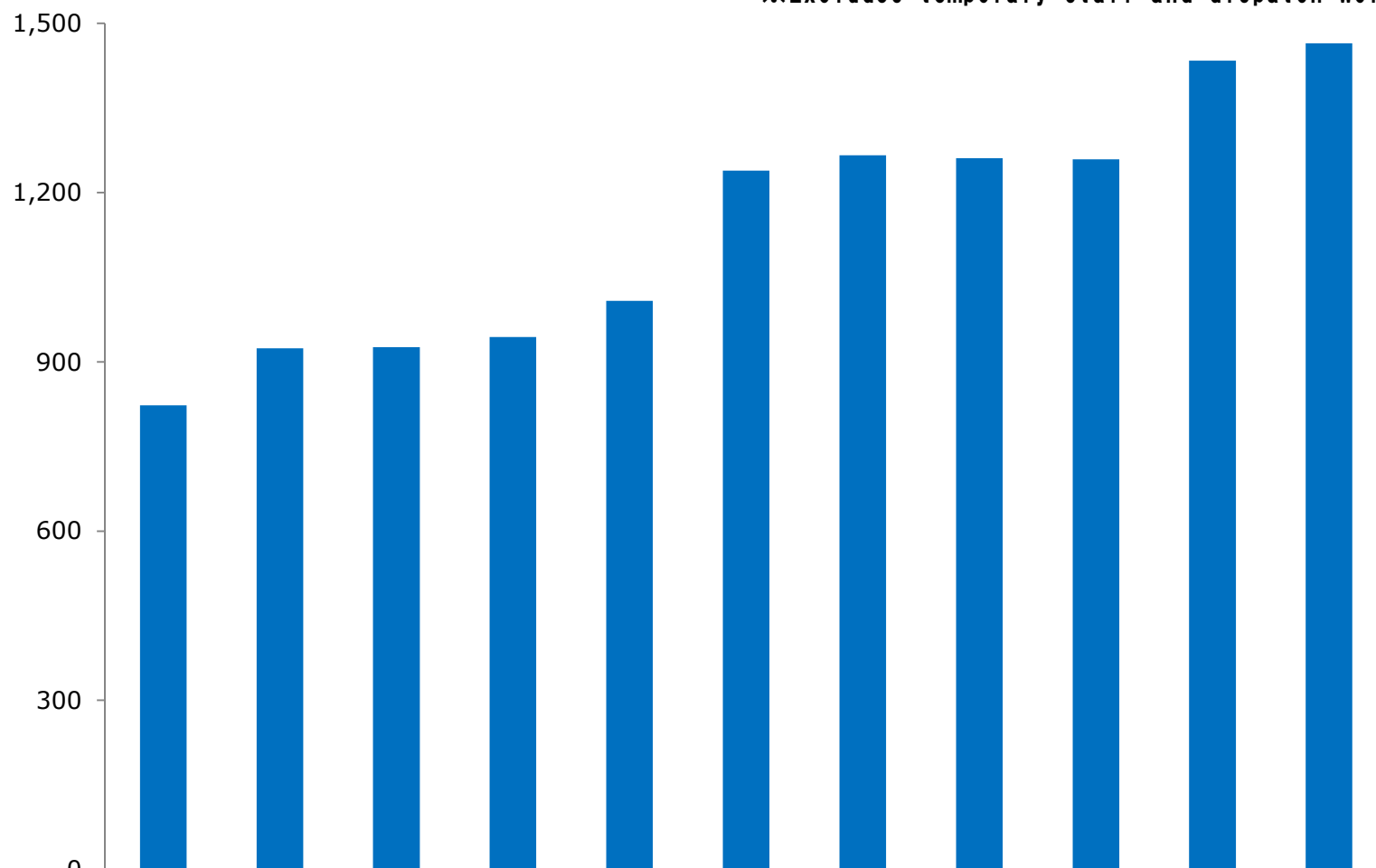


	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
	FY2011				FY2012				FY2013		
Total SGA	1,671	1,811	1,832	1,904	2,241	2,301	2,439	2,479	2,604	2,609	2,753
Personal expenses	1,009	1,146	1,137	1,197	1,273	1,385	1,477	1,483	1,509	1,546	1,644
Rents	96	99	97	97	120	134	137	174	161	161	161
Advertising expenses	42	35	29	65	85	96	97	109	94	88	86
Amortization of goodwill/ Depreciation and amortization	47	53	67	72	109	107	124	121	105	103	110
Others	474	476	501	471	652	576	602	591	732	708	749

# Consolidated Number of Employees



※Excludes temporary staff and dispatch workers



	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
	FY2011				FY2012				FY2013		
Consolidated Number of employees	823	924	926	944	1,008	1,239	1,266	1,261	1,259	1,434	1,465

# Status of Businesses

**Ongoing favorable situation in financing and Human Resources.  
Decreased in the Real Estate and Cosmetics.**

## Customers Status

<b>Financial</b>	<b>Continuing firm sales in finance overall, notably in banking, securities and insurance.</b>
<b>Real Estate</b>	<b>Sales dip slightly as ad needs held back, by the strong sales of condominium.</b>
<b>Human Resources</b>	<b>Strong performance in clients ad needs by continual buoyancy in the recruiting market.</b>
<b>Cosmetics</b>	<b>Downtrend in line with offseason conditions.</b>

## Temporary stagnation of search-linked ads despite growing trends

### Media Status

Operational Advertisements	Ad-networks	<ul style="list-style-type: none"><li>• Ongoing double-digit growth.</li><li>• Increase in YDN and criteo.</li><li>• Strong sales of trading desk services for Smartphones.</li></ul>
	Search-linked ads	<ul style="list-style-type: none"><li>• Temporary decline due to changes in system specifications of medias.</li><li>• Impact of customer, seasonal and price competition factors.</li></ul>
	Affiliate ads	<ul style="list-style-type: none"><li>• Continuous increases centered on financial customers.</li></ul>
Social ads	Growth in promotional advertising billings by Twitter and LINE.	







## Devices




<b>PCs</b>	<ul style="list-style-type: none"><li>• Increasing trend centered on operational ads mainly represented by Real-Time Bidding (RTB).</li></ul>
<b>Feature phones</b>	<ul style="list-style-type: none"><li>• Sales bottoming out thanks to the persistent need for display and affiliate ads.</li></ul>
<b>Smartphones</b>	<ul style="list-style-type: none"><li>• Gradual growth in search-linked ads</li><li>• Noticeable increase in ad-networks, becoming a future growth driver.</li></ul>

# Advertising & Solution Business: Consolidated Subsidiaries



 <b>CLASSIFIED</b>	✓ Currently renewing Yahoo! Real Estate's information-posting service for pre-owned properties scheduled to commence in January 2014.
 <b>Crossfinity</b>	✓ Ongoing sales increases centered on affiliate advertising businesses and the financial sector.
 <b>SOLDOUT</b>	✓ Expand online support for local agencies based on the partnership between the subsidiary Search LIFE and Yahoo! Japan.
 s1o Interactive Satisfaction guaranteed Only one Organization	✓ Favorable performance of commissioned management services, reflecting the extreme needs for advertising management.

## Accelerating new service development and increase sales to enhance demand

 <p>platformio Open Data Platform Service</p>	✓ Enhance Xrost DSP differentiation; approx. 30 companies placed orders for Xrost DMP.
 <p>Consumer First</p>	✓ Increased sales to major clients.
 <p>hotto link</p>	✓ Ongoing strong performance due to higher demand for social data analysis.

# S&C Business and Overseas Business

## S&C



- ✓ Strong sales of “Eki-Dash” as positioning game.
- ✓ Full-fledged development and sales of native application.



- ✓ Ongoing business restructuring; shift to profitable structure.

## Overseas



- ✓ United States: effective use of information mainly from local ventures.
- ✓ South Korea: sluggish growth due to domestic economic conditions.

Posted earnings of ¥60 million from sales of listed securities  
Investment implemented in the Q3: approx. ¥100 million

Investment in online service venture companies,  
mainly in Japan and Asia Pacific areas.

## Priority investment areas

Commerce

Crowdsourcing

Education×Tech

Ad-technology



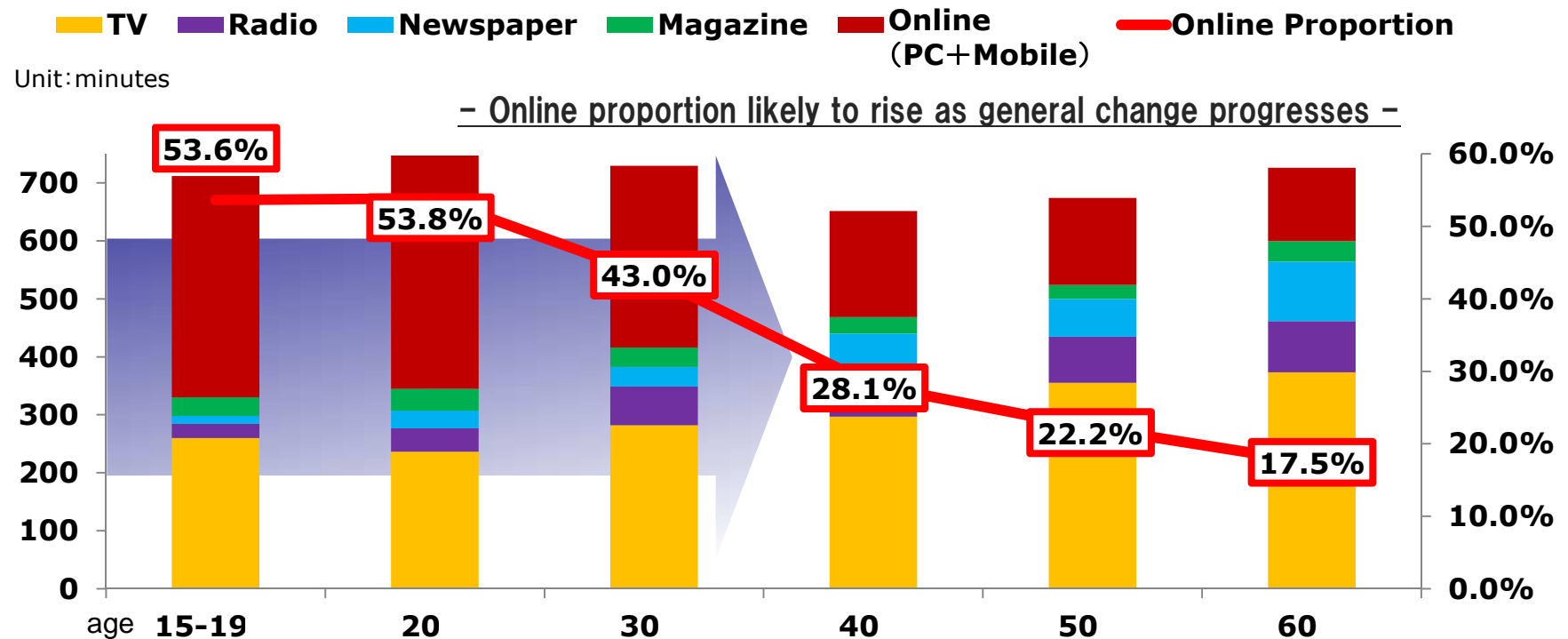
### Investment Criteria

Target growth stage	: principally early and middle stage
Size of investment	: ¥30million- ¥100million
Average period of investment	: 3years (2-5years)
Number of employees	: 5

# References

In the segment in their 20s, online time already exceeds time spent on other mass media.

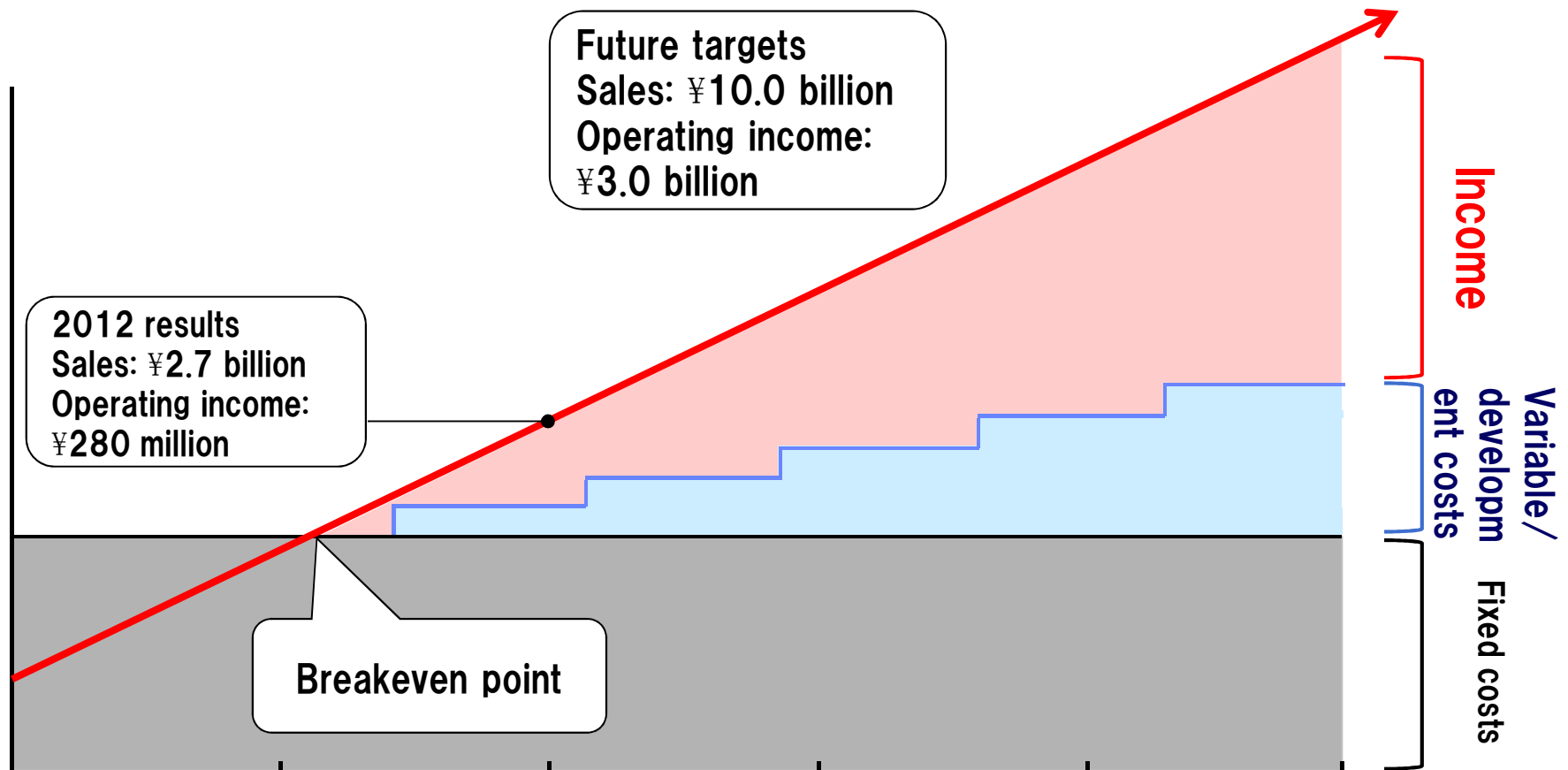
## Media contact time, by age group



Source: Based on "Fixed-point Media Survey 2013" (Tokyo area), Institute of Media Environment, Hakuodo DY Media Partners Inc.

# Database Business Profit Structure

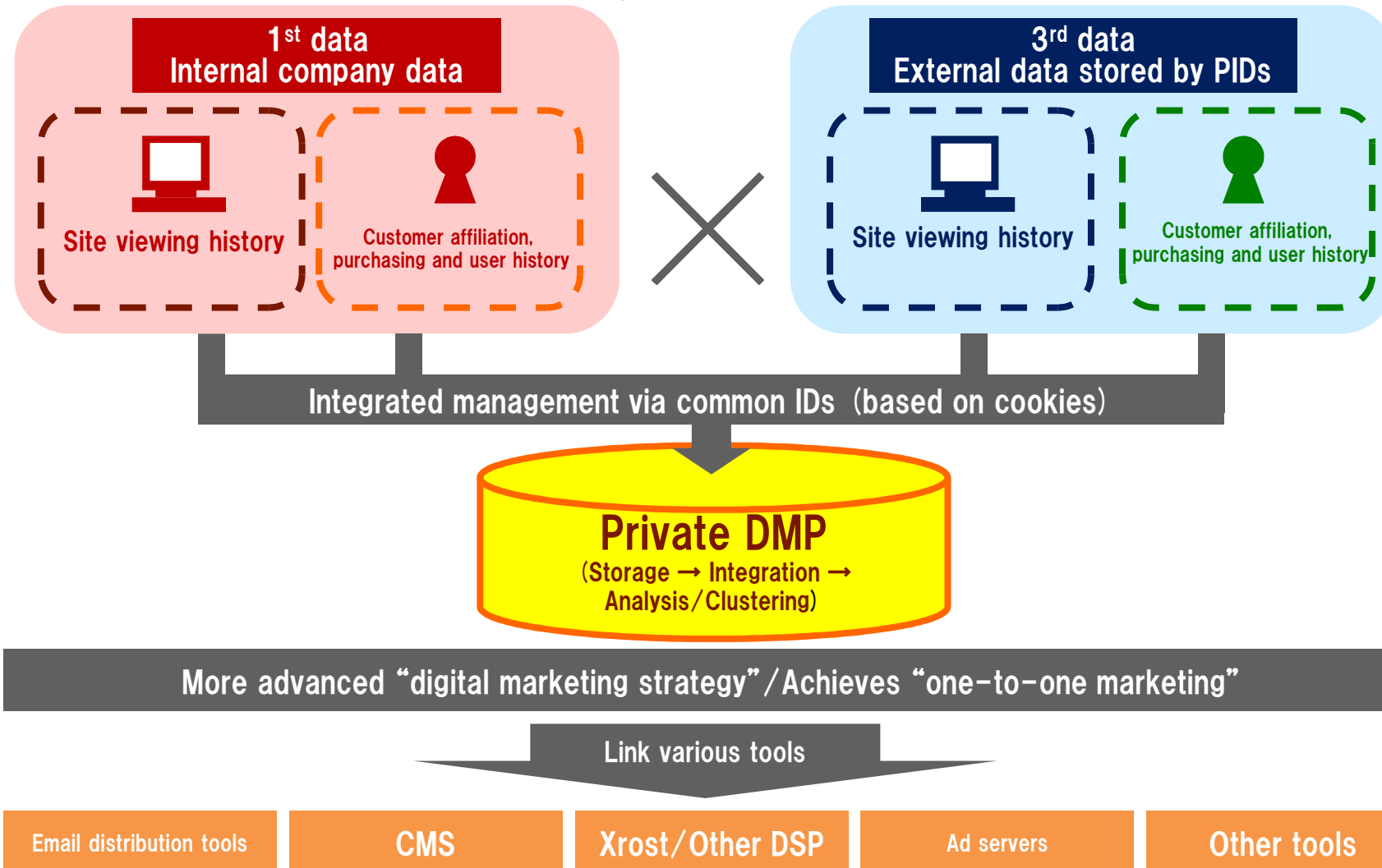
- Expansion of Xrost DSP with high rate of return (gross margin of 40–60%) .
- Strong sales growth in the Xrost series by Platform ID, Inc., a joint venture with CCC.





# Ad-technology: DMP

Data management platform integrate data stored by the company and PID-stored data (including off-line data) using common IDs. This increases the extraction of user site data, which is understood only through internal analysis and can be used in various types of advertising.



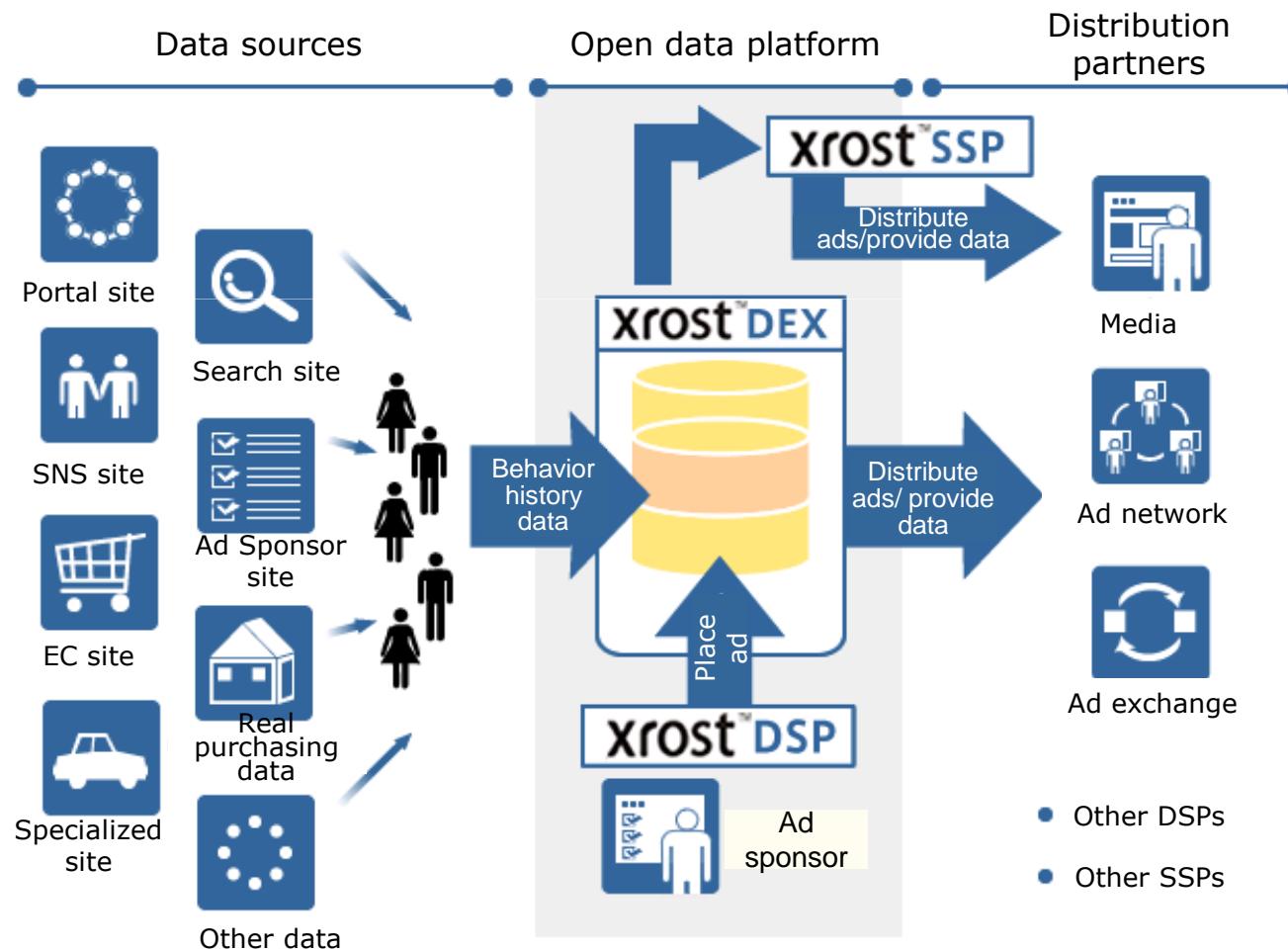
# Sales Ratio



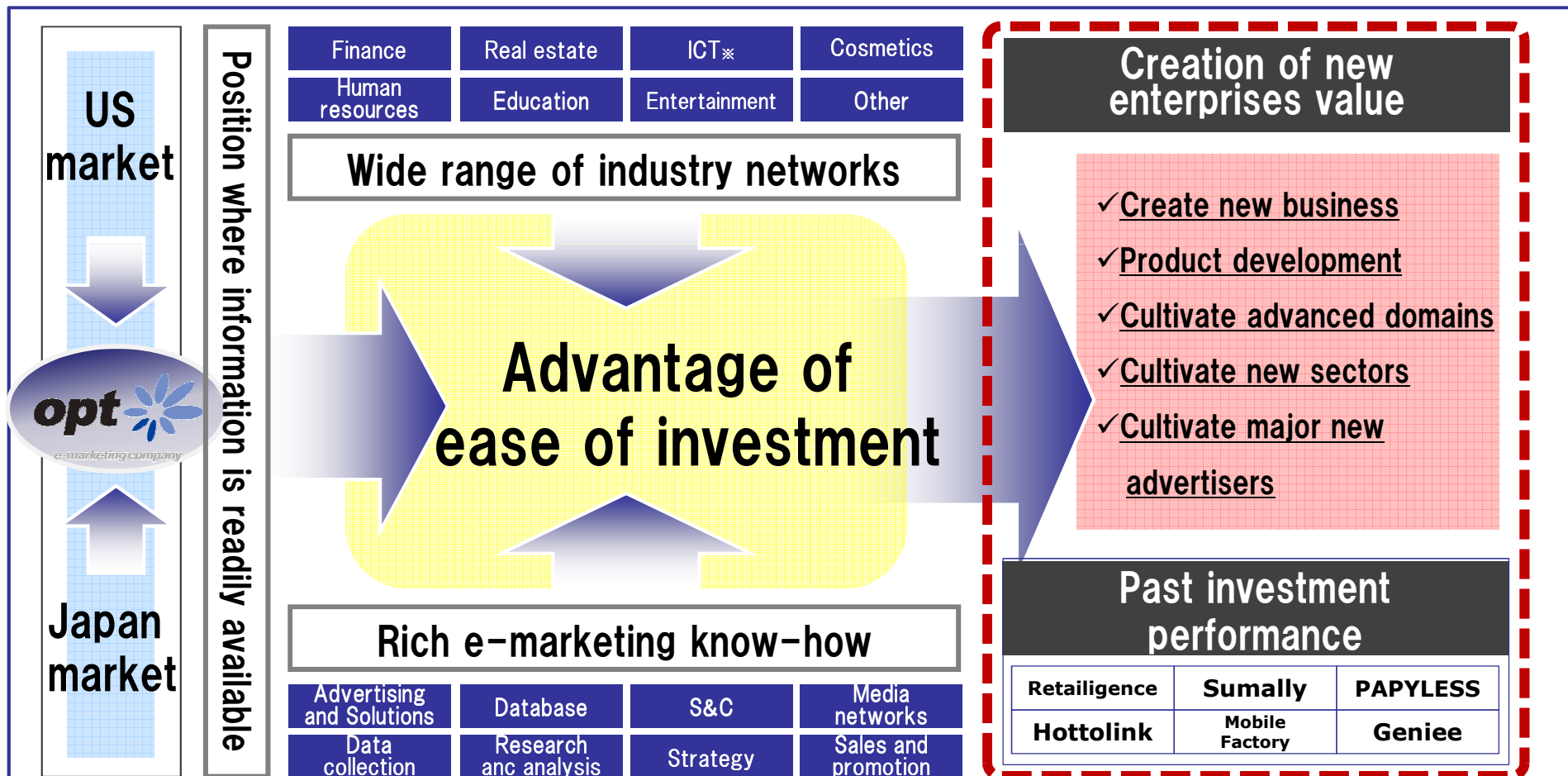
Segments	FY2012				FY2013		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Financial	22%	20%	21%	29%	31%	31%	32%
Real Estate	17%	14%	15%	15%	16%	13%	12%
Human Resources & Education	13%	9%	9%	9%	10%	9%	8%
Cosmetics	12%	26%	21%	17%	15%	21%	16%
Information and E-Commerce	9%	6%	7%	7%	6%	5%	10%
Others	27%	25%	27%	23%	22%	21%	22%
Total	100%	100%	100%	100%	100%	100%	100%

# Xrost: Targeted Advertising Delivery Tool

Xrost is a new data exchange platform that enables audience targeting. Analyzing the behavior history of approx. 140 million unique browsers, Xrost provides high-precision, next-generation audience targeting ads.
















**Aim for new enterprise value creation, using our strengths.**



※ICT:Information and Communication Technology

# Major Group Companies (2013 Q3)

Name	Business	Ownership	Consolidation status
CLASSIFIED 	Planning and sales classifieds	66.01%	Consolidated subsidiary
Crossfinty 	SEO and media consulting business	66.67%	Consolidated subsidiary
SOLDOUT 	Advertising agency for mid-sized and venture companies	100.00%	Consolidated subsidiary
s1o interactive 	Trading desk business	100.00%	Consolidated subsidiary
Hottolink 	Social media solution business	59.59%	Consolidated subsidiary
Platform ID 	Database business	51.00%	Consolidated subsidiary
Consumer First 	Data analysis business utilizing C-Finder data analysis platform	100.00%	Consolidated subsidiary
Mobile Factory 	Mobile contents business	40.84%	Consolidated subsidiary
Contents One 	Development, consulting and training business for web applications	100.00%	Consolidated subsidiary
Multimedia School Wave 	School for IT and web engineers	(100.00%)	Consolidated subsidiary
eMFORCE 	Internet advertising agency in South Korea	88.50%	Consolidated subsidiary
Chai Communication 	Internet advertising agency in South Korea	40.00%	Consolidated subsidiary
OPT America, Inc. 	Consulting, investment and alliance business in US	100.00%	Consolidated subsidiary
Accounted for by the equity method	TAGGY, TradeSafe, MCN Asia Holdings,Pte.Ltd.		
Other Group companies	Catcha Digital Asia, OPT Beijing Information Technology, Inc., etc.		

※Parentheses represent the percentage of indirect ownership



*e-marketing company*

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**<Notice>**

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