

February 3, 2014



**4<sup>th</sup> Quarter, Business Results for the  
Fiscal Year Ended December 31, 2013**

# Changes in the Scope of Consolidation (FY2013 Q4)



**glocom, Inc. (Internet advertising operations) become consolidated subsidiary. With two companies excluded, the OPT Group's scope of consolidation consists of 12 companies.**





# FY2013 (Jan-Dec)

## Summary of Consolidated Financial Results

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

# FY2013 Consolidated Financial Results



**While gross profit and gross profit margin increased, costs rose mainly due to active anticipatory investments.**

**Excluding the business alliance with Dentsu, net sales and operating income increased 8% and 35% YoY respectively, both of which were below Company estimates.**

	FY2012	FY2013	
	Results	Results	YoY
Net sales	78,909	67,624	(14.3%)
Gross profit	10,967	11,937	+8.8%
SGA	9,461	10,636	+12.4%
Operating income	1,506	1,300	(13.7%)
Ordinary income	1,355	1,105	(18.5%)
Net income	830	610	(26.5%)



# Net Sales and Operating Income by Segment (FY)

		FY2011	FY2012	FY2013	FY2012 Comparison
<b>Advertising &amp; Solution Business</b>	Net sales	59,325	71,740	58,414	(18.6%)
	Operating income	1,305	1,985	706	Decrease
<b>Database Business</b>	Net sales	1,636	2,708	3,132	+15.7%
	Operating income	55	288	453	+57.3%
<b>S&amp;C Business</b> (Social & Consumer)	Net sales	789	2,165	2,365	+9.2%
	Operating income	(102)	(590)	29	Improve
<b>Overseas Business</b>	Net sales	654	2,626	3,488	+32.8%
	Operating income	(152)	(162)	(165)	-
<b>Investment and Value Creation Business</b>	Net sales			599	-
	Operating income			273	-
<b>Total</b>	Net sales	62,260	78,909	67,624	(14.3%)
	Operating income	1,107	1,506	1,300	(13.7%)



## Advertising & Solution Business

**Net Sales            58,414 (-18.6% YoY)**

**Operating Income 706 (Strong decrease YoY)**

- **OPT experienced a short-term deterioration of profitability mainly due to structural reforms and anticipatory investments.**
- **Change in specifications of the advertising management tools produced unexpected burdens and opportunity losses.**



## Database Business

**Net Sales 3,132 (+15.7% YoY)**

**Operating Income 453 (Approx. 1.5 times)**

- Despite ongoing high growth, profits from new business investments are taking longer than anticipated.
- Hottolink was listed on TSE Mothers.



**S & C Business**

**Net Sales 2,365**  
**(+9.2% YoY)**

**Operating Income 29**  
**(Improve)**

**Overseas Business**

**Net Sales 3,488**  
**(+32.8% YoY)**

**Operating Loss 165**

**Investment and Value Creation Business**

**Net Sales 599**  
**Operating Income 273**





# FY2013 Q4 (Oct-Dec)

## Summary of Consolidated Financial Results



## Decreases in Sales and Earnings YoY

	FY2012 Q4	FY2013 Q4	
	Results	Results	YoY
<b>Net sales</b>	<b>21,495</b>	<b>14,075</b>	<b>(34.5%)</b>
<b>Gross profit</b>	<b>3,103</b>	<b>2,928</b>	<b>(5.6%)</b>
<b>SGA</b>	<b>2,479</b>	<b>2,669</b>	<b>+7.7%</b>
<b>Operating income</b>	<b>623</b>	<b>258</b>	<b>(58.6%)</b>



# Net Sales and Operating Income by Segment (Q)

Changes to business alliance  
with Dentsu from Q2

		FY2012	FY2013				12Q4 Comparison
		Q4	Q1	Q2	Q3	Q4	
Advertising & Solution Business	Net Sales	18,850	20,134	13,132	12,756	12,390	(34.3%)
	Operating income	606	436	191	6	70	Decrease
Database Business	Net Sales	760	738	694	789	909	+19.6%
	Operating income	126	104	42	68	237	+88.1%
Social & Consumer Business (S&C Business)	Net Sales	553	575	575	641	572	+3.4%
	Operating income	(109)	(19)	56	19	(26)	-
Overseas Business	Net Sales	1,401	948	1,149	1,079	311	Decrease
	Operating income	(2)	(52)	(46)	(54)	(12)	-
Investment and Value Creation Business	Net Sales			444	154	0	-
	Operating income			224	60	(11)	-
Total	Net Sales	21,495	22,329	15,915	15,303	14,075	(34.5%)
	Operating income	623	471	469	100	258	(58.6%)
	Operating income (Excluding the Investment and Value Creation Business)			245	40	270	-



## Advertising & Solution Business

**Net Sales 12,390 (-34.3% YoY)**

**Operating Income 70 (Strong decrease YoY)**

- OPT experienced slow growth because of fewer major projects for search-linked ads and delays in obtaining new customers.
- Anticipatory costs caused by accelerated investments in development of new domains, e.g. competitive, value-added products.
- Consolidated subsidiaries are still in the anticipatory investment phase although net sales and gross profit increased.



## Database Business

**Net Sales 909 (+19.6% YoY)**

**Operating Income 237 (+88.1% YoY)**

➤ **Strong performance due to major spot orders.**



**S & C Business**

**Net Sales 572**  
**(+3.4% YoY)**

**Operating Loss 26**

**Overseas Business**

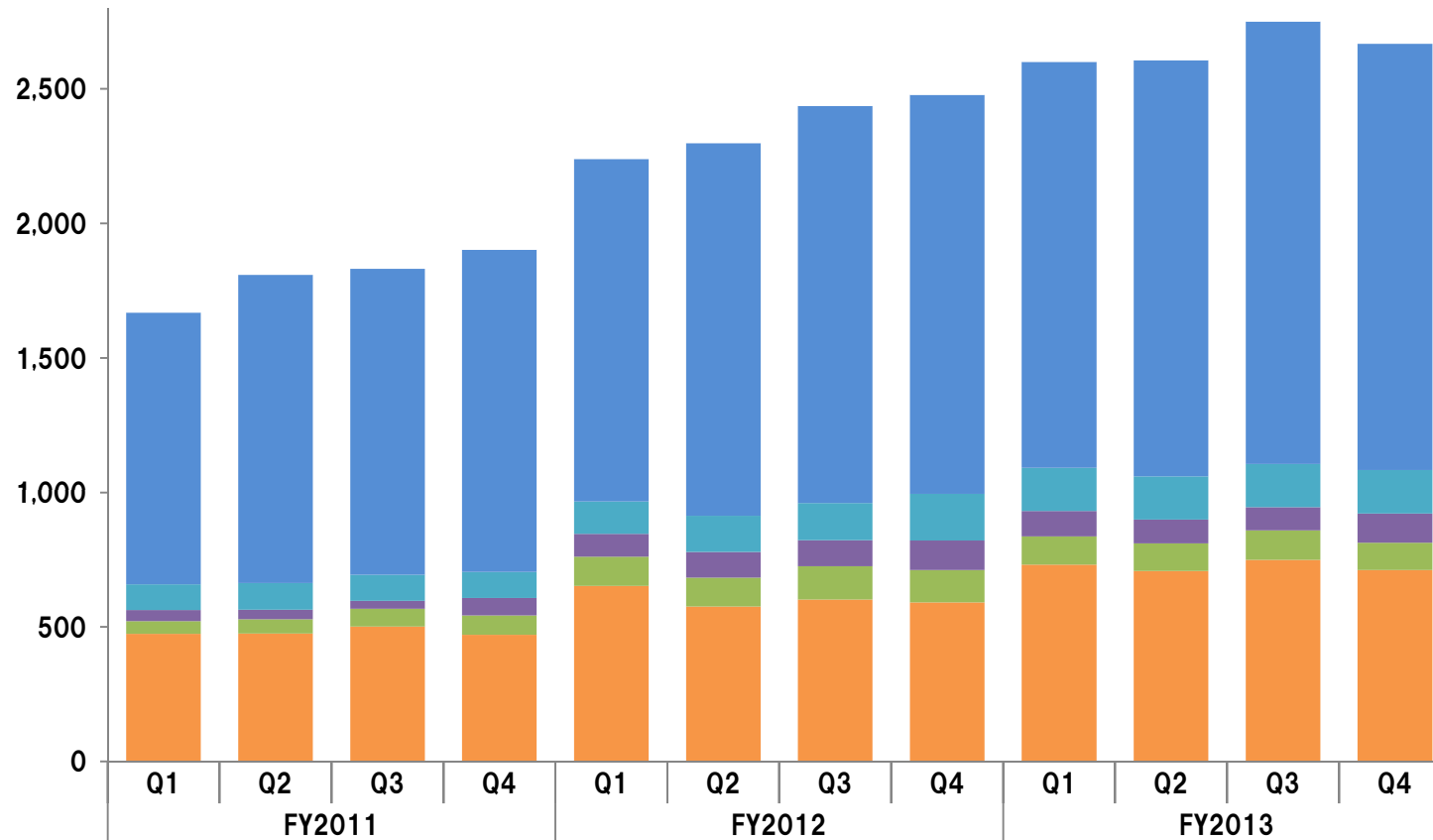
**Net Sales 311**  
**(Strong decrease YoY)**

**Operating Loss 12**

**Investment and Value Creation Business**

**Operating Loss 11**  
**(No sales)**

# Consolidated SGA Costs



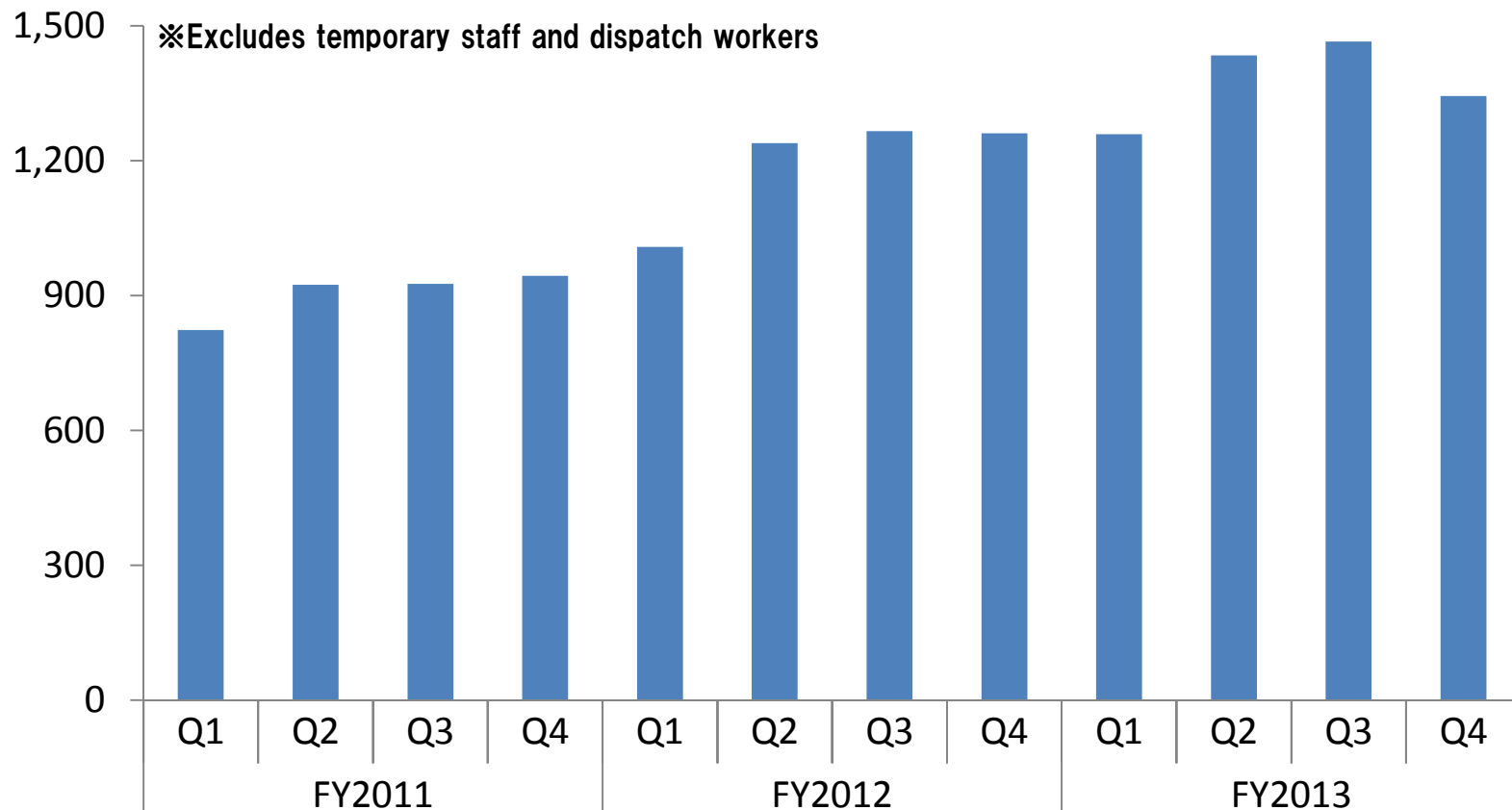
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	FY2011				FY2012				FY2013			
Total SGA	1,671	1,811	1,832	1,904	2,241	2,301	2,439	2,479	2,604	2,609	2,753	2,669
Personal expenses	1,009	1,146	1,137	1,197	1,273	1,385	1,477	1,483	1,509	1,546	1,644	1,585
Rents	96	99	97	97	120	134	137	174	161	161	161	161
Advertising expenses	42	35	29	65	85	96	97	109	94	88	86	109
Depreciation and amortization	47	53	67	72	109	107	124	121	105	103	110	102
Others	474	476	501	471	652	576	602	591	732	708	749	711



# Consolidated Number of Employees

**Major decrease from the previous quarter due to the exclusion of two companies from the scope of consolidation. OPT will actively hire new employees continuously.**

※Excludes temporary staff and dispatch workers



Consolidated number of employees	823	924	926	944	1,008	1,239	1,266	1,261	1,259	1,434	1,465	1,344
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# FY2013 Q4 (Oct-Dec) Status of Businesses



**Financial, human resources and information & e-commerce sectors improved YoY**

<b>Financial</b>	<b>Continuing strong sales in finance overall, notably in banking, securities and insurance.</b>
<b>Real Estate</b>	<b>The period for advertising has been shorten because of favorable real estate market conditions.</b>
<b>Human Resources &amp; Education</b>	<b>Increases in billings primarily among major clients.</b>
<b>Cosmetics</b>	<b>While sales fell YoY, advertising needs increased among top customers.</b>
<b>information &amp; e-commerce</b>	<b>Strong sales among both existing and new customers.</b>

# Reference : Sales Ratio



	<b>FY2012</b>				<b>FY2013</b>			
<b>Segments</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>
Financial	<b>22%</b>	<b>20%</b>	<b>21%</b>	<b>29%</b>	<b>31%</b>	<b>31%</b>	<b>32%</b>	<b>31%</b>
Real Estate	<b>17%</b>	<b>14%</b>	<b>15%</b>	<b>15%</b>	<b>16%</b>	<b>13%</b>	<b>12%</b>	<b>12%</b>
Human Resources & Education	<b>13%</b>	<b>9%</b>	<b>9%</b>	<b>9%</b>	<b>10%</b>	<b>9%</b>	<b>8%</b>	<b>10%</b>
Cosmetics	<b>12%</b>	<b>26%</b>	<b>21%</b>	<b>17%</b>	<b>15%</b>	<b>21%</b>	<b>16%</b>	<b>16%</b>
Information & E-Commerce	<b>9%</b>	<b>6%</b>	<b>7%</b>	<b>7%</b>	<b>6%</b>	<b>5%</b>	<b>10%</b>	<b>11%</b>
Others	<b>27%</b>	<b>25%</b>	<b>27%</b>	<b>23%</b>	<b>22%</b>	<b>21%</b>	<b>22%</b>	<b>20%</b>
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>







## Ongoing high growth excluding Search-linked ads

<b>Operational Advertisements</b>	<b>Ad-networks</b>	<ul style="list-style-type: none"> <li>•Increasing growth accompanying product expansion.</li> <li>•Rise in transactions focusing on YDN,GDN and Criteo.</li> </ul>
	<b>Search-linked ads</b>	<ul style="list-style-type: none"> <li>•Recovery in profit margin despite lower billings.</li> <li>•Refocus on obtaining new customers by upgrading sales systems.</li> </ul>
	<b>Affiliate ads</b>	<ul style="list-style-type: none"> <li>•Increasing demand mainly from financial customers.</li> </ul>
<b>Social ads</b>	Increases in demand for both brand advertising and promotional advertising.	

【YDN=Yahoo! Display Ad Network】 【GDN=Google Display Ad Network】







## Advertising & Solution Business : Consolidated Subsidiaries

 <b>CLASSIFIED</b>	✓ <b>CLASSIFIED</b> begins sales from January 2014 onward of pre-owned real estate for Yahoo! Real Estate by cultivating nationwide real estate brokers.
 <b>Crossfinity</b>	✓ Effectively gain new major clients mainly through affiliate ads.
 <b>SOLDOUT</b>	✓ Through the joint venture with Dentsu, Dentsu Digital Networks –a company specializing in regional digital advertising– was established in November 2013, thereby strengthening SOLDOUT' s ability to obtain new regional customers.
 Interactive Satisfaction guaranteed Only one Organization	✓ Business increasing due to strong performance of commissioned trading desk services.

# Database Business



	✓ Obtained major ADPLAN spot orders.
	✓ Strong sales of the Xrost series.
	✓ Currently promoting new development focusing on major clients.
	✓ Listed on TSE Mothers on December 9, 2013.

# Sales of Hottolink Shares and Accounting Changes



	<b>FY2013</b>		<b>FY2014</b>
<b>Segment</b>	<b>Consolidated subsidiaries</b>		<b>Operational investment securities</b>
<b>Business domain</b>	<b>Database Business</b>		<b>Investment and Value Creation Business</b>
<b>Profits breakdown</b>	<b>Business profits</b>	<b>Profits from share sales</b>	<b>Business profits</b>
	Consolidated accounting up to Q4.	Posted extraordinary income of ¥1.01 billion.	Posted ¥4.49 billion in January 2014 from the sale of short-term investment securities for the fiscal year.
<b>Ownership</b>	<b>Approx.36%→Approx.20%</b>		<b>Approx.20%→Approx.7%</b>

※The sale of Hottolink shares does not affect the relationship between Hottolink and OPT nor does it change our collaborative framework.



# FY2014 Business Policies





## « Defensive Posture »

**Improve profitability**

- ① Enhance the productivity of existing businesses.
- ② Increase the competitive, value-added product ratio.

## « Offensive Posture »

**Invest in sustainable growth over the medium- to long-term**

- ① Establish integrated e-marketing value chains.
- ② Develop competitive products (including investment and business alliances).
- ③ Strengthen the Investment and Value Creation Business by effectively using assets (people, property, funds, information).



### ① Enhance the productivity of existing businesses.

- Increase operating income by emphasizing profitability
- Enhance efficiency mainly by revising operational flow and implementing numerical visualization

### ② Increase **the competitive, value-added product ratio.**

- Product mix ratio: Increase to **30%** by the end of 2014
- Focus areas: Concentrate on four new areas of Databases, Omni-channel, Online-video and Ad-technology
- Focus products: Concentrate on function enhancements and expanded sales of Xrost



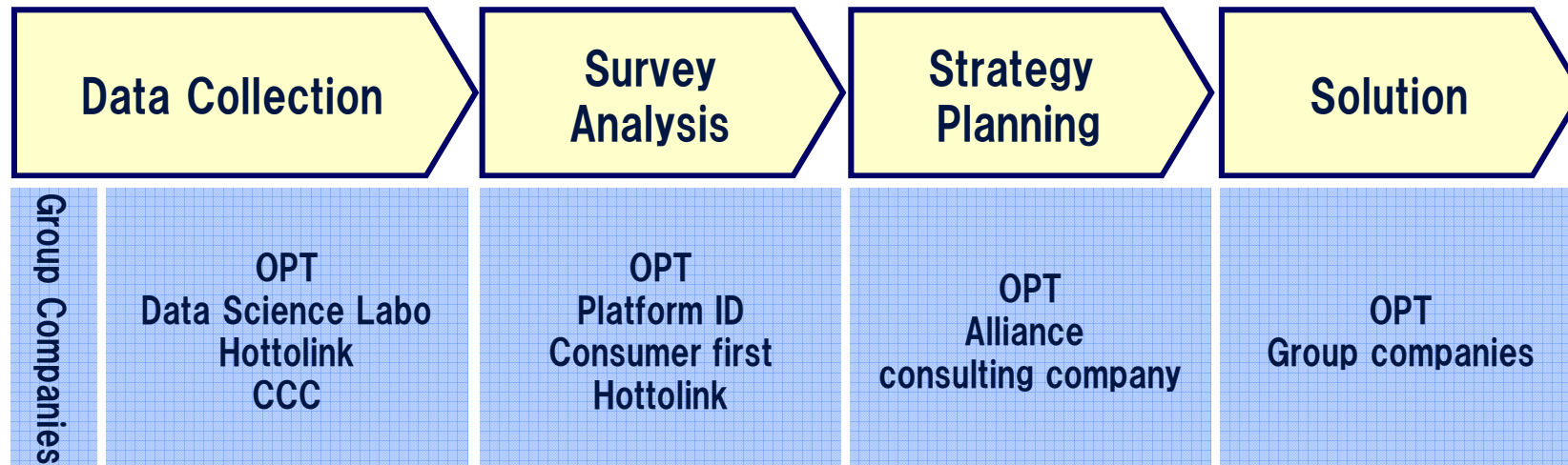
**① Establish integrated e-marketing value chains.**

Strengthen operations at each phase, from data collection and organization to solution services

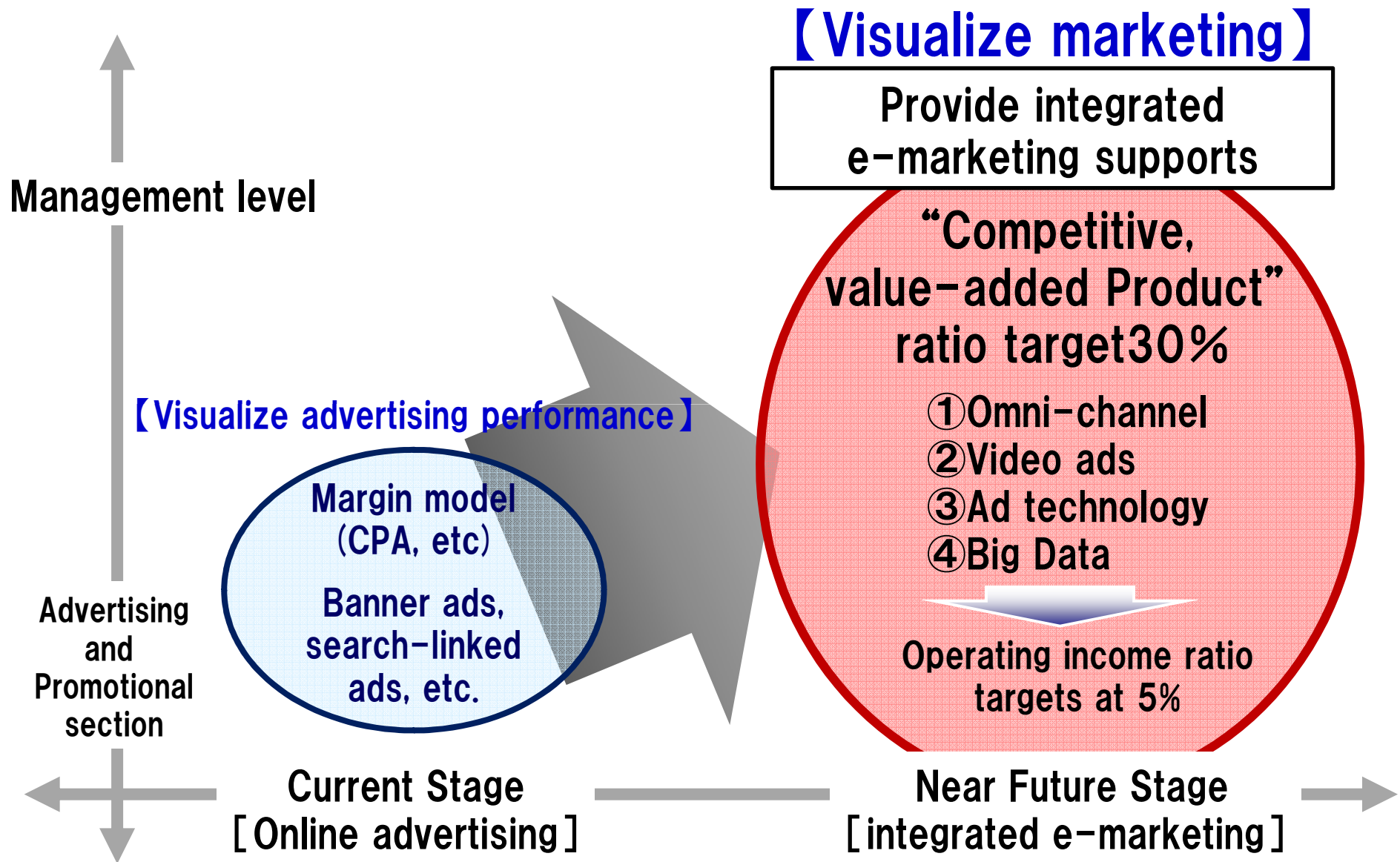
**② Develop competitive products**

**(including investment and business alliances).**

R&D into original products to improve profitability

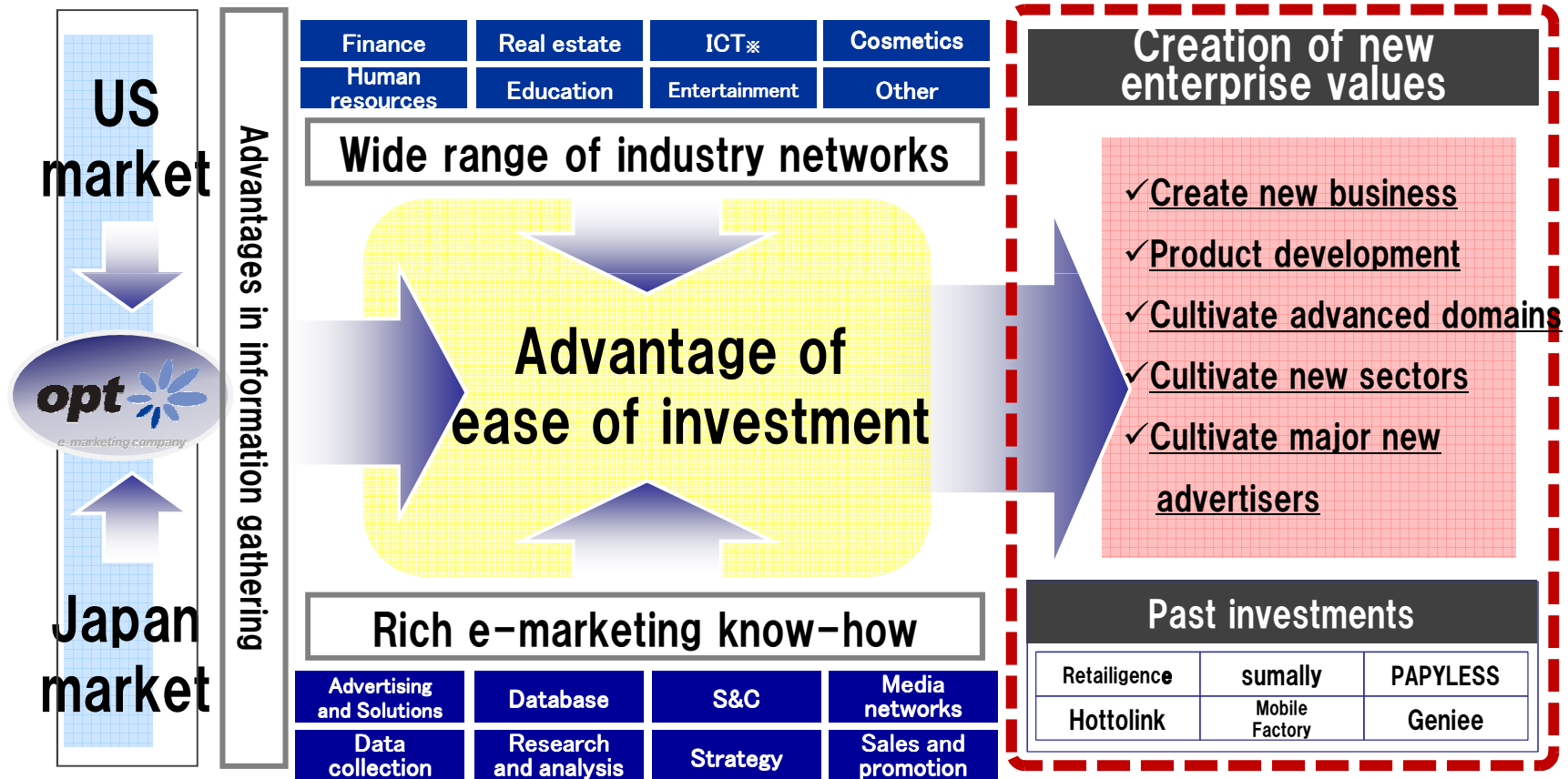


# FY2014 Business Policies (structural reforms)





**③ Strengthen the Investment and Value Creation Business by effectively using assets (people, property, funds, information).**



※ICT:Information and Communication Technology



# FY2014 Forecast

# FY2014 Forecast



- ✓ **Excluding the Investment and Value Creation Business, operating income for existing businesses is expected to increase by 31% (Excluding the business alliance with Dentsu, net sales and operating income are expected to rise 5% and 50%, respectively) .**
- ✓ **Due to the sale of Hottolink shares, OPT has already posted operating income and ordinary income of ¥4,497 million and net income of ¥2,788 million in Q1 (Investment and Value Creation Business) .**
- ✓ **Plan to engage in active business investments, employee return policies and other areas that are worth hundreds of million yen (SGA) . As a result, operating income and net income are expected to total ¥5,100 million and ¥2,700 million, respectively.**
- ✓ **Forecast improved profitability by increasing sales of OPT' s competitive, value-added products.**



**Significant earnings increases primarily because of the sale of Hottolink shares**

	FY2013	FY2014	
	Results	Forecasts	YoY
Net sales	67,624	67,000	(0.9%)
Operating income	1,300	5,100	4times YoY
Ordinary income	1,105	4,950	4.5times YoY
Net income	610	2,700	4.5times YoY

※ Although net sales decreased due to changes in the business alliance with Dentsu, OPT secured an increase in sales and a significant jump in earnings after excluding the business alliance with Dentsu.



# FY2014 Forecast Breakdown



**Excluding the Investment and Value Creation Business, operating income for existing businesses is expected to increase by 31%.**

	<b>FY2013</b>	<b>FY2014</b>	
	<b>Results</b>	<b>Forecasts</b>	<b>YoY</b>
<b>Net sales</b>	<b>67,025</b>	<b>62,345</b>	<b>(7.0%)</b>
<b>Operating income</b>	<b>1,027</b>	<b>1,345</b>	<b>+31.0%</b>



# References

# FY2013 Consolidated Statements of Income



	FY2012	FY2013	
Net sales	78,909	67,624	
Gross profit	10,967	11,937	
SGA	9,461	10,636	The number of employees and etc. increased
Operating income	1,506	1,300	
Non-operating income	137	101	
Non-operating expenses	287	296	Posted income of ¥1.01 billion from the sale of Hottolink shares
Ordinary income	1,355	1,105	
Extraordinary income	510	1,202	Loss on valuation of investment securities, loss on sales of investment securities and provision of allowance for doubtful accounts
Extraordinary loss	309	679	
Income before income taxes	1,557	1,628	
Total income taxes	556	839	Non-deductible amount increased
Minority interests in income	170	178	
Net income	830	610	

# FY2013 Consolidated Balance Sheets














	FY2012	FY2013
Current assets	28,553	32,430
Noncurrent assets	8,284	7,225
<b>Total assets</b>	<b>36,838</b>	<b>39,656</b>
Current liabilities	16,464	13,898
Noncurrent liabilities	754	591
<b>Total liabilities</b>	<b>17,219</b>	<b>14,489</b>
<b>Total net assets</b>	<b>19,618</b>	<b>25,166</b>
<b>Total liabilities and net assets</b>	<b>36,838</b>	<b>39,656</b>

Hottolink shares were transferred to operational investment securities (current assets) and appraised at market value.

# Major Group Companies (FY2013 Q4)



社名	事業内容	持分比率	連結状況
CLASSIFIED 	Planning and sales classifieds	66.01%	Consolidated subsidiary
Crossfinity 	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
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
OPT America, Inc. 	Consulting, investment and alliance business in US	100.00%	Consolidated subsidiary
glocom, Inc.	Internet advertising operation business	51.00%	Consolidated subsidiary
Accounted for by the equity method	TAGGY, MCN Asia Holdings, Pte.Ltd., Chai Communication		
Other Group companies	Asukoe Partners Inc., Catcha Digital Asia, etc.		

※Parentheses represent the percentage of indirect ownership



*e-marketing company*

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