

Flash Report for the 2nd Quarter of Fiscal Year ending December 31, 2014 [Japan GAAP] (on a consolidated basis)

July 25, 2014

Stock Exchange Listing: Tokyo

Company Name: OPT, Inc.

Stock Code: 2389 URL <http://www.opt.ne.jp/english/>

Representative: Noboru Hachimine, Founder, President and CEO

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Scheduled date of commencement of dividend payment: —

Supplemental materials prepared for quarterly financial results: Yes

(Amounts of less than one million yen are rounded down and percentages are rounded to the first decimal place)

1. Consolidated Results for the 2nd Quarter of Fiscal Year 2014 (January 1, 2014 – June 30, 2014)

(1) Consolidated Business Results (Cummulative total) (% represents year-on-year change)

	Revenue		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2 nd Quarter of FY2014	34,760	(9.1)	4,264	353.1	4,091	360.3	1,948	524.3
2 nd Quarter of FY2013	38,244	1.9	941	87.5	888	153.0	312	0.0

Note: Comprehensive income: March 31, 2014: (2,234) million yen (—%); March 31, 2013: 378million yen (down 2.4%)

	Basic net income per share		Diluted net income per share	
	Yen		Yen	
2 nd Quarter of FY2014	69.79		69.22	
2 nd Quarter of FY2013	10.60		10.37	

(2) Consolidated Financial Position

	Total assets		Net assets		Net assets ratio		Net assets per share	
	Millions of yen		Millions of yen		%		Yen	
June 30, 2014	35,755		19,061		49.7		687.45	
December 31, 2013	39,656		25,166		60.4		812.12	

(Reference) Capital: June 30, 2014: 17,752 million yen; December 31, 2013: 23,936 million yen

2. Dividends

	Dividend per share				
	End of 1st quarter (Mar. 31)	End of 2nd quarter (Jun. 30)	End of 3rd quarter (Sep. 30)	Fiscal year-end (Dec. 31)	Annual
	Yen				
FY2013	—	0.00	—	23.50	23.50
FY2014	—	0.00			
FY2014 (forecasts)			—	—	—

(Note) Revision to the most recently announced dividend forecast: None

- Breakdown of dividends for FY2013: Commemorative dividend 15yen; Ordinary dividend 8.5yen
- Forecast for the FY2014-end dividend is yet to be determined.

3. Consolidated Earnings Forecasts for the Fiscal Year Ending December 31, 2014 (January 1, 2014 - December 31, 2014)

(% represents year-on-year change)

	Revenue		Operating income		Ordinary income		Net income		Net income per share	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen	
Full-year	67,000	(0.9)	5,100	292.2	4,950	347.9	2,700	342.1	91.61	

(Note) Revision to the most recently announced forecasts of consolidated results: None

Notes:

(1) Changes in major subsidiaries during the period under review
(changes in specified subsidiaries resulting from changes in the scope of consolidation): None

Inclusion: None

Exclusion: None

(2) Application of special accounting practices in the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and retrospective restatements

(a) Changes in accounting policies arising from the revision of accounting standards, etc.: None

(b) Changes in accounting policies other than those noted in above (a) : None

(c) Changes in accounting estimates: None

(d) Retrospective restatements: None

(4) Number of shares outstanding (common stock)

(a) Number of shares outstanding
as of the end of the period
(including treasury stock)

FY2014 2Q (As of June 30, 2014)	29,964,000 shares	FY2013 (As of December 31, 2013)	29,914,000 shares
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(b) Number of shares of treasury stock
as of the end of the period

FY2014 2Q (As of June 30, 2014)	4,140,000 Shares	FY2013 (As of December 31, 2013)	440,000 Shares
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(c) Average number of shares during period
(2Q cumulative period)

FY2014 2Q (Cumulative period)	27,920,714 shares	FY2013 2Q (Cumulative period)	29,446,179 shares
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***Regarding the status of quarterly review procedure implementation**

This flash report is outside the scope of quarterly review procedures as prescribed under the Financial Instruments and Exchange Act of Japan. Quarterly financial statement review procedures as prescribed under the Act have not been completed at the time of disclosure.

*** Explanations about the proper use of earnings forecasts and other specific matters**

Forward-looking statements including earnings forecasts and other specific matters in this document are based on information currently available to management and certain assumptions considered by management to be reasonable. A variety of factors could cause actual results and events to differ significantly from those projected.

Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousands of yen)

	FY2013 (As of December 31, 2013)	2nd Quarter of FY2014 (As of June 30, 2014)
Assets		
Current assets		
Cash and deposits	11,494,000	9,545,125
Notes and accounts receivable—trade	8,929,372	10,268,785
Short-term investment securities	1,999,461	1,499,605
Operational investment securities	9,142,620	2,892,692
Inventories	71,852	124,600
Deferred tax assets	69,029	76,066
Other	887,287	947,895
Allowance for doubtful accounts	(162,753)	(199,880)
Total current assets	32,430,870	25,154,890
Noncurrent assets		
Total property, plant and equipment	638,241	818,515
Intangible assets		
Goodwill	212,306	2,558,474
Other	1,019,419	1,432,449
Total intangible assets	1,231,726	3,990,924
Investments and other assets		
Investment securities	3,635,776	4,384,866
Other	2,108,424	2,071,028
Allowance for doubtful accounts	(388,772)	(665,009)
Total investments and other assets	5,355,429	5,790,885
Total noncurrent assets	7,225,397	10,600,324
Total assets	39,656,268	35,755,214

(Thousands of yen)

	FY2013 (As of December 31, 2013)	2nd Quarter of FY2014 (As of June 30, 2014)
Liabilities		
Current liabilities		
Notes and accounts payable—trade	7,668,648	8,705,870
Short-term loans payable	200,000	874,000
Income taxes payable	681,528	1,940,415
Deferred tax liabilities	3,142,150	218,838
Provision for bonuses	259,215	586,374
Other	1,946,981	2,363,694
Total current liabilities	13,898,523	14,689,193
Noncurrent liabilities		
Long-term loans payable	55,552	1,434,986
Provision for retirement benefits	127,819	133,401
Deferred tax liabilities	39,963	49,346
Asset retirement obligations	127,815	142,345
Other	240,171	244,426
Total noncurrent liabilities	591,322	2,004,505
Total liabilities	14,489,845	16,693,699
Net assets		
Shareholders' equity		
Capital stock	7,617,986	7,640,700
Capital surplus	7,712,346	7,735,046
Retained earnings	3,072,641	4,347,379
Treasury stock	(217,646)	(3,148,046)
Total shareholders' equity	18,185,328	16,575,080
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,417,587	952,632
Foreign currency translation adjustment	333,517	224,986
Total accumulated other comprehensive income	5,751,105	1,177,618
Subscription rights to shares	39,798	6,836
Minority interests	1,190,189	1,301,979
Total net assets	25,166,422	19,061,515
Total liabilities and net assets	¥39,656,268	35,755,214

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income**Consolidated Statements of Income**

(Thousands of yen)

	2Q Cumulative FY2013 (From January 1, 2013 to June 30, 2013)	2Q Cumulative FY2014 (From January 1, 2014 to June 30, 2014)
Revenue	38,244,940	34,760,981
Cost of sales	32,089,908	24,554,236
Gross profit	6,155,032	10,206,744
Total selling, general and administrative expenses	5,213,753	5,941,853
Operating income	941,278	4,264,890
Non-operating income		
Interest income	16,483	13,275
Dividends income	40	42
Gain on investments in partnership	55,536	—
Other	21,150	29,387
Total non-operating income	93,211	42,705
Non-operating expenses		
Interest expenses	7,483	8,102
Loss on investments in partnership	—	47,925
Equity in losses of affiliates	81,822	123,698
Other	56,444	36,724
Total non-operating expenses	145,750	216,450
Ordinary income	888,738	4,091,146
Extraordinary income		
Gain on change in equity	8,897	55,292
Gain on sales of investment securities	30,723	57,590
Gain on reversal of subscription rights to shares	22,228	21,011
Total extraordinary income	61,849	133,893
Extraordinary loss		
Loss on retirement of noncurrent assets	5,077	70,625
Impairment loss	27,194	24,051
Loss on valuation of investment securities	58,238	114,869
Provision of allowance for doubtful accounts	—	276,212
Other	5,075	18,687
Total extraordinary loss	95,586	504,446
Income before income taxes	855,002	3,720,593
Income taxes-current	428,084	1,866,269
Income taxes-deferred	4,142	(156,067)
Total income taxes	432,227	1,710,201
Income before minority interests	422,774	2,010,392
Minority interests in income	110,639	61,853
Net income	312,135	1,948,538

(2) Consolidated Statements of Comprehensive Income

(Thousands of yen)

	2Q Cumulative FY2013 (From January 1, 2013 to June 30, 2013)	2Q Cumulative FY2014 (From January 1, 2014 to June 30, 2014)
Income before minority interests	422,774	2,010,392
Other comprehensive income		
Valuation difference on available-for-sale securities	(83,807)	(4,464,955)
Foreign currency translation adjustment	(2,100)	(114,348)
Share of other comprehensive income of associates accounted for using equity method	35,469	4,850
Total other comprehensive income (loss)	<u>(50,438)</u>	<u>(4,574,453)</u>
Comprehensive income	<u>372,336</u>	<u>(2,564,061)</u>
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	253,245	(2,624,948)
Comprehensive income attributable to minority interests	119,090	60,887

(3) Segment Information

2nd Quarter Cumulative Period of FY2014 (January 1, 2014 – June 30, 2014)

1. Information on Revenue and Income (Loss) by Reporting Segment

(Thousands of yen)

	Reportable Segment						Adjustments (Note 1)	Amounts recorded in consolidated financial statements (Note 2)
	Internet Advertising & Solution Business	Database Business	Social & Consumer Business	Overseas Business	Investment and Value Creation Business	Total		
Revenue								
Sales, external Intersegment sales or transfers	27,431,087	883,484	1,157,092	634,557	4,654,759	34,760,981	—	34,760,981
	187	193,352	17,166	132,108	—	342,815	(342,815)	—
Total	27,431,275	1,076,837	1,174,258	766,666	4,654,759	35,103,796	(342,815)	34,760,981
Segment income (loss)	(203,936)	45,324	73,381	(117,366)	4,467,292	4,264,695	195	4,264,890

Notes:

1. The 195 thousand yen adjustment to segment income (loss) is attributable to intersegment eliminations.
2. Segment income (loss) refers to operating income (loss) as reported in the consolidated statements of income, after adjustment.

2. Information Concerning Loss on Impairment of Noncurrent Assets and Goodwill by Reporting Segment (Significant loss on impairment of noncurrent assets)

Not applicable

(Significant changes in amount of goodwill)

In the Internet Advertising & Solution Business, OPT, Inc. acquired SkillUp Video Technologies Corporation(SUVT) and Writeup Co., Ltd.(Writeup), included them in the scope of consolidation. As a result of this event, goodwill increased in the amount of 2,042,430 thousand yen(regarding SUVT) and 209,207 thousand yen (regarding Writeup) during the second quarter cumulative period of the fiscal year ending December 31, 2014. Moreover, due to the additional acquisition of crossfinty Inc., goodwill increased in the amount of 210,777 thousand yen during the second quarter cumulative period of the fiscal year ending December 31, 2014.

(Significant gain on negative goodwill)

Not applicable