

Flash Report for the 3rd Quarter of Fiscal Year ending December 31, 2014

[Japan GAAP] (on a consolidated basis)

October 27, 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 filing date of quarterly financial results: November 12, 2014

Scheduled date of commencement of dividend payment: —

Supplemental materials prepared for quarterly financial results: Yes

Holding of quarterly financial results meeting: No

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

1. Consolidated Results for the 3rd Quarter of Fiscal Year 2014 (January 1, 2014–September 30, 2014)

(1) Consolidated Business Results (Cumulative 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	%
3rd Quarter of FY2014	50,906	(4.9)	4,385	321.0	4,201	348.1	1,837	592.1
3rd Quarter of FY2013	53,548	(6.7)	1,041	18.0	937	43.0	265	(46.3)

Note: Comprehensive income: Nine-months ended September 30, 2014: (2,743) million yen (—%)
 Nine-months ended September 30, 2013: 385 million yen (down 7.2%)

	Basic net income per share		Diluted net income per share	
	Yen		Yen	
3rd Quarter of FY2014	67.50		67.02	
3rd Quarter of FY2013	9.01		8.73	

(2) Consolidated Financial Position

	Total assets	Net assets	Net assets ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
September 30, 2014	43,083	18,889	40.7	678.38
December 31, 2013	39,656	25,166	60.4	812.12

(Reference) Capital: September 30, 2014: 17,529 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
FY2013	Yen —	Yen 0.00	Yen —	Yen 23.50	Yen 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 3Q (As of September 30, 2014)	29,980,000 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 3Q (As of September 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
(3Q cumulative period)

FY2014 3Q (Cumulative period)	27,215,419 shares	FY2013 3Q (Cumulative period)	29,452,190 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)	3rd Quarter of FY2014 (As of September 30, 2014)
Assets		
Current assets		
Cash and deposits	11,494,000	11,220,071
Notes and accounts receivable—trade	8,929,372	9,906,378
Short-term investment securities	1,999,461	5,996,013
Operational investment securities	9,142,620	2,624,351
Inventories	71,852	146,116
Deferred tax assets	69,029	65,765
Other	887,287	1,000,259
Allowance for doubtful accounts	(162,753)	(208,557)
Total current assets	<u>32,430,870</u>	<u>30,750,399</u>
Noncurrent assets		
Total property, plant and equipment	638,241	820,829
Intangible assets		
Goodwill	212,306	2,450,704
Other	1,019,419	1,420,070
Total intangible assets	<u>1,231,726</u>	<u>3,870,774</u>
Investments and other assets		
Investment securities	3,635,776	6,314,015
Other	2,108,424	1,999,773
Allowance for doubtful accounts	(388,772)	(672,281)
Total investments and other assets	<u>5,355,429</u>	<u>7,641,507</u>
Total noncurrent assets	<u>7,225,397</u>	<u>12,333,111</u>
Total assets	<u>39,656,268</u>	<u>43,083,511</u>

(Thousands of yen)

	FY2013 (As of December 31, 2013)	3rd Quarter of FY2014 (As of September 30, 2014)
Liabilities		
Current liabilities		
Notes and accounts payable—trade	7,668,648	8,823,185
Short-term loans payable	200,000	3,305,383
Income taxes payable	681,528	1,539,161
Deferred tax liabilities	3,142,150	118,780
Provision for bonuses	259,215	251,258
Other	1,946,981	2,352,743
Total current liabilities	13,898,523	16,390,512
Noncurrent liabilities		
Long-term loans payable	55,552	7,223,409
Provision for retirement benefits	127,819	144,367
Deferred tax liabilities	39,963	70,379
Asset retirement obligations	127,815	139,666
Other	240,171	225,281
Total noncurrent liabilities	591,322	7,803,104
Total liabilities	14,489,845	24,193,616
Net assets		
Shareholders' equity		
Capital stock	7,617,986	7,645,948
Capital surplus	7,712,346	7,740,278
Retained earnings	3,072,641	4,234,488
Treasury stock	(217,646)	(3,148,046)
Total shareholders' equity	18,185,328	16,472,668
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,417,587	615,053
Foreign currency translation adjustment	333,517	441,488
Total accumulated other comprehensive income	5,751,105	1,056,542
Subscription rights to shares	39,798	6,836
Minority interests	1,190,189	1,353,847
Total net assets	25,166,422	18,889,894
Total liabilities and net assets	39,656,268	43,083,511

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

(Thousands of yen)

	3Q Cumulative FY2013 (From January 1, 2013 to September 30, 2013)	3Q Cumulative FY2014 (From January 1, 2014 to September 30, 2014)
Revenue	53,548,340	50,906,688
Cost of sales	44,539,658	37,467,921
Gross profit	9,008,681	13,438,767
Total selling, general and administrative expenses	7,966,946	9,053,525
Operating income	1,041,735	4,385,241
Non-operating income		
Interest income	25,882	20,802
Dividends income	40	3,341
Gain on investments in partnership	39,727	—
Other	26,492	40,820
Total non-operating income	92,144	64,964
Non-operating expenses		
Interest expenses	10,807	14,788
Loss on investments in partnership	—	53,102
Equity in losses of affiliates	118,719	142,480
Other	66,721	38,409
Total non-operating expenses	196,248	248,781
Ordinary income	937,630	4,201,423
Extraordinary income		
Gain on change in equity	31,590	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	84,542	133,893
Extraordinary loss		
Loss on retirement of noncurrent assets	29,360	70,635
Impairment loss	27,194	95,789
Loss on valuation of investment securities	66,037	126,579
Provision of allowance for doubtful accounts	—	275,173
Other	9,119	33,432
Total extraordinary loss	131,712	601,611
Income before income taxes	890,461	3,733,705
Income taxes-current	427,969	1,817,737
Income taxes-deferred	50,822	(33,089)
Total income taxes	478,791	1,784,648
Income before minority interests	411,670	1,949,057
Minority interests in income	146,249	112,013
Net income	265,421	1,837,043

(2) Consolidated Statements of Comprehensive Income

(Thousands of yen)

	3Q Cumulative FY2013 (From January 1, 2013 to September 30, 2013)	3Q Cumulative FY2014 (From January 1, 2014 to September 30, 2014)
Income before minority interests	411,670	1,949,057
Other comprehensive income		
Valuation difference on available-for-sale securities	(83,833)	(4,802,534)
Foreign currency translation adjustment	23,150	79,935
Share of other comprehensive income of associates accounted for using equity method	34,594	29,883
Total other comprehensive income (loss)	(26,088)	(4,692,715)
Comprehensive income	385,582	(2,743,658)
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	220,218	(2,857,519)
Comprehensive income attributable to minority interests	165,363	113,861

(3) Segment Information**3rd Quarter Cumulative Period of FY2014 (January 1, 2014 – September 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	42,102,564	1,317,265	1,755,715	1,076,384	4,654,759	50,906,688	—	50,906,688
Intersegment sales or transfers	805	264,299	30,833	193,529	—	489,468	(489,468)	—
Total	42,103,370	1,581,564	1,786,548	1,269,914	4,654,759	51,396,157	(489,468)	50,906,688
Segment income (loss)	(66,458)	27,400	108,000	(119,871)	4,435,952	4,385,022	219	4,385,241

Notes:

1. The 219 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 third quarter cumulative period of the fiscal year ending December 31, 2014. Moreover, due to the additional acquisition of crossfinity Inc., goodwill increased in the amount of 210,777 thousand yen during the third quarter cumulative period of the fiscal year ending December 31, 2014.

(Significant gain on negative goodwill)

Not applicable