

Flash Report for the 2nd Quarter of the Fiscal Year Ending December 31, 2016 [Japan GAAP] (on a consolidated basis)

July 29, 2016

Stock Exchange Listing: Tokyo

Company Name: OPT Holding, Inc.

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

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

Holding of quarterly financial results explanatory 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 2nd Quarter of Fiscal 2016 (January 1, 2016 – June 30, 2016)

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

	Revenue		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2Q FY2016	35,353	8.2	1,163	42.1	1,058	59.1	275	58.8
2Q FY2015	32,675	(6.0)	818	(80.8)	665	(83.7)	173	(91.1)

Note: Comprehensive income (loss): 2Q FY2016: (215) million yen (—%) 2Q FY2015: 271 million yen (—%)

	Basic net income per share		Diluted net income per share	
	Yen		Yen	
2Q FY2016	10.65		10.60	
2Q FY2015	6.71		—	

(Note)

There were no issued and outstanding shares with a dilutive effect as of the end of the second quarter of FY2015. Accordingly, diluted net income per share data is not presented.

(2) Consolidated Financial Position

	Total assets	Net assets	Net assets ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
June 30, 2016	39,807	18,021	39.6	609.84
December 31, 2015	37,421	17,609	43.2	625.82

(Reference) Capital: June 30, 2016: 15,772 million yen

December 31, 2015: 16,171 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	Yen	Yen	Yen	Yen
FY2015	—	0.00	—	13.00	13.00
FY2016	—	0.00	—	—	—
FY2016 (forecasts)	—	—	—	—	—

(Notes)

- Revisions to the most recently announced dividend forecast: None
- Forecast for the FY2016-end dividend is yet to be determined.

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

(% 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 fiscal year	67,000	4.6	1,800	11.1	1,300	9.1	500	87.1	19.35

(Note) Revisions to the most recently announced consolidated earnings forecast: Yes

Notes:

(1) Changes in major subsidiaries during the period
(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.: Yes
(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)	June 30, 2016	30,002,700 shares	December 31, 2015	29,980,000 shares
(b) Number of shares of treasury stock as of the end of the period	June 30, 2016	4,140,000 shares	December 31, 2015	4,140,000 shares
(c) Average number of shares during the period	2Q FY2016	25,843,625 shares	2Q FY2015	25,840,000 shares

* Regarding the status of audit procedure implementation

This flash report is outside the scope of audit procedures as prescribed under the Financial Instruments and Exchange Act of Japan. Audit procedures for financial statements 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)

	As of December 31, 2015	As of June 30, 2016
Assets		
Current assets		
Cash and deposits	10,670,933	13,702,817
Notes and accounts receivable—trade	9,910,191	10,632,228
Operational investment securities	4,242,530	4,515,631
Inventories	50,709	39,385
Deferred tax assets	283,768	415,495
Other	2,080,958	923,793
Allowance for doubtful accounts	(228,683)	(233,174)
Total current assets	<u>27,010,408</u>	<u>29,996,178</u>
Noncurrent assets		
Property, plant and equipment	687,447	653,200
Intangible assets		
Goodwill	1,837,378	1,481,461
Other	1,302,432	1,666,386
Total intangible assets	<u>3,139,810</u>	<u>3,147,848</u>
Investments and other assets		
Investment securities	5,501,910	4,833,270
Other	1,750,017	1,842,900
Allowance for doubtful accounts	(668,182)	(666,197)
Total investments and other assets	<u>6,583,746</u>	<u>6,009,974</u>
Total noncurrent assets	<u>10,411,004</u>	<u>9,811,022</u>
Total assets	<u>37,421,413</u>	<u>39,807,201</u>
Liabilities		
Current liabilities		
Notes and accounts payable—trade	8,051,088	9,215,210
Short-term loans payable	410,000	545,000
Current portion of long-term loans payable	836,395	915,646
Income taxes payable	314,254	779,843
Provision for bonuses	309,137	382,319
Other	3,105,877	2,170,872
Total current liabilities	<u>13,026,752</u>	<u>14,008,892</u>
Noncurrent liabilities		
Long-term loans payable	6,336,409	7,320,018
Net defined benefit liability	155,273	156,924
Deferred tax liabilities	20,947	61,329
Asset retirement obligations	123,527	121,930
Other	149,041	116,512
Total noncurrent liabilities	<u>6,785,198</u>	<u>7,776,714</u>
Total liabilities	<u>19,811,951</u>	<u>21,785,607</u>

(Thousands of yen)

	As of December 31, 2015	As of June 30, 2016
Net assets		
Shareholders' equity		
Capital stock	7,645,948	7,653,836
Capital surplus	7,740,278	7,797,700
Retained earnings	3,275,303	3,368,193
Treasury stock	(3,148,046)	(3,148,046)
Total shareholders' equity	15,513,483	15,671,684
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	17,482	(16,920)
Foreign currency translation adjustment	640,280	117,284
Total accumulated other comprehensive income	657,762	100,364
Subscription rights to shares	5,824	4,998
Non-controlling interests	1,432,390	2,244,546
Total net assets	17,609,461	18,021,593
Total liabilities and net assets	37,421,413	39,807,201

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

(Thousands of yen)

	2Q FY2015 (From January 1, 2015 to June 30, 2015)	2Q FY2016 (From January 1, 2016 to June 30, 2016)
Revenue	32,675,773	35,353,844
Cost of sales	26,034,155	28,131,233
Gross profit	6,641,617	7,222,611
Selling, general and administrative expenses	5,823,069	6,059,600
Operating income	818,546	1,163,010
Non-operating income		
Interest income	9,469	4,748
Other	50,647	52,222
Total non-operating income	60,117	56,970
Non-operating expenses		
Interest expenses	13,792	11,523
Loss on investments in partnership	78,407	49,979
Equity in losses of affiliates	84,903	62,166
Other	36,126	37,862
Total non-operating expenses	213,229	161,531
Ordinary income	665,435	1,058,449
Extraordinary income		
Gain on sales of investment securities	587,533	29,639
Other	3,528	2,791
Total extraordinary income	591,062	32,431
Extraordinary loss		
Loss on retirement of noncurrent assets	17,133	23,475
Impairment loss	189,046	12,783
Loss on valuation of investment securities	237,847	247,758
Other	16,918	1,338
Total extraordinary loss	460,946	285,355
Income before income taxes	795,551	805,525
Total income taxes	563,655	451,361
Quarterly net income	231,895	354,164
Net income attributable to non-controlling interests	58,621	78,999
Net income attributable to owners of the parent	173,274	275,164

(2) Consolidated Statements of Comprehensive Income

(Thousands of yen)

	2Q FY2015 (From January 1, 2015 to June 30, 2015)	2Q FY2016 (From January 1, 2016 to June 30, 2016)
Quarterly net income	231,895	354,164
Other comprehensive income		
Valuation difference on available-for-sale securities	9,459	(43,208)
Foreign currency translation adjustment	39,013	(497,287)
Share of other comprehensive income of associates accounted for using equity method	(8,938)	(29,513)
Total other comprehensive income (loss)	39,534	(570,009)
Comprehensive income (loss)	271,430	(215,845)
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	212,038	(282,233)
Comprehensive income attributable to non-controlling interests	59,392	66,387

Segment Information

2Q FY2016 (From January 1, 2016 to June 30, 2016)

1. Information on Revenue, Income (Loss), Assets and Other Amounts by Reporting Segment

(Thousands of yen)

	Reportable Segment				Other (Note 1)	Total	Adjustments (Note 2)	Amounts Recorded in Consolidated Financial Statements (Note 3)
	Marketing Business	Investment and Value Creation Business	Overseas Business	Total				
Revenue								
Sales, external	34,594,157	38,839	699,951	35,332,948	20,895	35,353,844	—	35,353,844
Intersegment sales or transfers	350	—	19,362	19,712	235,956	255,669	(255,669)	—
Total	34,594,507	38,389	719,314	35,352,661	256,852	35,609,513	(255,669)	35,353,844
Segment income (loss)	1,515,805	(81,088)	(78,895)	1,355,820	74,232	1,430,053	(267,043)	1,163,010

Notes:

1. Other is comprised of business segments that are not included in reportable segments and includes the Social & Consumer Business.
2. The (267,043) thousand yen adjustment to segment income (loss) is attributable to intersegment eliminations.
3. 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 the amount of goodwill)

Not applicable.

(Significant gain on negative goodwill)

Not applicable.

(Significant subsequent events)

Gain in a investment security as extraordinary income on July 5, 2016 for the purpose of asset efficiency and strengthening of the financial structure.