

Flash Report for the 3rd Quarter of the Fiscal Year Ending December 31, 2016 [Japan GAAP] (on a consolidated basis)

October 28, 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

Inquiries: Yoshitada Ishibashi, Director

Phone: +81-3-5745-3611

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 3rd Quarter of Fiscal 2016 (January 1, 2016 – September 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	%
3Q FY2016	52,370	8.2	1,371	32.1	1,434	104.9	761	216.6
3Q FY2015	48,423	(4.9)	1,037	(76.3)	699	(83.3)	240	(86.9)

Note: Comprehensive income (loss): 3Q FY2016: 255 million yen (456.3%) 3Q FY2015: 45 million yen (—%)

	Basic net income per share		Diluted net income per share	
	Yen		Yen	
3Q FY2016	29.44		29.29	
3Q FY2015	9.31		—	

(Note)

There were no issued and outstanding shares with a dilutive effect as of the end of the third 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
September 30, 2016	44,806	18,526	36.2	626.16
December 31, 2015	37,421	17,609	43.2	625.82

(Reference) Capital: September 30, 2016: 16,224 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: None

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)	September 30, 2016	30,050,500 shares	December 31, 2015	29,980,000 shares
(b) Number of shares of treasury stock as of the end of the period	September 30, 2016	4,140,000 shares	December 31, 2015	4,140,000 shares
(c) Average number of shares during the period	3Q FY2016	25,859,427 shares	3Q 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 September 30, 2016
Assets		
Current assets		
Cash and deposits	10,670,933	18,231,369
Notes and accounts receivable—trade	9,910,191	11,173,614
Operational investment securities	4,242,530	5,033,696
Inventories	50,709	36,357
Deferred tax assets	283,768	284,872
Other	2,080,958	1,033,340
Allowance for doubtful accounts	(228,683)	(242,040)
Total current assets	<u>27,010,408</u>	<u>35,551,210</u>
Noncurrent assets		
Property, plant and equipment	687,447	646,144
Intangible assets		
Goodwill	1,837,378	1,399,345
Other	1,302,432	1,677,813
Total intangible assets	<u>3,139,810</u>	<u>3,077,159</u>
Investments and other assets		
Investment securities	5,501,910	4,250,363
Other	1,750,017	1,947,252
Allowance for doubtful accounts	(668,182)	(665,951)
Total investments and other assets	<u>6,583,746</u>	<u>5,531,663</u>
Total noncurrent assets	<u>10,411,004</u>	<u>9,254,968</u>
Total assets	<u>37,421,413</u>	<u>44,806,178</u>
Liabilities		
Current liabilities		
Notes and accounts payable—trade	8,051,088	9,113,125
Short-term loans payable	410,000	737,500
Current portion of long-term loans payable	836,395	2,581,336
Income taxes payable	314,254	558,563
Provision for bonuses	309,137	233,360
Other	3,105,877	2,308,424
Total current liabilities	<u>13,026,752</u>	<u>15,532,309</u>
Noncurrent liabilities		
Long-term loans payable	6,336,409	10,300,020
Net defined benefit liability	155,273	158,418
Deferred tax liabilities	20,947	60,569
Asset retirement obligations	123,527	120,286
Other	149,041	107,632
Total noncurrent liabilities	<u>6,785,198</u>	<u>10,746,927</u>
Total liabilities	<u>19,811,951</u>	<u>26,279,236</u>

(Thousands of yen)

	As of December 31, 2015	As of September 30, 2016
Net assets		
Shareholders' equity		
Capital stock	7,645,948	7,670,447
Capital surplus	7,740,278	7,814,310
Retained earnings	3,275,303	3,854,068
Treasury stock	(3,148,046)	(3,148,046)
Total shareholders' equity	15,513,483	16,190,780
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	17,482	(25,494)
Foreign currency translation adjustment	640,280	58,876
Total accumulated other comprehensive income	657,762	33,382
Subscription rights to shares	5,824	6,127
Non-controlling interests	1,432,390	2,296,651
Total net assets	17,609,461	18,526,941
Total liabilities and net assets	37,421,413	44,806,178

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

(Thousands of yen)

	3Q FY2015	3Q FY2016
	(From January 1, 2015 to September 30, 2015)	(From January 1, 2016 to September 30, 2016)
Revenue	48,423,380	52,370,897
Cost of sales	38,595,635	41,739,729
Gross profit	9,827,745	10,631,167
Selling, general and administrative expenses	8,790,003	9,259,993
Operating income	1,037,741	1,371,173
Non-operating income		
Interest income	12,139	6,111
Dividends income	4,547	95,099
Gain on investments in partnership	—	96,177
Other	55,072	54,560
Total non-operating income	71,760	251,948
Non-operating expenses		
Interest expenses	20,622	19,434
Commission fee	—	28,000
Loss on investments in partnership	154,455	—
Equity in losses of affiliates	190,725	83,846
Other	43,770	57,799
Total non-operating expenses	409,573	189,080
Ordinary income	699,928	1,434,041
Extraordinary income		
Gain on sales of investment securities	587,533	531,754
Other	89,408	2,791
Total extraordinary income	676,941	534,545
Extraordinary loss		
Loss on retirement of noncurrent assets	17,133	25,512
Impairment loss	184,411	129,586
Loss on valuation of investment securities	242,900	251,207
Other	14,854	4,480
Total extraordinary loss	459,299	410,786
Income before income taxes	917,570	1,557,800
Total income taxes	584,811	664,446
Quarterly net income	332,759	893,354
Net income attributable to non-controlling interests	92,235	131,925
Net income attributable to owners of the parent	240,523	761,429

(2) Consolidated Statements of Comprehensive Income

(Thousands of yen)

	3Q FY2015 (From January 1, 2015 to September 30, 2015)	3Q FY2016 (From January 1, 2016 to September 30, 2016)
Quarterly net income	332,759	893,354
Other comprehensive income		
Valuation difference on available-for-sale securities	(178,030)	(53,163)
Foreign currency translation adjustment	(82,364)	(559,619)
Share of other comprehensive income of associates accounted for using equity method	(26,430)	(25,030)
Total other comprehensive income (loss)	(286,825)	(637,813)
Comprehensive income (loss)	45,933	255,541
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	(44,738)	137,048
Comprehensive income attributable to non-controlling interests	90,671	118,492

Segment Information

3Q FY2016 (From January 1, 2016 to September 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	51,262,828	38,839	1,044,586	52,346,254	24,643	52,370,897	—	52,370,897
Intersegment sales or transfers	500	—	28,880	29,380	329,933	359,314	(359,314)	—
Total	51,263,328	38,839	1,073,467	52,375,634	354,576	52,730,211	(359,314)	52,370,897
Segment income (loss)	1,953,371	(134,738)	(110,664)	1,707,969	98,234	1,806,203	(435,030)	1,371,173

Notes:

1. Other is comprised of business segments that are not included in reportable segments and includes the Social & Consumer Business.
2. The (435,030) 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)

An impairment loss on software has been recorded in the Marketing Business. The amount of impairment loss recorded for the cumulative third quarter period of the fiscal year ending December 31, 2016 was 117,068 thousand.

(Significant changes in the amount of goodwill)

Not applicable.

(Significant gain on negative goodwill)

Not applicable.

(Significant subsequent events)

Not applicable.