

Flash Report for the Fiscal Year Ended December 31, 2016

[Japan GAAP] (on a consolidated basis)

February 13, 2017

Company Name: OPT Holding, Inc.	Stock Exchange Listing: Tokyo
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 the ordinary general meeting of shareholders: March 24, 2017	
Scheduled date of commencement of dividend payment: March 27, 2017	
Supplemental materials prepared for 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 Fiscal 2016, the Fiscal Year Ended December 31, 2016 (January 1, 2016 – December 31, 2016)

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

	Revenue		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2016	69,815	9.0	1,919	18.4	2,004	68.2	745	179.0
FY2015	64,052	(4.4)	1,620	(63.8)	1,191	(70.7)	267	(75.5)

Note: Comprehensive income (loss): FY2016: 797 million yen (—%) FY2015: (199) million yen (—%)

	Basic net income per share	Diluted net income per share	Return on equity (ROE)	Ordinary income to total assets ratio	Operating income to revenue ratio
	Yen	Yen	%	%	%
FY2016	28.81	28.64	4.5	4.8	2.7
FY2015	10.34	—	1.6	3.1	2.5

(Reference) Equity in earnings (losses) of affiliates: FY2016: (169) million yen FY2015: (251) million yen

(Notes) Diluted net income per share for the fiscal year ended December 31, 2015 is not provided, since there were no shares with dilutive effects.

(2) Consolidated Financial Position

	Total assets	Net assets	Net assets ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
December 31, 2016	46,325	19,720	36.1	643.89
December 31, 2015	37,421	17,609	43.2	625.82

(Reference) Capital: December 31, 2016: 16,708 million yen December 31, 2015: 16,171 million yen

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents, end of the year
	Millions of yen	Millions of yen	%	Yen
FY2016	1,134	(88)	6,860	18,234
FY2015	(3,507)	1,990	(137)	10,136

2. Dividends

	Annual dividend per share					Total dividends (annual)	Dividend payout ratio (consolidated)	Dividends to net assets ratio (consolidated)
	1Q-end (Mar. 31)	2Q-end (Jun. 30)	3Q-end (Sep. 30)	4Q-end (Dec. 31)	Total			
	Yen	Yen	Yen	Yen	Yen			
FY2015	—	0.00	—	13.00	13.00	335	125.7	2.0
FY2016	—	0.00	—	16.00	16.00	415	55.7	2.1
FY2017 (forecasts)	—	0.00	—	—	—	—	—	—

Forecast for the FY2017-end dividend is yet to be determined.

3. Consolidated Earnings Forecasts for the Fiscal Year Ending December 31, 2017 (January 1, 2017 – December 31, 2017)

(% represents year-on-year change)

	Revenue		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Interim	—	—	—	—	—	—	—	—	—
Full fiscal year	80,000	14.6	2,400	25.1	1,750	(12.7)	1,000	34.1	38.54

Notes:

- (1) Changes in major subsidiaries during the fiscal year
(changes in specified subsidiaries resulting from changes in the scope of consolidation): None
Inclusion: None Exclusion: None
- (2) 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
- (3) Number of shares outstanding (common stock)
(a) Number of shares outstanding as of the end of the period (including treasury stock)
December 31, 2016: 30,089,600 shares December 31, 2015: 29,980,000 shares
(b) Number of shares of treasury stock as of the end of the period
December 31, 2016: 4,140,000 shares December 31, 2015: 4,140,000 shares
(c) Average number of shares during the period
FY2016: 25,875,992 shares FY2015: 25,840,000 shares

(Reference) Outline of Non-Consolidated Business Results

1. Non-Consolidated Results for Fiscal 2016, the Fiscal Year Ended December 31, 2016

(January 1, 2016 – December 31, 2016)

(1) Non-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	%
FY2016	882	(93.1)	(266)	—	(111)	—	256	82.6
FY2015	12,815	(72.3)	339	(91.3)	413	(89.7)	140	(90.0)

	Basic net income per share		Diluted net income per share	
	Yen		Yen	
FY2016	9.92		9.92	
FY2015	5.44		—	

(Notes) Diluted net income per share for the fiscal year ended December 31, 2015 is not provided, since there were no shares with dilutive effects.

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Net assets ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
December 31, 2016	28,159	15,016	53.3	578.49
December 31, 2015	22,524	15,033	66.7	581.56

(Reference) Capital: December 31, 2016: 15,011 million yen December 31, 2015: 15,027 million yen

2. Non-Consolidated Earnings Forecasts for the Fiscal Year Ending December 31, 2017

(January 1, 2017 - December 31, 2017)

(% represents year-on-year change)

	Revenue		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Interim	—	—	—	—	—	—	—
Full fiscal year	—	—	—	—	—	—	—

* 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.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousands of yen)

	As of December 31, 2015	As of December 31, 2016
Assets		
Current assets		
Cash and deposits	10,670,933	16,771,468
Notes and accounts receivable - trade	9,910,191	11,440,621
Short-term investment securities	—	1,999,373
Operational investment securities	4,242,530	5,410,534
Inventories	50,709	48,875
Deferred tax assets	283,768	385,435
Other	2,080,958	1,149,455
Allowance for doubtful accounts	(228,683)	(254,938)
Total current assets	27,010,408	36,950,824
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	400,741	396,594
Accumulated depreciation	(201,758)	(224,910)
Buildings and structures, net	198,982	171,684
Lease assets	370,238	371,561
Accumulated depreciation	(175,839)	(229,227)
Lease assets, net	194,399	142,334
Other	738,524	832,137
Accumulated depreciation	(444,457)	(525,879)
Other, net	294,066	306,258
Total property, plant and equipment	687,447	620,276
Intangible assets		
Goodwill	1,837,378	1,317,629
Other	1,302,432	1,749,013
Total intangible assets	3,139,810	3,066,642
Investments and other assets		
Investment securities	5,501,910	4,461,159
Other	1,750,017	1,890,387
Allowance for doubtful accounts	(668,182)	(664,208)
Total investments and other assets	6,583,746	5,687,337
Total noncurrent assets	10,411,004	9,374,257
Total assets	37,421,413	46,325,081

(Thousands of yen)

	As of December 31, 2015	As of December 31, 2016
Liabilities		
Current liabilities		
Notes and accounts payable - trade	8,051,088	9,307,034
Short-term loans payable	410,000	230,000
Current portion of long-term loans payable	836,395	2,556,387
Income taxes payable	314,254	920,205
Provision for bonuses	309,137	393,659
Other	3,105,877	2,878,276
Total current liabilities	13,026,752	16,285,563
Noncurrent liabilities		
Long-term loans payable	6,336,409	9,880,022
Net defined benefit liability	155,273	173,581
Deferred tax liabilities	20,947	64,386
Asset retirement obligations	123,527	110,119
Other	149,041	90,900
Total noncurrent liabilities	6,785,198	10,319,009
Total liabilities	19,811,951	26,604,572
Net assets		
Shareholders' equity		
Capital stock	7,645,948	7,684,034
Capital surplus	7,740,278	7,827,715
Retained earnings	3,275,303	3,838,251
Treasury stock	(3,148,046)	(3,148,046)
Total shareholders' equity	15,513,483	16,201,954
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	17,482	4,427
Foreign currency translation adjustment	640,280	502,201
Total accumulated other comprehensive income	657,762	506,629
Subscription rights to shares	5,824	6,164
Non-controlling interests	1,432,390	3,005,759
Total net assets	17,609,461	19,720,508
Total liabilities and net assets	37,421,413	46,325,081

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

(Thousands of yen)

	FY2015 (From January 1, 2015 to December 31, 2015)	FY2016 (From January 1, 2016 to December 31, 2016)
Revenue	64,052,229	69,815,591
Cost of sales	50,704,241	55,410,131
Gross profit	13,347,987	14,405,460
Selling, general and administrative expenses		
Salaries and allowances	5,784,558	5,863,509
Bonuses	248,257	324,967
Provision for bonuses	243,691	322,510
Legal welfare expenses	736,356	743,220
Depreciation	283,387	294,567
Provision of allowance for doubtful accounts	28,088	38,554
Amortization of goodwill	433,786	331,541
Other	3,969,091	4,567,499
Total selling, general and administrative expenses	11,727,216	12,486,370
Operating income	1,620,770	1,919,089
Non-operating income		
Interest income	13,761	7,099
Dividends income	4,547	95,125
Commission fees	2,547	—
Foreign exchange gains	—	107,623
Gain on investments in partnership	—	75,063
Other	64,949	59,187
Total non-operating income	85,806	344,099
Non-operating expenses		
Interest expenses	26,988	30,403
Commission fee	—	28,000
Loss on investments in partnership	168,993	—
Equity in losses of affiliates	251,013	169,861
Provision of allowance for doubtful accounts	—	11,400
Other	67,731	18,731
Total non-operating expenses	514,726	258,396
Ordinary income	1,191,850	2,004,793
Extraordinary income		
Gain on sales of non-current assets	83,895	3,083
Gain on sales of investment securities	1,157,758	532,206
Gain on reversal of subscription rights to shares	1,012	719
Other	23,798	2,078
Total extraordinary income	1,266,464	538,087

	FY2015 (From January 1, 2015 to December 31, 2015)	FY2016 (From January 1, 2016 to December 31, 2016)
Extraordinary loss		
Loss on retirement of noncurrent assets	35,348	126,660
Impairment loss	307,101	129,522
Loss on valuation of investment securities	813,264	390,719
Loss on sales of investment securities	446	8,187
Other	44,017	5,902
Total extraordinary loss	<u>1,200,178</u>	<u>660,991</u>
Income before income taxes	<u>1,258,136</u>	<u>1,881,889</u>
Income taxes-current	827,234	1,124,419
Income taxes-deferred	81,235	(193,722)
Total income taxes	<u>908,470</u>	<u>930,696</u>
Net income	<u>349,666</u>	<u>951,192</u>
Net income attributable to non-controlling interests	82,385	205,580
Net income attributable to owners of parent	<u>267,280</u>	<u>745,611</u>

Consolidated Statements of Comprehensive Income

(Thousands of yen)

	FY2015 (From January 1, 2015 to December 31, 2015)	FY2016 (From January 1, 2016 to December 31, 2016)
Net income	349,666	951,192
Other comprehensive income		
Valuation difference on available-for-sale securities	(471,390)	(14,492)
Foreign currency translation adjustment	(56,194)	(125,174)
Share of other comprehensive income of associates accounted for using equity method	(21,284)	(13,691)
Total other comprehensive income (loss)	(548,869)	(153,358)
Comprehensive income	(199,203)	797,833
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	(280,798)	594,478
Comprehensive income attributable to non-controlling interests	81,595	203,355

(3) Statements of Changes in Net Assets
FY2016 (From January 1, 2016 to December 31, 2016)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	7,645,948	7,740,278	3,275,303	(3,148,046)	15,513,483
Cumulative effect of change in accounting policy		(420,795)	242,415		(178,379)
Balance at beginning of current year that reflects change in account policy	7,645,948	7,319,483	3,517,718	(3,148,046)	15,335,104
Changes of items during the period					
Issuance of new shares	38,086	38,086			76,172
Dividends from surplus			(335,920)		(335,920)
Net income attributable to owners of parent			745,611		745,611
Change in the interests in controlled subsidiary		470,146			470,146
Change of scope of consolidation			(39,664)		(39,664)
Change of scope of equity method			(49,494)		(49,494)
Net change of items other than shareholders' equity					
Total change of items during the period	38,086	508,232	320,532	—	866,850
Balance at the end of current period	7,684,034	7,827,715	3,838,251	(3,148,046)	16,201,954

	Accumulated other comprehensive income			Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at the beginning of current period	17,482	640,280	657,762	5,824	1,432,390	17,609,461
Cumulative effect of change in accounting policy		317	317			(178,061)
Balance at beginning of current year that reflects change in account policy	17,482	640,598	658,080	5,824	1,432,390	17,431,399
Changes of items during the period						
Issuance of new shares						76,172
Dividends from surplus						(335,920)
Net income attributable to owners of parent						745,611
Change in the interests in controlled subsidiary						470,146
Change of scope of consolidation						(39,664)
Change of scope of equity method						(49,494)
Net change of items other than shareholders' equity	(13,054)	(138,396)	(151,450)	340	1,573,368	1,422,258
Total change of items during the period	(13,054)	(138,396)	(151,450)	340	1,573,368	2,289,109
Balance at the end of current period	4,427	502,201	506,629	6,164	3,005,759	19,720,508

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	FY2015 (From January 1, 2015 to December 31, 2015)	FY2016 (From January 1, 2016 to December 31, 2016)
Cash flows from operating activities		
Income before income taxes	1,258,136	1,881,889
Depreciation and amortization	634,791	659,794
Amortization of goodwill	433,786	331,541
Increase (decrease) in allowance for doubtful accounts	14,003	40,089
Increase (decrease) in provision for bonuses	(124,917)	80,992
Increase (decrease) in net defined benefit liability	5,585	26,285
Interest and dividends income	(18,309)	(102,225)
Interest expenses	26,988	30,403
Equity in (earnings) losses of affiliates	251,013	169,861
Loss (gain) on investments in partnership	168,993	(75,063)
Loss (gain) on valuation of investment securities	813,264	390,719
Loss (gain) on sales of investment securities	(1,157,311)	(524,019)
Impairment loss	307,101	129,522
Loss on retirement of noncurrent assets	35,348	126,660
Loss (gain) on sales of noncurrent assets	(83,195)	1,293
Decrease (increase) in notes and accounts receivable—trade	(282,975)	(1,569,880)
Decrease (increase) in investment securities for sales	(3,265,199)	(1,177,239)
Increase (decrease) in notes and accounts payable—trade	(305,985)	1,287,228
Increase (decrease) in accrued consumption taxes	(101,151)	(346,194)
Other	313,021	237,548
Subtotal	(1,077,010)	1,599,208
Interest and dividends income received	21,587	101,310
Interest expenses paid	(26,867)	(29,440)
Income taxes paid	(2,439,986)	(821,549)
Income taxes refund	15,160	285,220
Net cash provided by (used in) operating activities	(3,507,115)	1,134,747

(Thousands of yen)

	FY2015 (From January 1, 2015 to December 31, 2015)	FY2016 (From January 1, 2016 to December 31, 2016)
Cash flows from investing activities		
Payments to time deposits	(617,673)	(482,831)
Proceeds from withdrawal of time deposits	896,872	455,386
Purchase of property, plant and equipment	(95,951)	(245,996)
Proceeds from sales of property, plant and equipment	—	3,811
Purchase of intangible assets	(1,024,303)	(989,846)
Payments for asset retirement obligations	(7,452)	(12,898)
Proceeds from repayment of securities	1,997,287	—
Purchase of investment securities	(1,216,846)	(521,440)
Proceeds from sales of investment securities	1,117,379	819,183
Proceeds from repayment of investment securities	482,591	793,215
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	268,502	—
Payments for lease and guarantee deposits	(56,412)	(6,486)
Proceeds from collection of lease and guarantee deposits	102,676	63,749
Payments of loans receivable	(169,861)	(116,918)
Collection of loans receivable	70,924	155,599
Other	242,290	(2,789)
Net cash provided by (used in) investing activities	1,990,024	(88,262)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	190,000	(430,000)
Proceeds from long-term loans payable	500,000	6,500,000
Repayment of long-term loans payable	(1,026,396)	(986,395)
Proceeds from issuance of common stock	—	75,624
Proceeds from share issuance to non-controlling shareholders	620,000	1,246,070
Repayments of finance lease obligations	(59,635)	(62,311)
Cash dividends paid	(343,508)	(337,985)
Cash dividends paid to non-controlling interests	(11,441)	(27,998)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(39,508)
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	935,154
Other	(7,000)	(12,547)
Net cash provided (used in) by financing activities	(137,981)	6,860,102
Effect of exchange rate change on cash and cash equivalents	(41,363)	102,970
Net increase (decrease) in cash and cash equivalents	(1,696,436)	8,009,559
Cash and cash equivalents	11,585,343	10,136,632
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	247,725	87,883
Cash and cash equivalents	10,136,632	18,234,074

(5) Segment Information

FY2016 (From January 1, 2016 to December 31, 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	68,288,625	52,839	1,437,741	69,779,206	36,384	69,815,591	—	69,815,591
Intersegment sales or transfers	6,038	—	42,899	48,938	412,468	461,406	(461,406)	—
Total	68,294,663	52,839	1,480,641	69,828,144	448,852	70,276,997	(461,406)	69,815,591
Segment income (loss)	2,667,359	(179,220)	(96,470)	2,391,669	118,170	2,509,839	(590,749)	1,919,089
Segment assets	22,936,945	7,281,371	6,089,395	36,307,711	720,971	37,028,683	9,296,398	46,325,081
Other items								
Depreciation	466,017	158	15,940	482,116	1,043	483,160	176,634	659,794
Amortization of goodwill	327,908	—	3,633	331,541	—	331,541	—	331,541
Increase of property, plant and equipment and intangible assets	1,126,191	762	31,071	1,158,025	312	1,158,337	62,330	1,220,668

Notes:

1. Other is comprised of business segments that are not included in reportable segments and includes the Social & Consumer Business.
2. Adjustments are as follows:
 - (1) The (590,749) thousand yen adjustment to segment income (loss) is attributable to intersegment eliminations and Companywide expenses that are not allocated to each reportable segment.
 - (2) The 9,296,398 thousand yen adjustment to segment assets refers to companywide assets that are not allocated to each reportable segment. The assets are managed mainly by the administrative department.
3. Segment income (loss) refers to operating income (loss) as reported in the consolidated statements of income after adjustment.