

Flash Report for the 2nd Quarter of the Fiscal Year Ended December 31, 2017

[Japan GAAP] (on a consolidated basis)

August 9, 2017

Company Name: OPT Holding, Inc.
Stock Code: 2389

Stock Exchange Listing: Tokyo
URL <http://www.opt.ne.jp/english/holding/>
Phone: +81-3-5745-3611

Representative: Noboru Hachimine, Founder, President and CEO
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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 the 2nd Quarter of Fiscal 2017 (January 1, 2017 – June 30, 2017)

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

	Revenue		Operating income		Ordinary income		Net income attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2Q FY2017	39,999	13.1	1,438	23.7	1,642	55.2	814	196.0
2Q FY2016	35,353	8.2	1,163	42.1	1,058	59.1	275	58.8

Note: Comprehensive income (loss): 2Q FY2017: 870 million yen (—%) 2Q FY2016: (215) million yen (—%)

	Basic net income per share	Diluted net income per share
	Yen	Yen
2Q FY2017	34.81	34.62
2Q FY2016	10.65	10.60

(2) Consolidated Financial Position

	Total assets	Net assets	Net assets ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
June 30, 2017	44,212	17,430	32.6	636.48
December 31, 2016	46,325	19,720	36.1	643.89

(Reference) Capital: June 30, 2017: 14,395 million yen December 31, 2016: 16,708 million yen

2. Dividends

	Annual dividend per share				
	1Q-end (Mar. 31)	2Q-end (Jun. 30)	3Q-end (Sep. 30)	4Q-end (Dec. 31)	Total
	Yen	Yen	Yen	Yen	Yen
FY2016	—	0.00	—	16.00	16.00
FY2017	—	0.00	—	—	—
FY2017 (forecasts)	—	—	—	—	—

Revisions to the most recently announced dividend forecast: None
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		Net income attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full fiscal year	80,000	14.6	2,400	25.1	1,750	(12.7)	1,000	34.1	43.47

Revisions to the most recently announced consolidated earnings forecast: None

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.: None
(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)
June 30, 2017: 23,817,700 shares December 31, 2016: 30,089,600 shares
(b) Number of shares of treasury stock as of the end of the period
June 30, 2017: 1,200,062 shares December 31, 2016: 4,140,000 shares
(c) Average number of shares during the period
2Q FY2017: 23,398,984 shares 2Q FY2016: 25,843,625 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.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousands of yen)

	As of December 31, 2016	As of June 30, 2017
Assets		
Current assets		
Cash and deposits	16,771,468	14,778,743
Notes and accounts receivable - trade	11,440,621	11,865,322
Short-term investment securities	1,999,373	—
Operational investment securities	5,410,534	5,934,907
Inventories	48,875	102,441
Deferred tax assets	385,435	398,972
Other	1,149,455	1,467,720
Allowance for doubtful accounts	(254,938)	(215,961)
Total current assets	<u>36,950,824</u>	<u>34,332,146</u>
Noncurrent assets		
Total property, plant and equipment	<u>620,276</u>	<u>553,371</u>
Intangible assets		
Goodwill	1,317,629	1,180,787
Other	1,749,013	2,048,370
Total intangible assets	<u>3,066,642</u>	<u>3,229,158</u>
Investments and other assets		
Investment securities	4,461,159	4,117,340
Other	1,890,387	2,608,176
Allowance for doubtful accounts	(664,208)	(627,847)
Total investments and other assets	<u>5,687,337</u>	<u>6,097,669</u>
Total noncurrent assets	<u>9,374,257</u>	<u>9,880,199</u>
Total assets	<u>46,325,081</u>	<u>44,212,346</u>

(Thousands of yen)

	As of December 31, 2016	As of June 30, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	9,307,034	10,127,334
Short-term loans payable	230,000	57,900
Current portion of long-term loans payable	2,556,387	2,509,591
Income taxes payable	920,205	583,250
Provision for bonuses	393,659	436,678
Other	2,878,276	2,881,155
Total current liabilities	<u>16,285,563</u>	<u>16,595,909</u>
Noncurrent liabilities		
Long-term loans payable	9,880,022	9,736,029
Net defined benefit liability	173,581	198,585
Deferred tax liabilities	64,386	77,030
Asset retirement obligations	110,119	116,284
Other	90,900	57,865
Total noncurrent liabilities	<u>10,319,009</u>	<u>10,185,795</u>
Total liabilities	<u>26,604,572</u>	<u>26,781,705</u>
Net assets		
Shareholders' equity		
Capital stock	7,684,034	7,835,926
Capital surplus	7,827,715	3,047,930
Retained earnings	3,838,251	4,017,409
Treasury stock	(3,148,046)	(912,886)
Total shareholders' equity	<u>16,201,954</u>	<u>13,988,379</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,427	(2,987)
Foreign currency translation adjustment	502,201	410,268
Total accumulated other comprehensive income	<u>506,629</u>	<u>407,281</u>
Subscription rights to shares	6,164	1,590
Non-controlling interests	3,005,759	3,033,390
Total net assets	<u>19,720,508</u>	<u>17,430,641</u>
Total liabilities and net assets	<u>46,325,081</u>	<u>44,212,346</u>

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

(Thousands of yen)

	FY2016 (From January 1, 2016 to June 30, 2016)	FY2017 (From January 1, 2017 to June 30, 2017)
Revenue	35,353,844	39,999,513
Cost of sales	28,131,233	31,740,450
Gross profit	7,222,611	8,259,063
Selling, general and administrative expenses	6,059,600	6,820,262
Operating income	1,163,010	1,438,801
Non-operating income		
Interest income	4,748	3,336
Gain on valuation of Derivatives	—	626,400
Other	52,222	20,499
Total non-operating income	56,970	650,235
Non-operating expenses		
Interest expenses	11,523	19,628
Loss on investments in partnership	49,979	89,171
Equity in losses of affiliates	62,166	255,993
Other	37,862	81,699
Total non-operating expenses	161,531	446,493
Ordinary income	1,058,449	1,642,543
Extraordinary income		
Gain on sales of investment securities	29,639	24,053
Gain on reversal of subscription rights to shares	713	2,389
Other	2,078	23
Total extraordinary income	32,431	26,466
Extraordinary loss		
Loss on retirement of noncurrent assets	23,475	5,100
Impairment loss	12,783	—
Loss on valuation of investment securities	247,758	—
Other	1,338	346
Total extraordinary loss	285,355	5,447
Income before income taxes	805,525	1,663,562
Total income taxes	451,361	691,426
Net income	354,164	972,135
Net income attributable to non-controlling interests	78,999	157,667
Net income attributable to owners of parent	275,164	814,468

Consolidated Statements of Comprehensive Income

(Thousands of yen)

	FY2016 (From January 1, 2016 to June 30, 2016)	FY2017 (From January 1, 2017 to June 30, 2017)
Net income	354,164	972,135
Other comprehensive income		
Valuation difference on available-for-sale securities	(43,208)	(9,490)
Foreign currency translation adjustment	(487,287)	(94,066)
Share of other comprehensive income of associates accounted for using equity method	(29,513)	1,841
Total other comprehensive income (loss)	<u>(570,009)</u>	<u>(101,715)</u>
Comprehensive income	<u>(215,845)</u>	<u>870,419</u>
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	(282,233)	715,119
Comprehensive income attributable to non-controlling interests	66,387	155,300

(3) Segment Information

2Q FY2017 (From January 1, 2017 to June 30, 2017)

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	38,754,774	18,242	1,217,840	39,990,857	8,656	39,999,513	—	39,999,513
Intersegment sales or transfers	21,458	—	13,823	35,282	210,028	245,310	(245,315)	—
Total	38,776,233	18,242	1,231,664	40,026,139	218,684	40,244,824	(245,315)	39,999,513
Segment income (loss)	1,803,993	(133,576)	(19,820)	1,650,596	137,830	1,788,426	(349,625)	1,438,801

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 (349,625) thousand yen adjustment to segment income (loss) is attributable to intersegment eliminations and Companywide expenses that are not allocated to each reportable segment.
3. Segment income (loss) refers to operating income (loss) as reported in the consolidated statements of income after adjustment.