

# Flash Report for the 3rd Quarter of the Fiscal Year Ending December 31, 2017

## [Japan GAAP] (on a consolidated basis)

November 9, 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: Tomohiko Adachi, General Manager of the Group Finance Headquarters Phone: +81-3-5745-3611  
 Scheduled date of submission of the quarterly report: November 9, 2017  
 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 2017 (January 1, 2017 – September 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	%
3Q FY2017	60,278	15.1	1,925	40.4	1,793	25.1	765	0.6
3Q FY2016	52,370	8.2	1,371	32.1	1,434	104.9	761	216.6

Note: Comprehensive income (loss): 3Q FY2017: 905 million yen (254.4%) 3Q FY2016: 255 million yen (456.3%)

	Basic net income per share		Diluted net income per share	
	Yen		Yen	
3Q FY2017	33.09		32.98	
3Q FY2016	29.44		29.29	

### (2) Consolidated Financial Position

	Total assets	Net assets	Net assets ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
September 30, 2017	45,922	18,975	32.4	658.75
December 31, 2016	46,325	19,720	36.1	643.89

(Reference) Capital: September 30, 2017: 14,899 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)	—	—	—	—	—

(Notes) 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

(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.: 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)  
September 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  
September 30, 2017: 1,200,062 shares December 31, 2016: 4,140,000 shares  
(c) Average number of shares during the period  
3Q FY2017: 23,135,673 shares 3Q FY2016: 25,859,427 shares

\* The flash report for a quarter is not included in the scope of quarterly review.

\* 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. For the preconditions for earnings forecasts and the matters requiring attention in the use of earnings forecasts, please refer to "1. Qualitative information regarding settlement of accounts for the quarter under review (3) Explanation of the consolidated earnings forecasts and other forward-looking information" on page 5 of the material attached hereto.

## 1. Qualitative information regarding settlement of accounts for the quarter under review

### (1) Explanation of business results

The Internet field, the main business of the Group, has brought various services and social reforms. The digital industrial revolution is expected to advance further in the future. Under these circumstances, the Company has accumulated human resources of over 1,600 persons, customers of thousands of companies, sales channels in Japan and abroad and expertise in the digital field and established the system for a major leap in the course of the expected digital industrial revolution. The significance of our existence is to take up the challenge to create new values by actively utilizing those assets and creating the prosperity of the future society. The Company's creed is that "each and every member is the president," and that each and every employee "makes a decision himself, puts it into practice, involves other persons and carries it out." Our mission is to "support enterprises and people that take up the challenge for growth, produce innovations that open the way to a new era and stimulate the prosperity of the future world."

The business segments of the Group are the Marketing Business, the Investment and Value Creation Business and the Overseas Business. The online advertising market, which includes the marketing business, our main business area, expanded its scale over one trillion yen in 2016, taking advantage of the favorable conditions of the rapid digital shift among companies. This market has grown into the second largest market following the television commercial market. Our company has also created new services one after another to bring about reforms in the digital field. In addition, the marketing expertise obtained in Japan is applied to business in Southeast Asia, including South Korea, for the expansion of the overseas business. In the Investment and Value Creation Business, the expertise accumulated in the Internet field is utilized in promoting venture business investment and new business investment under the investment theme of "sharing economy, direct trading and disruptive technology" as the corporate venture capital to contribute to the social prosperity of the next generation.

As a result, for the first three quarters of the consolidated fiscal year under review of the Group of the Company, revenue was 60,278 million yen (up 15.1% year on year), operating income was 1,925 million yen (up 40.4% year on year), ordinary income was 1,793 million yen (up 25.1% year on year) and net income attributable to owners of parent was 765 million yen (up 0.6% year on year).

The business results by segment are as shown below.

#### <Marketing Business>

In this business, around the growth axis of "marketing value chain x integrated marketing," various solutions to support online advertising and sales, distribution and production of videos, production of advertisements, website development, SEO solution service and marketing, including programmatic advertising in which the company is strong, are provided to realize the maximization of ROI for customers in the digital marketing market. In recent years, the trend of sales channels for marketing has begun to change substantially, and the shift to digital marketing among companies has accelerated. Under these circumstances, the Company actively recruited engineers and formed the organization of engineers and technical experts for the development of solutions in accordance with the needs of customers, mainly ad technology. We promote overall support for the digital shift for customers all over Japan.

For the first three quarters of the consolidated fiscal year under review, the system for large-scale customers mainly in the metropolitan area is strategically distinguished from that for medium- and small-scale customers in the country in terms of strengthening the acquisition of new customers. In addition to an increase of new customers owing to such efforts, the retention of existing customers led to a revenue increase of 16.3% year on year, exceeding the market growth.

In the large-scale customers field, the team exclusively for the acquisition of large-scale customers mainly in the metropolitan area was formed centered on Opt, Inc. for active business activities. In addition, seminars for cutting-edge digital marketing are held, directed at companies. Proposals that combine knowledge and various solutions of the Company according to the needs of customers garnered strong support from customers, leading to an increase in trading volume.

In addition, in the medium- and small-scale customers in the country, the consolidated subsidiary in charge of the medium- and small-scale customers in the country, SoldOut Inc. (security code: 6553), took the lead in vigorous business activities at business bases all over Japan. The number of customers that are medium- and small-sized companies in the country increased, recording high growth. The good performance exceeded the full-year earnings forecasts (Note 1). In addition, we received Japan's best award in "Growing Businesses Online (customer growth department) (Note 2)" in the Google Premier Partner Awards (ranked first among the six Japanese companies awarded). The business made a substantial contribution to the growth of customers by utilizing the Internet, and expanded the market scale of medium- and small- scale customers in the country.

As a result, in this business, for the first three quarters of the consolidated fiscal year under review, revenue was 58,154 million yen (up 13.4% year on year) and operating income was 2,511 million yen (up 28.6% year on year).

(Note 1) SoldOut Inc. (security code: 6553) released the “Notice regarding revision of full-year earnings forecasts” on October 26, 2017.

(Note 2) The award granted to the “Distributor most suitable for online sales expansion through digital support to customers” in the contest for distributors of Google AdWords that is held globally (to award those distributors that are Premier Google Partners and display particularly outstanding performance).

#### <Investment and Value Creation Business>

In this business, the chief aims are to secure capital gains by investment in venture business and to establish a base for securing constant revenues from new business under the medium- to long-term strategy of our group.

In the corporate venture capital business, the knowledge and human network of our group are utilized in the cultivation of investees and the management resources of our group are utilized in support for the growth of the investees. We endeavor to enhance the corporate value of investees with the target of securing capital gains of 20% or more of IRR. The current investment balance is about 6 billion yen. The gains on sale in the said business are appropriated to business investment, etc. to accelerate the growth of our group. For the first three quarters of the consolidated fiscal year under review, no gains on sale were accrued.

In new business investment, a base for securing constant revenues is being established to complement the medium- to long-term strategy of our group. For the first three quarters of the consolidated fiscal year under review, Opt Works Inc., which was established in the second quarter, commenced the service of the recruitment of human assets, which specializes in data scientists, high-end engineers and high-class human assets to promote the utilization of AI/big data among companies. A base for entry into the AI field utilizing data scientists on a full scale is being established. In addition, Opt Incubate Inc., which engages in new business development and support for business management in the Internet area, among other incubation businesses, was recently made a consolidated subsidiary. The system for the launch of a new business is being established.

As a result, in this business, for the first three quarters of the consolidated fiscal year under review, revenue was 47 million yen (up 22.9% year on year) and operating loss was 197 million yen (operating loss for the same period of the previous year: 134 million yen).

#### <Overseas Business>

In this business, an online advertising service is provided in South Korea and Singapore, survey and support for overseas expansion is conducted and provided in the Southeast Asia region and an information-gathering service is provided in the United States.

For the consolidated accounting period of the third quarter under review, while needs for online advertising increased in South Korea, the business results of eMFORCE Inc. that provides the online advertising service in South Korea were strong. Revenue increased 71.1% year on year and operating income increased 47.1% year on year, achieving high growth. On the other hand, marketing support in Southeast Asia is in the phase of prior investment. The foundation for growth is being established.

As a result, in this business, for the first three quarters of the consolidated fiscal year under review, revenue was 2,122 million yen (up 97.7% year on year) and operating loss was 65 million yen (operating loss for the same period of the previous year: 110 million yen).

#### <Other>

In this business, for the first three quarters of the consolidated fiscal year under review, revenue was 328 million yen (down 7.5% year on year) and operating income was 202 million yen (up 106.1% year on year).

## **(2) Explanation of the financial position**

State of assets, liabilities and net assets

(Assets)

Total assets at the end of the consolidated accounting period of the third quarter under review decreased 402 million yen from the end of the previous consolidated fiscal year, to 45,922 million yen.

The main causes were decreases in cash and deposits of 1,254 million yen and short-term investment securities of 1,999 million yen, which offset increases in notes and accounts receivable - trade of 1,309 million yen, operational investment securities of 671 million yen and other (investments and other assets) of 713 million yen.

(Liabilities)

Total liabilities at the end of the consolidated accounting period of the third quarter under review increased 342 million yen from the end of the previous consolidated fiscal year, to 26,946 million yen.

The main causes were increases in notes and accounts payable - trade of 1,377 million yen and the current portion of long-term loans payable of 3,940 million yen, which offset decreases in long-term loans payable of 4,436 million yen and income taxes payable of 674 million yen.

(Net assets)

Total net assets at the end of the consolidated accounting period of the third quarter under review decreased 745 million yen from the end of the previous consolidated fiscal year, to 18,975 million yen.

The main causes were decreases in capital surplus of 4,260 million yen and treasury stock of 2,235 million yen, mainly due to the acquisition and cancellation of treasury stock that offset an increase in non-controlling interests of 1,068 million yen.

## **(3) Explanation of the consolidated earnings forecasts and other forward-looking information**

No change is made to the consolidated full-year earnings forecasts for the fiscal year ending December 31, 2017 announced on February 13, 2017.

**2. Consolidated Financial Statements**  
**(1) Consolidated Balance Sheets**

(Thousands of yen)

	As of December 31, 2016	As of September 30, 2017
Assets		
Current assets		
Cash and deposits	16,771,468	<b>15,517,351</b>
Notes and accounts receivable - trade	11,440,621	<b>12,749,922</b>
Short-term investment securities	1,999,373	—
Operational investment securities	5,410,534	<b>6,081,982</b>
Inventories	48,875	<b>121,488</b>
Deferred tax assets	385,435	<b>345,105</b>
Other	1,149,455	<b>1,428,752</b>
Allowance for doubtful accounts	(254,938)	<b>(217,129)</b>
Total current assets	<u>36,950,824</u>	<u><b>36,027,473</b></u>
Noncurrent assets		
Total property, plant and equipment	620,276	<b>515,624</b>
Intangible assets		
Goodwill	1,317,629	<b>1,097,339</b>
Other	1,749,013	<b>2,172,365</b>
Total intangible assets	<u>3,066,642</u>	<u><b>3,269,704</b></u>
Investments and other assets		
Investment securities	4,461,159	<b>4,131,756</b>
Other	1,890,387	<b>2,603,882</b>
Allowance for doubtful accounts	(664,208)	<b>(626,344)</b>
Total investments and other assets	<u>5,687,337</u>	<u><b>6,109,294</b></u>
Total noncurrent assets	<u>9,374,257</u>	<u><b>9,894,623</b></u>
Total assets	<u>46,325,081</u>	<u><b>45,922,097</b></u>

(Thousands of yen)

	As of December 31, 2016	As of September 30, 2017
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	9,307,034	<b>10,685,028</b>
Short-term loans payable	230,000	<b>74,100</b>
Current portion of long-term loans payable	2,556,387	<b>6,496,758</b>
Income taxes payable	920,205	<b>246,179</b>
Provision for bonuses	393,659	<b>314,487</b>
Other	2,878,276	<b>3,287,191</b>
Total current liabilities	<u>16,285,563</u>	<u><b>21,103,744</b></u>
Noncurrent liabilities		
Long-term loans payable	9,880,022	<b>5,443,762</b>
Net defined benefit liability	173,581	<b>197,079</b>
Deferred tax liabilities	64,386	<b>74,916</b>
Asset retirement obligations	110,119	<b>116,586</b>
Other	90,900	<b>10,585</b>
Total noncurrent liabilities	<u>10,319,009</u>	<u><b>5,842,929</b></u>
Total liabilities	<u>26,604,572</u>	<u><b>26,946,673</b></u>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	7,684,034	<b>7,835,926</b>
Capital surplus	7,827,715	<b>3,567,059</b>
Retained earnings	3,838,251	<b>3,968,590</b>
Treasury stock	(3,148,046)	<b>(912,886)</b>
Total shareholders' equity	<u>16,201,954</u>	<u><b>14,458,690</b></u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,427	<b>(1,741)</b>
Foreign currency translation adjustment	502,201	<b>442,439</b>
Total accumulated other comprehensive income	<u>506,629</u>	<u><b>440,697</b></u>
Subscription rights to shares	6,164	<b>1,419</b>
Non-controlling interests	3,005,759	<b>4,074,615</b>
Total net assets	<u>19,720,508</u>	<u><b>18,975,423</b></u>
Total liabilities and net assets	<u>46,325,081</u>	<u><b>45,922,097</b></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 September 30, 2016)	FY2017 (From January 1, 2017 to September 30, 2017)
Revenue	52,370,897	<b>60,278,879</b>
Cost of sales	41,739,729	<b>47,963,937</b>
Gross profit	10,631,167	<b>12,314,942</b>
Selling, general and administrative expenses	9,259,993	<b>10,389,401</b>
Operating income	1,371,173	<b>1,925,540</b>
Non-operating income		
Interest income	6,111	<b>4,549</b>
Dividends income	95,099	<b>40</b>
Gain on investments in partnership	96,177	—
Gain on valuation of derivatives	—	<b>387,000</b>
Other	54,560	<b>26,323</b>
Total non-operating income	251,948	<b>417,913</b>
Non-operating expenses		
Interest expenses	19,434	<b>29,432</b>
Commission fee	28,000	<b>15,440</b>
Loss on investments in partnership	—	<b>113,310</b>
Equity in losses of affiliates	83,846	<b>328,321</b>
Other	57,799	<b>63,621</b>
Total non-operating expenses	189,080	<b>550,125</b>
Ordinary income	1,434,041	<b>1,793,328</b>
Extraordinary income		
Gain on sales of investment securities	531,754	<b>24,210</b>
Gain on reversal of subscription rights to shares	713	<b>2,389</b>
Other	2,078	<b>23</b>
Total extraordinary income	534,545	<b>26,622</b>
Extraordinary loss		
Loss on retirement of noncurrent assets	25,512	<b>14,641</b>
Impairment loss	129,586	—
Loss on valuation of investment securities	251,207	—
Other	4,480	<b>367</b>
Total extraordinary loss	410,786	<b>15,009</b>
Income before income taxes	1,557,800	<b>1,804,941</b>
Total income taxes	664,446	<b>831,931</b>
Net income	893,354	<b>973,010</b>
Net income attributable to non-controlling interests	131,925	<b>207,365</b>
Net income attributable to owners of parent	761,429	<b>765,645</b>



## Consolidated Statements of Comprehensive Income

(Thousands of yen)

	FY2016 (From January 1, 2016 to September 30, 2016)	FY2017 (From January 1, 2017 to September 30, 2017)
Net income	893,354	<b>973,010</b>
Other comprehensive income		
Valuation difference on available-for-sale securities	(53,163)	<b>(7,522)</b>
Foreign currency translation adjustment	(559,619)	<b>(62,365)</b>
Share of other comprehensive income of associates accounted for using equity method	(25,030)	<b>2,571</b>
Total other comprehensive income (loss)	<b>(637,813)</b>	<b>(67,317)</b>
Comprehensive income	<b>255,541</b>	<b>905,693</b>
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	137,048	<b>699,713</b>
Comprehensive income attributable to non-controlling interests	118,492	<b>205,980</b>

## Segment Information

3Q FY2017 (From January 1, 2017 to September 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	<b>58,131,337</b>	<b>47,720</b>	<b>2,090,998</b>	<b>60,270,056</b>	<b>8,822</b>	<b>60,278,879</b>	—	<b>60,278,879</b>
Intersegment sales or transfers	<b>23,563</b>	—	<b>31,248</b>	<b>54,811</b>	<b>319,325</b>	<b>374,136</b>	<b>(374,136)</b>	—
Total	<b>58,154,900</b>	<b>47,720</b>	<b>2,122,246</b>	<b>60,324,867</b>	<b>328,147</b>	<b>60,653,015</b>	<b>(374,136)</b>	<b>60,278,879</b>
Segment income (loss)	<b>2,511,661</b>	<b>(197,840)</b>	<b>(65,241)</b>	<b>2,248,579</b>	<b>202,476</b>	<b>2,451,056</b>	<b>(525,516)</b>	<b>1,925,540</b>

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:  
The (525,516) 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.

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

Not applicable.