

Flash Report for the 1st Quarter of the Fiscal Year Ended December 31, 2018 [Japan GAAP] (on a consolidated basis)

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Company name: OPT Holding, Inc.
 Securities code: 2389 URL: <http://www.opt.ne.jp/holding/>
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 Scheduled submission date of quarterly report: May 14, 2018 Scheduled start date of dividend payment: -
 Supplementary materials for quarterly results: Prepared
 Quarterly results briefing: Held

(Rounded down to the nearest million yen)

1. Consolidated Results for the 1st Quarter of Fiscal 2018 (January 1, 2018–March 31, 2018)

(1) Consolidated business results (% represents year-on-year change)

	Revenue		Operating income		Ordinary income		Net income attributable to owners of parent	
	Yen in millions	%	Yen in millions	%	Yen in millions	%	Yen in millions	%
1QFY2018	22,773	9.0	1,007	(7.8)	873	(25.9)	515	(22.7)
1QFY2017	20,886	12.6	1,093	23.0	1,178	44.2	666	269.3

(Note): Comprehensive income: 1QFY 2018: ¥425 million (Δ35.5%) 1QFY 2017: ¥659 million (—%)

	Net income per share		Diluted net income per share		EBITDA※1		EBIT※2	
	Yen		Yen		Yen in millions	%	Yen in millions	%
1QFY2018	22.79		22.60		1,258	(21.5)	893	(24.8)
1QFY2017	27.56		27.38		1,604	37.7	1,187	104.0

(Notes)※1 EBITDA = EBIT + Other finance-related profits (losses) + Depreciation + Amortization of intangible assets + Amortization of long-term prepaid expenses + Non-cash gain and loss

※2 EBIT = Net income before taxes and other adjustment + interest paid – interest received

(Reference) Consolidated business results of 1QFY2017 included result of Classified Inc. that was sold at the end of consolidated fiscal year. For reference, consolidated business results of 1QFY2017 exclude the impact of Classified Inc. are as followings.

(% represents year-on-year change)

	Revenue		Operating Income		Ordinary Income		Net income attributable to owners of parent		EBITDA		EBIT	
	Yen in millions	%	Yen in millions	%	Yen in millions	%	Yen in millions	%	Yen in millions	%	Yen in millions	%
1QFY2018	22,773	18.9	1,007	(2.2)	873	(21.8)	515	(19.1)	1,258	(17.9)	893	(20.4)
1QFY2017	19,158	—	1,030	—	1,117	—	637	—	1,532	—	1,121	—

(2) Consolidated financial position

	Total assets		Net assets		Capital-to-asset ratio	
	Yen in millions		Yen in millions		%	
1QFY2018	46,807		18,922		32.6	
1QFY2017	46,127		18,813		33.0	

(Reference): Capital: 1QFY2017: ¥15,268 million FY2017: ¥15,218 million

2. Dividends

	Annual dividend per share				
	End of 1Q	End of 2Q	End of 3Q	End of FY	Total
	Yen	Yen	Yen	Yen	Yen
FY 2017	—	0.00	—	12.00	12.00
FY 2016	—	—	—	—	—
FY ending Dec. 31, 2018 (forecast)	—	0.00	—	—	—

(Notes) Revisions to most recently announced dividend forecast: None

Regarding dividend, the company aim to pay a dividend payout ratio of 20% to net income attributable to parent before amortization of goodwill from FY2017

3. Consolidated business forecasts for fiscal 2018 (January 1, 2018–December 31, 2018)

(% represents year-on-year change)

	Revenue		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	Yen in millions	%	Yen in millions	%	Yen in millions	%	Yen in millions	%	Yen
Interim	—	—	—	—	—	—	—	—	—
Full fiscal year	91,000	10.2	2,100	(5.6)	1,500	(21.9)	600	(40.7)	26.53

(Note) Revision to most recently announced consolidated earnings forecast: None (Reference)

- EBITDA Forecast for FY 2018: ¥3,500 million
 - EBIT Forecast for FY 2018: ¥1,600 million

Notes:

(1) Changes in major subsidiaries (changes in specified subsidiaries involving changes in the scope of consolidation) during the fiscal year under review:

None

of subsidiaries newly included: 0

of subsidiaries excluded: 0

(2) Application of accounting process specific to preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and retrospective restatements

- | | |
|---|------|
| (i) Changes in accounting policies arising from amendments to accounting standards, etc.: | None |
| (ii) Other changes in accounting policies: | None |
| (iii) Changes in accounting estimates: | None |
| (iv) Retrospective restatements: | None |

(4) Outstanding (common) shares

- (i) Outstanding shares (including treasury stock) at end of period
- (ii) Treasury stock at end of period
- (iii) Average of outstanding during period (accumulated quarterly)

1QFY2018	23,817,700 shares	FY2017	23,817,700 shares
1QFY2018	1,200,139 shares	FY2017	1,200,062 shares
1QFY2018	22,617,601 shares	1QFY2017	24,189,012 shares

* Flash reports are not subject to audits.

* Explanation about proper use of business forecasts and other special instructions

(Notice on describing future, etc.)

The business forecasts and other forward-looking statements contained in this material are based on the information currently available to the Company and certain assumptions deemed to be reasonable, and actual business results and the like may substantially differ due to various factors. For the assumptions serving as a basis of the business forecasts and for the instructions for the use of the business results, see Subsection (4) "Future outlook" under Section 1 "Summary of business results, etc." on Page 5 of the attachment.

(Notice on reference of summary information)

- EBITDA= EBIT + Other finance-related profits (losses) + Depreciation + Amortization of intangible assets + Amortization of long-term prepaid expenses + Non-cash gain and loss
- EBIT= Net income before taxes and other adjustment + interest paid – interest received

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1. Quarterly consolidated financial statements and major notes thereto

(1) Consolidated balance sheets

(Yen in thousands)

	FY 2017 (December 31, 2017)	1QFY2018 (March 31, 2018)
Assets		
Assets		
Cash and deposits	15,753,327	16,475,316
Notes and accounts receivable-trade	12,888,753	14,136,771
Operational investment securities	5,597,559	5,744,916
Inventories	121,051	201,860
Deferred tax assets	509,631	325,259
Other	1,478,588	896,593
Allowance for doubtful accounts	(64,597)	(62,840)
Total current assets	36,284,315	37,717,876
Noncurrent assets		
Tangible noncurrent assets	464,352	444,262
Intangible noncurrent assets		
Goodwill	1,013,891	930,443
Others	2,222,152	2,274,718
Total intangible noncurrent assets	3,236,044	3,205,161
Investment and other assets		
Shares of subsidiary companies	579,479	541,719
Shares of affiliated companies	953,506	886,026
Investment securities	2,516,572	2,489,140
Deposits and security money	1,593,798	860,983
Others	567,633	746,753
Allowance for doubtful accounts	(67,861)	(84,066)
Total investments and other assets	6,143,129	5,440,557
Total tangible assets	9,843,526	9,089,981
Total assets	46,127,842	46,807,858
Liabilities		
Current liabilities		
Notes and accounts payable-trade	10,951,798	12,319,147
Short-term loans payable	49,200	33,000
Current portion of long-term loans payable	6,483,531	6,620,508
Income taxes payable	432,899	287,646
Provision for bonuses	568,617	255,207
Other	3,478,991	3,452,306
Total current liabilities	21,965,038	22,967,816
Noncurrent liabilities		
Long-term loans payable	4,992,297	4,549,832
Liabilities on retirement benefits	161,448	178,519
Deferred tax liabilities	73,887	67,403
Asset retirement obligations	116,888	117,184
Other	5,122	4,387
Total noncurrent liabilities	5,349,644	4,917,327
Total liabilities	27,314,683	27,885,143

(Yen in thousands)

	FY 2017 (December 31, 2017)	1QFY2018 (March 31, 2018)
Net assets		
Shareholders' equity		
Capital stock	7,835,926	7,835,926
Capital surplus	3,567,434	3,663,959
Retained earnings	4,214,070	4,374,374
Treasury stock	(912,886)	(912,995)
Total shareholders' equity	14,704,545	14,961,264
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(1,389)	(5,234)
Foreign currency translation adjustment	515,583	312,431
Total accumulated other comprehensive income	514,193	307,197
Subscription rights to shares	1,244	1,240
Non-controlling interests	3,593,175	3,653,011
Total net assets	18,813,159	18,922,714
Total liabilities and net assets	46,127,842	46,807,858

(2) Consolidated statements of income and consolidated statements of comprehensive income
(Quarterly consolidated statements of income)
(First quarter consolidated cumulative period)

(Yen in thousands)

	1QFY 2017 (from January 1, 2017 to March 31, 2017)	1QFY 2018 (from January 1, 2018 to March 31, 2018)
Revenue	20,886,781	22,773,105
Cost of sales	16,530,213	18,132,340
Gross profit	4,356,567	4,640,765
Selling, general and administrative expenses	3,262,805	3,632,790
Operating income	1,093,762	1,007,974
Non-operating income		
Interest income	2,496	1,552
Dividends income	—	115
Gain on investments in partnership	19,388	—
Gain on valuation of derivatives	263,700	56,525
Other	13,707	16,226
Total non-operating income	299,293	74,419
Non-operating expenses		
Interest expenses	9,899	8,802
Foreign exchange losses	—	77,842
Loss on investments in partnership	—	52,139
Equity in losses of affiliates	154,262	51,980
Other	50,190	17,687
Total non-operating expenses	214,353	208,452
Ordinary income	1,178,702	873,941
Extraordinary income		
Gain on sales of investment securities	—	12,217
Profit from reversal of new stock acquisition rights	2,389	—
Other	1	—
Total extraordinary income	2,390	12,277
Extraordinary losses		
Loss on disposal of fixed assets	1,030	0
Other	—	17
Total extraordinary losses	1,030	17
Quarterly net income before taxes and other adjustments	1,180,063	886,201
Income taxes	436,363	244,969
Quarterly net income	743,699	641,231
Net income attributable to non-controlling interests	76,932	125,872
Net income attributable to owners of parent	666,766	515,359

(Quarterly consolidated statements of comprehensive income)
(First quarter consolidated cumulative period)

(Yen in thousands)

	1QFY 2017 (from January 1, 2017 to March 31, 2017)	1QFY 2018 (from January 1, 2018 to March 31, 2018)
Net income	743,699	641,231
Other comprehensive income		
Valuation difference on available-for-sale securities	(9,186)	(10,258)
Foreign currency translation adjustment	(81,272)	(190,305)
Share of other comprehensive income of associates accounted for using equity method	6,204	(15,608)
Total other comprehensive income	(84,254)	(216,172)
Quarterly comprehensive income	659,444	425,059
Breakdown:		
Comprehensive income attributable to owners of the parent	583,785	308,255
Comprehensive income attributable to non-controlling interests	75,658	116,803

(3) Quarterly consolidated statements of cash flows

(Yen in thousands)

	1QFY 2017 (from January 1, 2017 to March 31, 2017)	1QFY 2018 (from January 1, 2018 to March 31, 2018)
Cash flows from operating activities		
Net income before taxes and other adjustments	1,180,063	886,201
Depreciation	176,961	200,632
Amortization of goodwill	81,716	83,448
Increase (decrease) in allowance for doubtful accounts	△73,699	15,710
Increase (decrease) in provision for bonuses	△161,206	△313,884
Increase (decrease) in liabilities on retirement benefits	14,850	26,480
Interest and dividends income	△2,496	△1,668
Interest expenses	9,899	8,802
Equity in (earnings) losses of affiliates	154,262	51,980
Loss (gain) on investments in partnership	△19,388	52,139
Loss (gain) on sale of investment securities	—	△12,277
Loss (gain) on valuation of derivatives	△263,700	△56,525
Loss (gain) on disposal of noncurrent assets	1,030	0
Decrease (increase) in trade receivable	△2,361,142	△1,406,135
Decrease (increase) in operational investment securities	11,807	△156,626
Decrease (increase) in notes and accounts receivable-trade	2,144,602	1,409,714
Increase (decrease) in accrued consumption taxes	400,652	△74,759
Other	235,891	179,146
Subtotal	1,530,104	892,378
Interest and dividends income received	2,145	1,212
Interest expenses paid	△10,921	△8,031
Income taxes paid	△908,024	△398,945
Income taxes refund	—	147
Cash flows from operating activities	613,304	486,761
Cash flows from investing activities		
Purchase of property, plant and equipment	△27,769	△5,249
Purchase of intangible assets	△298,947	△245,788
Purchase of investment securities	△222,880	△153,573
Proceeds from sale of investment securities	—	58,576
Proceeds from redemption of investment securities	141,614	—
Proceeds from acquisition of shares in subsidiaries accompanying change in scope of consolidation	13,049	—
Proceeds from settlement of derivatives	—	524,678
Payments of leasehold deposits and guarantee deposits	△3,735,765	△6,403
Proceeds from collection of leasehold deposits and guarantee deposits	3,006,523	761,635
Payment of loans receivable	△82,370	△15,287
Proceeds from collection of loans receivable	25,447	7,867
Other	△4,343	△48,252
Cash flows from investing activities	△1,185,440	878,203

(Yen in thousands)

	1QFY 2017 (from January 1, 2017 to March 31, 2017)	1QFY 2018 (from January 1, 2018 to March 31, 2018)
Cash flows from financial activities		
Net increase (decrease) in short-term loans payable	100,000	(16,200)
Proceeds from long-term loans payable	650,000	—
Repayment of long-term loans payable	(596,393)	(305,488)
Proceeds from issuance of common stock	301,599	—
Proceeds from stock issuance to non-controlling shareholders	—	50,632
Repayments of finance lease obligations	(16,344)	(15,158)
Purchase of treasury stock	(2,868,273)	(109)
Cash dividends paid	(391,337)	(255,123)
Cash dividends paid to non-controlling shareholders	(46,391)	(23,256)
Other	—	(1,280)
Cash flows from financial activities	(2,867,141)	(565,984)
Effect of exchange rate change on cash and cash equivalents	(71,874)	(118,632)
Net increase (decrease) in cash and cash equivalents	(3,511,152)	680,348
Cash and cash equivalents at beginning of period	18,234,074	15,417,161
Increase (decrease) in cash and cash equivalents resulting from Change of scope of consolidation	—	61,849
Cash and cash equivalents at end of period	14,722,922	16,159,359

(4) Notes to quarterly consolidated financial statements

Notes on going concern assumptions:

Not applicable.

Notes if there is significant change in the amount of shareholders' equity:

Not applicable.

(Segment Information, etc.)

【Segment Information】

I First quarter of consolidated cumulative period of last fiscal year (From January 1, 2017 to March 31, 2017)

1 Information on amount of revenue, profit or loss of each reportable segment

(Yen in thousands)

	Reportable Segment			Adjustment (Note) 1	Amount recognized in consolidated financial statements
	Marketing Business	Synergy Investment Business	Total		
Revenue					
Revenue to external customers	19,897,853	988,927	20,886,781	—	20,886,781
Internal revenue or transfers between segments	10,657	25,725	36,382	(36,382)	—
Total	19,908,511	1,014,652	20,923,164	(36,382)	20,886,781
Profit (loss) of segment (Note) 2	1,341,187	(118,015)	1,223,172	(35,706)	1,187,466
EBITDA (Note) 3	1,531,769	59,108	1,590,878	13,463	1,604,341
Interest paid – Interest received					7,403
Quarterly net income before taxes and other adjustments					1,180,063
Total income taxes					436,363
Income taxes – current, deferred					347,040
Income tax adjustment, etc.					89,323
Quarterly net income attributable to non-controlling shareholders					76,932
Quarterly net income attributable to owners of parent					666,766

(Notes) 1. The adjustment amount of ¥(35,706 thousand) for segment profit and loss includes elimination of intersegment transaction, headquarter management cost of ¥(274,923 thousand) that is not allocated to each reportable segment and profit from valuation of derivatives of ¥263,700 thousand that is related to forward stock transaction of the Company's own shares.

2. Segment profit and loss is denoted in EBIT (Net income before taxes and other adjustment + interest paid – interest received)

3. EBITDA = EBIT + Other finance-related profits (losses) + Depreciation + Amortization of intangible assets + Amortization of long-term prepaid expenses + Non-cash gain and loss

4. Business results of 1Q FY2017 included business results of Classified Inc. that was sold at the end of last fiscal year.

Revenue, profit and loss of each reportable segment of 1QFY2017 excluding the impact of Classified Inc. is as follows.

(Yen in thousands)

	Reportable Segment			Adjustment	Amount recognized in consolidated financial statements
	Marketing Business	Synergy Investment Business	Total		
Revenue					
Revenue to external customers	18,166,938	991,129	19,158,067	—	19,158,067
Internal revenue or transfers between segments	10,657	23,523	34,180	(34,180)	—
Total	18,177,595	1,014,652	19,192,248	(34,180)	19,158,067
Segment profit and loss (Note)2	1,275,613	(118,015)	1,157,598	(35,706)	1,121,891
EBITDA (Note)3	1,459,895	59,108	1,519,004	13,463	1,532,467
Interest paid – Interest received					7,387
Quarterly net income before taxes and other adjustments					1,114,503
Total income taxes, etc.					414,433
Income taxes – current and deferred					328,021
Income tax adjustments					86,412
Quarterly net income attributable to non-controlling shareholders					62,844
Quarterly net income attributable to owners of parent					637,225

- 2 Information concerning loss on impairment of noncurrent assets and goodwill by reportable segment
(Significant loss on impairment of noncurrent assets)
Not applicable

(Significant change in the amount of goodwill)
Not applicable

(Significant gain on negative goodwill)
Not applicable

II First quarter of consolidated cumulative period of last fiscal year (From January 1, 2018 to March 31, 2018)

1 Information on amount of revenue, profit or loss of each reportable segment

(Yen in thousands)

	Reportable Segment			Adjustment (Note) 1	Amount recognized in consolidated financial statements
	Marketing Business	Synergy Investment Business	Total		
Revenue					
Revenue to external customers	21,249,495	1,523,609	22,773,105	—	22,773,105
Internal revenue or transfers between segments	5,574	22,725	28,299	△28,299	—
Total	21,255,070	1,546,334	22,801,405	△28,299	22,773,105
Profit (loss) of segment (Note) 2	1,415,241	△40,396	1,374,844	△481,509	893,335
EBITDA (Note) 3	1,676,799	39,410	1,716,209	△457,452	1,258,756
Interest paid – Interest received					7,133
Quarterly net income before taxes and other adjustments					886,201
Total income taxes					244,969
Income taxes – current, deferred					263,136
Income tax adjustment, etc.					△18,167
Quarterly net income attributable to non-controlling shareholders					125,872
Quarterly net income attributable to owners of parent					515,359

(Notes) 1. The adjustment amount of ¥(481,509 thousand) for segment profit and loss includes elimination of intersegment transaction, headquarter management cost of ¥(409,770 thousand) that is not allocated to each reportable segment and profit from valuation of derivatives of ¥56,525 thousand that is related to forward stock transaction of the Company's own shares.

2. Segment profit and loss is denoted in EBIT (Net income before taxes and other adjustment + interest paid – interest received)

3. EBITDA = EBIT + Other finance-related profits (losses) + Depreciation + Amortization of intangible assets + Amortization of long-term prepaid expenses + Non-cash gain and loss

2 Information concerning loss on impairment of noncurrent assets and goodwill by reportable segment

(Significant loss on impairment of noncurrent assets)

Not applicable

(Significant change in the amount of goodwill)

Not applicable

(Significant gain on negative goodwill)

Not applicable

3 Item concerning change of reportable segment, etc.

(Change of classification method of reportable segment)

The company have changed classification method of reportable segment from the first quarter consolidated accounting period FY2018. The company had formerly three business segments “Marketing Business”, “Investment & Incubation Business”, “Overseas Business”. The company formulated new medium term business plan “THE LEADER in DIGITAL SHIFT: NEW STAGE 2020” with targeted period from January 2018 to December 2020 and changed reportable segment to two business segments “Marketing Business”, “Synergy Investment Business” accompanying revision of allocation of management resources and performance evaluation from current first quarter consolidated accounting period.

Regarding segment information of previous first quarter consolidated cumulative period, The company listed based on classification of revised reportable segment.

(Material subsequent events)

Not applicable