

# *The Leader in Digital Shift*

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# Notes

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OPT Holding, Inc., and its subsidiaries and affiliates (hereinafter, the Group) adopt Japanese generally accepted accounting principles (J-GAAP) and disclose its financial statements in accordance with J-GAAP reporting format; however, the Group uses following non-GAAP indicators in order to more accurately evaluate its results of operations and financial position. Please refer to the definition of each Non-GAAP indicator as stated below. Also reconciliation of GAAP to Non-GAAP indicators of EBIT, EBITDA and free cash flow are stipulated in this material.

## [Definition and formula of Non-GAAP metrics]

### 1. **EBIT(Earnings before Interest and Taxes)**

=Net income before tax + interest payment – interest income

### 2. **EBITDA(Earnings before Interest, Taxes, Depreciation and Amortization)**

=EBIT+Other financial gain/loss+depreciation of noncurrent tangible assets+amortization of intangible assets+depreciation of long-term prepaid expense+non-cash gain/loss

### 3. **FCF(Free Cash Flow)**

=Operating cash flow + investment cash flow± one-off cash flow items

### 4. **FMV(Fair Market Value)**

=an estimated market value of a property or a liability, based on third-party transaction between a knowledgeable and willing buyer and a knowledgeable and willing seller

### 5. **IRR(Internal Rate of Return)**

= an investment return computed assuming subject securities in our portfolio were sold at the end of the reporting period.

### 6. **AUM(Assets Under Management)**

= aggregate amount of (1) book value of subsidiaries' and affiliates' stocks and (2) FMV of operational investment securities and invested securities

Note; The Group discloses those Non-GAAP metrics as important management KPIs from 2018.

## 【Notes for the adjusted results】

Consolidated results for 2017 includes the results of Classified, Inc., (belonged to Marketing Business segment) which was sold in the 4Q 2017.

Consolidated results for 2017 and 2018 includes the results of the video streaming business operated by relaido, Inc., (previously SkillUp Video Technologies Corporations) which was sold in the 3Q 2018.

In the adjusted results, the earnings and the gain/loss by the respective company for the respective period were excluded (noted as “Adjusted”, or “Adj” ).

The results which are not adjusted are noted as “before adjustment” or “w/o adjustment.”

## 【Adjustment & respective period】

|                  | Quarterly |         | Full-year |      |
|------------------|-----------|---------|-----------|------|
|                  | 2018 Q4   | 2017 Q4 | 2018      | 2017 |
| Revenue          |           | ✓       | ✓         | ✓    |
| Gross profit     |           | ✓       | ✓         | ✓    |
| Operating income |           | ✓       | ✓         | ✓    |
| EBIT             |           | ✓       | ✓         | ✓    |
| EBITDA           | ✓         | ✓       | ✓         | ✓    |

## 【Quarterly consolidated results】

## 【Full-year consolidated results】

| in million yen   | 2018Q4 | 2017Q4 | Change |        | 2018   | 2017   | Change |         |
|------------------|--------|--------|--------|--------|--------|--------|--------|---------|
|                  |        |        | Amount | YoY    |        |        | Amount | YoY     |
| Revenue          | 23,147 | 20,404 | 2,743  | 13.4%  | 85,755 | 74,139 | 11,616 | 15.7%   |
| Gross profit     | 4,513  | 3,741  | 771    | 20.6%  | 17,015 | 14,834 | 2,180  | 14.7%   |
| Operating income | 544    | 328    | 215    | 65.6%  | 1,892  | 2,209  | (317)  | (14.4)% |
| EBIT             | 723    | (158)  | 882    | -      | 2,863  | 1,291  | 1,571  | 121.6%  |
| EBITDA           | 1,452  | 650    | 801    | 123.2% | 4,699  | 3,327  | 1,371  | 41.2%   |

| in million yen                              | 【Quarterly consolidated results】 |        |                  |        | 【Full-year consolidated results】 |        |                  |         |
|---|----------------------------------|--------|------------------|--------|----------------------------------|--------|------------------|---------|
|   | 2018Q4                           | 2017Q4 | Change<br>Amount | YoY    | 2018                             | 2017   | Change<br>Amount | YoY     |
| Revenue                                     | 23,147                           | 22,323 | 823              | 3.7%   | 87,216                           | 82,602 | 4,614            | 5.6%    |
| Gross profit                                | 4,513                            | 4,089  | 424              | 10.4%  | 17,347                           | 16,404 | 942              | 5.7%    |
| Operating income                            | 544                              | 298    | 245              | 82.4%  | 1,767                            | 2,224  | (456)            | (20.5)% |
| EBIT  | 723                              | 261    | 462              | 176.9% | 3,265                            | 2,091  | 1,173            | 56.1%   |
| EBITDA                                      | 1,252                            | 1,077  | 174              | 16.2%  | 6,089                            | 4,068  | 2,021            | 49.7%   |
| Net income attributable to owners of parent | 686                              | 245    | 440              | 179.7% | 1,922                            | 1,011  | 911              | 90.2%   |
| ROE(LTM) <sup>*1*2</sup>                    | 9.9%                             | 6.3%   | 3.6pts           | -      | 9.9%                             | 6.3%   | 3.6pts           | -       |
| Free cash flow                              | 1,456                            | 985    | 471              | 47.8%  | 3,805                            | 925    | 2,880            | 311.4%  |
| Earnings per share-basic                    | 29.97                            | 11.74  | 18.23            | -      | 84.66                            | 43.95  | 40.71            | -       |
| Earnings per share-diluted                  | 29.52                            | 11.25  | 18.27            | -      | 84.20                            | 43.44  | 40.78            | -       |

\*1 LTM=Last Twelve Months

\*2 ROE=Net income attributable to owners of parent(LTM) / (Average of net asset as of December 31, 2017 and 2018)



Due to gain from business transfer of a consolidated subsidiary and gain from sales of equity method affiliate, achieved over 130% in net income attributable to owners of parent and in EBITDA.

| in million yen                              | 2018<br>Actual results | Guidance |                  |
|---|------------------------|----------|------------------|
|   |                        | 2018     | % of achievement |
| Revenue                                     | 87,216                 | 91,000   | 95.9%            |
| Operating income                            | 1,767                  | 2,100    | 84.1%            |
| Ordinary income                             | 1,669                  | 1,500    | 111.3%           |
| Net income attributable to owners of parent | 1,922                  | 1,400    | 137.3%           |
| EBIT  | 3,265                  | 2,700    | 120.9%           |
| EBITDA                                      | 6,089                  | 4,600    | 132.4%           |



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# 2018 Q4 Results

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Comparison and analysis are based on adjusted results except AUM and IRR

## Marketing Business

Revenue JPY **21,499**million YoY +**13.4%**  
 EBITDA JPY **1,355**million YoY +**7.6%**

- **Large corporation : Demand for brand and O2O marketing continued and billing of video/SNS/LINE ad expanded**
- **Local SMEs: Maintained high growth rate, promoting digital shift in local SMEs.**

## Synergy Investment Business

Revenue JPY **1,651**million YoY +**11.1%**  
 EBITDA JPY **512**million YoY +**922**million  
 AUM JPY **21,218**million QoQ **5,055** million decrease  
 IRR **14.0%** QoQ **(2.4)%** down

- **Profit increased by the sales of WriteUp shares, and equity-method affiliate redfox.**
- **AUM/IRR : decreased from Q3 due to share price movement of Raksul, Inc., owned as operational investment securities.**

## Consolidated results

Revenue JPY **23,147**million YoY +**13.4%**  
 EBITDA JPY **1,452**million YoY +**123.2%**

Notes)

1 : Segment EBITDA is before allocation of corporate function cost.

2 : AUM/IRR, Non-GAAP KPI is calculated based on figures

|                  | in million yen | 2018Q4 | 2017Q4 | Change |        |
|------------------|----------------|--------|--------|--------|--------|
|                  |                |        |        | Amount | YoY    |
| Revenue          |                | 23,147 | 20,404 | 2,743  | 13.4%  |
| Gross profit     |                | 4,513  | 3,741  | 771    | 20.6%  |
| Operating income |                | 544    | 328    | 215    | 65.6%  |
| EBIT             |                | 723    | (158)  | 882    | –      |
| EBITDA           |                | 1,452  | 650    | 801    | 123.2% |

| in million yen   | Reporting Segment  |                             |         | Others                  |       | Consolidated |
|------------------|--------------------|-----------------------------|---------|-------------------------|-------|--------------|
|                  | Marketing Business | Synergy Investment Business | Total   | Corporate Function cost | Other |              |
| Revenue          | 21,499             | 1,651                       | 23,150  | -                       | (3)   | 23,147       |
| Gross profit     | 3,937              | 579                         | 4,516   | -                       | (3)   | 4,513        |
| SG&A             | (2,703)            | (809)                       | (3,512) | (463)                   | 6     | (3,969)      |
| Operating income | 1,233              | (230)                       | 1,003   | (463)                   | 4     | 544          |
| EBIT             | 1,237              | (9)                         | 1,228   | (502)                   | (3)   | 723          |
| EBITDA           | 1,355              | 512                         | 1,867   | (410)                   | (5)   | 1,452        |

# 2018 Q4 Summary Performance of Marketing Business (Adjusted)

Revenue JPY **21,499**million YoY + **13.4%**

EBITDA JPY **1,355**million YoY + **7.6%**

| in million yen   | 2018Q4 | 2017Q4 | Change |       |
|------------------|--------|--------|--------|-------|
|                  |        |        | Amount | YoY   |
| Revenue          | 21,499 | 18,951 | 2,548  | 13.4% |
| Gross profit     | 3,937  | 3,447  | 490    | 14.2% |
| Operating income | 1,233  | 1,096  | 137    | 12.5% |
| EBIT             | 1,237  | 1,105  | 131    | 11.9% |
| EBITDA           | 1,355  | 1,259  | 96     | 7.6%  |

## Revenue/Gross profit

Large corporation:

- Revenue growth slightly slowed due to some clients started insourcing. Instead, brand ad and non-ad business with higher margin contributed to gross profit growth.

Local SMEs

- 35.9% of revenue growth driven by increased number of large scale project, on the other hand, increase in ad agency business lowered gross profit margin

## EBIT/EBITDA

EBIT steadily grew associated with the gross profit margin increase both in large corporation and local SMEs.

| in million yen   | Large corporation |         |        |         | Local SMEs |        |        |         | Segment Total* |         |        |         |
|------------------|-------------------|---------|--------|---------|------------|--------|--------|---------|----------------|---------|--------|---------|
|                  | 2018Q4            | 2017Q4  | Amount | YoY     | 2018Q4     | 2017Q4 | Amount | YoY     | 2018Q4         | 2017Q4  | Amount | YoY     |
| Revenue          | 17,074            | 15,690  | 1,384  | 8.8%    | 4,579      | 3,368  | 1,210  | 35.9%   | 21,499         | 18,951  | 2,548  | 13.4%   |
| Gross profit     | 2,972             | 2,693   | 278    | 10.4%   | 966        | 761    | 205    | 27.0%   | 3,937          | 3,447   | 490    | 14.2%   |
| SG&A             | (2,057)           | (1,841) | (216)  | (11.7)% | (647)      | (517)  | (130)  | (25.3)% | (2,703)        | (2,350) | (352)  | (15.0)% |
| Operating income | 915               | 852     | 62     | 7.4%    | 318        | 243    | 74     | 30.6%   | 1,233          | 1,096   | 137    | 12.5%   |
| EBIT             | 943               | 826     | 117    | 14.2%   | 316        | 251    | 65     | 26.1%   | 1,237          | 1,105   | 131    | 11.9%   |
| EBITDA           | 1,008             | 960     | 48     | 5.0%    | 392        | 270    | 122    | 45.1%   | 1,355          | 1,259   | 96     | 7.6%    |

\* After inter segment elimination

# 2018 Q4 Synergy Investment Business Results (Adjusted)

## Revenue

- China cross-boarder EC business increased
- Sold operational investment security (Writeup)

## EBIT/EBITDA

- EBITDA was improved to JPY 512 million against negative EBIT of JPY 9 million due to adding back the evaluation loss of operational investment securities and inventories for China EC business.

| in million yen   | 2018Q4 | 2017Q4 | YoY    |         |
|------------------|--------|--------|--------|---------|
|                  |        |        | Amount | YoY     |
| Revenue          | 1,651  | 1,486  | 164    | 11.1%   |
| Gross profit     | 579    | 293    | 286    | 97.4%   |
| SG&A             | (809)  | (708)  | (101)  | (14.4)% |
| Operating income | (230)  | (414)  | 184    | —       |
| EBIT             | (9)    | (946)  | 937    | —       |
| EBITDA           | 512    | (410)  | 922    | —       |



SG&A increased due to enhancing group-wide management systems and to amortization of restricted stocks granted to selected employees.

| in million yen   | 2018Q4 | 2017Q4 | Change |
|------------------|--------|--------|--------|
|                  |        |        | Amount |
| SG&A             | (463)  | (284)  | (178)  |
| Operating income | (463)  | (284)  | (178)  |
| EBIT             | (502)  | (229)  | (273)  |
| EBITDA           | (410)  | (198)  | (212)  |

**Definition of Corporate function cost:**

For 2017

- ✓ Personnel cost at administrative division at OPT Holding
- ✓ Overhead cost to manage OPT Holding's administrative division except personnel cost.

From 2018~

In addition to 2 items shown above, expense for several services provided to Group companies by OPT Holding is included.

\*Difference between SG&A and EBIT come from loss in foreign exchange and other expense.

\*Difference between EBITDA and EBIT come from items such as amortization of restricted stock compensation from 2018 Q3.

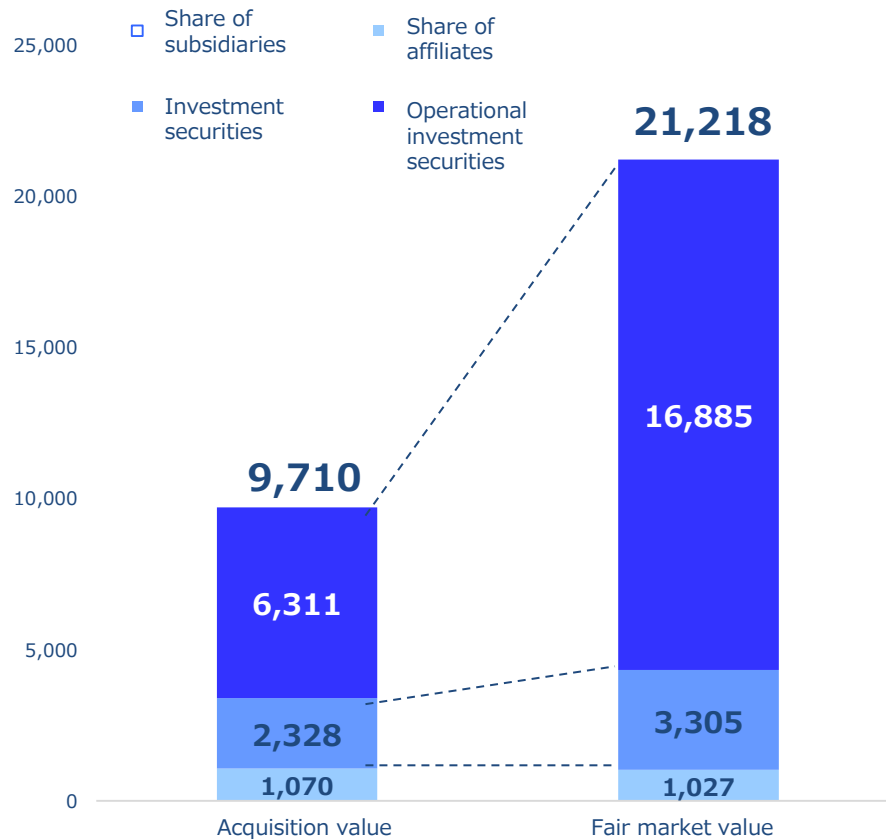
\*The comparison is based on deducting evaluation gain from derivative transaction recorded in 2017 Q4 from EBIT/EBITDA.

## AUM

- AUM at the end of 2018 is JPY 21,218million (JPY +11,508million from acquisition cost or +118.5% growth)
- JPY 5,055million dropped due to a decreased fair value of Raksul share, one of our operational investment securities.

End of 2018 Q4

in million yen



## IRR

IRR dropped from the last quarter mainly because market valuation of Raksul went down

| Now   | (Reference) 2018 3Q |
|-------|---------------------|
| 14.0% | 16.4%               |

IRR of our investment has been disclosed since 2018Q2 for improved transparency of the return on investment portfolio.



# GAAP to Non-GAAP Reconciliation: Free Cash Flow and EBITDA (before Adjustment)

## Free cash flow

in million yen

|                      | 2018Q4 | 2017Q4 | Amount of change | YoY(%) |
|----------------------|--------|--------|------------------|--------|
| Operating cash flow  | 968    | 1,053  | (84)             | (8.1)% |
| Investment cash flow | 488    | (67)   | 555              | —      |
| Free cash flow       | 1,456  | 985    | 471              | 47.8%  |

## EBITDA

in million yen

|  | 2018Q4 | 2017Q4 | Amount of change | YoY(%)  |
|--|--------|--------|------------------|---------|
| Net income before taxes                      | 718    | 253    | 465              | 183.7%  |
| Interest paid(+)                             | 6      | 10     | (3)              | (32.7)% |
| Interest received (–)                        | (1)    | (1)    | 0                | —       |
| EBIT   | 723    | 261    | 462              | 176.9%  |
| Depreciation (+)                             | 27     | 51     | (24)             | (47.3)% |
| Amortization (+)                             | 99     | 241    | (142)            | (59.0)% |
| Amortization of long-term prepaid expense(+) | 0      | 0      | 0                | —       |
| Non-cash gain/loss (+)                       | 401    | 522    | (121)            | (23.2)% |
| EBITDA                                       | 1,252  | 1,077  | 174              | 16.2%   |

| Synergy Investment Business | Business line  | Current status  |
|-----------------------------|--|---|
| Overseas Ad Marketing       | <p>Digital marketing business in Korea and South East Asian countries</p> <p>【Major subsidiaries】</p> <ul style="list-style-type: none"> <li>• eMFORCE Inc. (Korea)</li> <li>• GRASIA PTE., LTD.(Singapore)</li> </ul> | <p>Downsizing primarily overseas ad businesses</p> <p>&lt;Overseas subsidiaries&gt;</p> <p><b>2018 Liquidated</b></p> <ul style="list-style-type: none"> <li>-TOKYO GETS Co., Ltd</li> <li>-GRASIA Bangkok Co., Ltd. (Thailand)</li> </ul> <p><b>2019 Currently in process of liquidation/selling</b></p> <ul style="list-style-type: none"> <li>-eMFORCE Inc. (Korea)</li> <li>-Chai Communication Co., Ltd. (Korea)</li> <li>-GRASIA Pte., Ltd. (Singapore)</li> <li>-OPTSEA Pte., Ltd. (Singapore)</li> <li>-OPTOK Co., Ltd. (Thailand)</li> </ul> |



# 3 2018 Full-Year Results

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|                  | in million yen | 2018   | 2017   | Change |         |
|------------------|----------------|--------|--------|--------|---------|
|                  |                |        |        | Amount | YoY     |
| Revenue          |                | 85,755 | 74,139 | 11,616 | 15.7%   |
| Gross profit     |                | 17,015 | 14,834 | 2,180  | 14.7%   |
| Operating income |                | 1,892  | 2,209  | (317)  | (14.4)% |
| EBIT             |                | 2,863  | 1,291  | 1,571  | 121.6%  |
| EBITDA           |                | 4,699  | 3,327  | 1,371  | 41.2%   |

|                  | Reporting segment  |                             |          | Others                  |       | Consolidated |
|------------------|--------------------|-----------------------------|----------|-------------------------|-------|--------------|
|                  | Marketing Business | Synergy Investment Business | Subtotal | Corporate Function Cost | Other |              |
| in million yen   |                    |                             |          |                         |       |              |
| Revenue          | 80,579             | 5,270                       | 85,849   | -                       | (94)  | 85,755       |
| Gross profit     | 14,561             | 2,498                       | 17,059   | -                       | (44)  | 17,015       |
| SG&A             | (10,378)           | (2,965)                     | (13,343) | (1,822)                 | 43    | (15,122)     |
| Operating income | 4,182              | (466)                       | 3,716    | (1,822)                 | (2)   | 1,892        |
| EBIT             | 3,814              | 949                         | 4,763    | (1,793)                 | (107) | 2,863        |
| EBITDA           | 4,780              | 1,639                       | 6,419    | (1,598)                 | (122) | 4,699        |

## Revenue/Gross profit

- Large corporation: Achieved double-digit growth in existing clients, in addition, thanks to newly acquired brand clients, gross profit margin improved
- Local SMEs: 40% revenue growth continued as a result of stabilized order from existing clients and increased order from new clients

## EBIT/EBITDA

- Achieved steady growth of EBIT brought by gross profit increase in both segments

|                  | Large corporation |         |        |         | Local SMEs |         |        |         | Marketing Business Total |         |         |         |
|------------------|-------------------|---------|--------|---------|------------|---------|--------|---------|--------------------------|---------|---------|---------|
|                  | 2018              | 2017    | Amount | YoY     | 2018       | 2017    | Amount | YoY     | 2018                     | 2017    | Amount  | YoY     |
| in million yen   |                   |         | t      |         |            |         |        |         |                          |         |         |         |
| Revenue          | 64,434            | 57,524  | 6,909  | 12.0%   | 16,809     | 11,939  | 4,869  | 40.8%   | 80,579                   | 69,151  | 11,427  | 16.5%   |
| Gross profit     | 11,067            | 9,820   | 1,246  | 12.7%   | 3,504      | 2,753   | 751    | 27.3%   | 14,561                   | 12,547  | 2,013   | 16.0%   |
| SG&A             | (7,816)           | (6,839) | (977)  | (14.3)% | (2,572)    | (1,966) | (606)  | (30.8)% | (10,378)                 | (8,779) | (1,599) | (18.2)% |
| Operating income | 3,251             | 2,981   | 269    | 9.0%    | 931        | 786     | 145    | 18.5%   | 4,182                    | 3,767   | 414     | 11.0%   |
| EBIT             | 2,899             | 2,956   | (56)   | (1.9)%  | 941        | 784     | 156    | 20.0%   | 3,814                    | 3,768   | 46      | 1.2%    |
| EBITDA           | 3,715             | 3,398   | 317    | 9.3%    | 1,117      | 865     | 252    | 29.1%   | 4,780                    | 4,291   | 489     | 11.4%   |

\* Total amount is include intersegment adjustments.



## Revenue/Gross profit

Revenue grew by the expansion of China cross-boarder EC business against de-consolidation of Writeup and unfavorable results of subsidiary in Korea.

## EBIT/EBITDA

Evaluation loss of operational investment security was recorded, however; EBITDA increased by the gain from sales of Writeup shares, etc.

| in million yen   | 2018    | 2017    | Change |         |
|------------------|---------|---------|--------|---------|
|                  |         |         | Amount | YoY     |
| Revenue          | 5,270   | 5,164   | 105    | 2.0%    |
| Gross profit     | 2,498   | 2,282   | 216    | 9.5%    |
| SG&A             | (2,965) | (2,570) | (394)  | (15.4)% |
| Operating income | (466)   | (287)   | (178)  | —       |
| EBIT             | 949     | (1,328) | 2,277  | —       |
| EBITDA           | 1,639   | (406)   | 2,045  | —       |

SG&A increased due to enhancing group-wide management systems and to amortization of restricted stocks granted to selected employees.

|                  | in million yen | 2018    | 2017  | Change |
|------------------|----------------|---------|-------|--------|
|                  |                |         |       | Amount |
| SG&A             |                | (1,822) | (994) | (827)  |
| Operating income |                | (1,822) | (994) | (827)  |
| EBIT             |                | (1,793) | (847) | (945)  |
| EBITDA           |                | (1,598) | (706) | (891)  |

**Definition of Corporate function cost:**

For 2017

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- ✓ Overhead cost to manage OPT Holding's administrative division except personnel cost.

From 2018~

In addition to 2 items shown above, expense for several services provided to Group companies by OPT Holding is included.

\*Difference between SG&A and EBIT come from loss in foreign exchange and other expense.

\*Difference between EBITDA and EBIT come from items such as amortization of restricted stock compensation from 2018 Q3.

\*The comparison is based on deducting evaluation gain from derivative recorded in 2017 Q4 from EBIT/EBITDA.



## **3** Mid-term Management Plan

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**Review for the first year(2018)**

- The digital revolution is Tsunami which will create sea change once in hundreds of years.
- Our 6,000 clients, from large enterprise to SMEs, are not simply saying “we want to re-allocate ad spends from legacy mass marketing to Internet,” but acknowledge crystal-clearly “without company-wide digital shift, no survival.”
- OPT group are transforming itself into “a digital shift company” covering the internet ad business.
- Therefore, in addition to the internet ad business, we offer “Digital Shift Support” which will accelerate our clients’ digitalization by offering overall marketing solutions, digital talent development and IT utilization.
- Furthermore, we work on “Digital Shift Innovation” which will innovate new digital companies created with/by our clients, and “Digital Shift Creation” which will digitalize existing companies or create digital business from zero to one.

## What we have achieved

## Outcome

### 1 Expand customer base

Approached and obtained bigger market players (e.g. Brand advertiser, retailers, local SMEs)



### 2 Launch specialized teams

Expanded business for retailers through an omni-channel retailing team



### 3 Invest on creative capability

Launched "Studio OPT"  
Organized "Okinawa Coral Creative Office"



### 4 Invest on human resources (hiring/training)

Increased the number of creators, consultants, and sales personnel  
Established HR Development Center for digital talents



### 5 Create a platform for non-ad sales

Provided extended consulting service with deep understanding of digital marketing



### 6 Strengthen strategic alliance for customer acquisition

SoldOut strengthened the alliance with major platformers



## What we have achieved

## Outcome

### Business development

- Established SIGNATE Inc., started full-range operation of AI business
- Created new sharing economy business: Nikkei Office Pass (sharing office service)



### Financial investments

- Our investees (Raksul Inc., and WriteUp Co. Ltd.,) became listed companies
- Initiated JPY 10 billion fund (OPT Ventures #2 Investment Limited Partnership) for creating new business



### Overseas business

- Marketing Business: reorganizing subsidiaries and affiliates
- Cross-border China EC business expanded/  
Conducted China tech-study tours

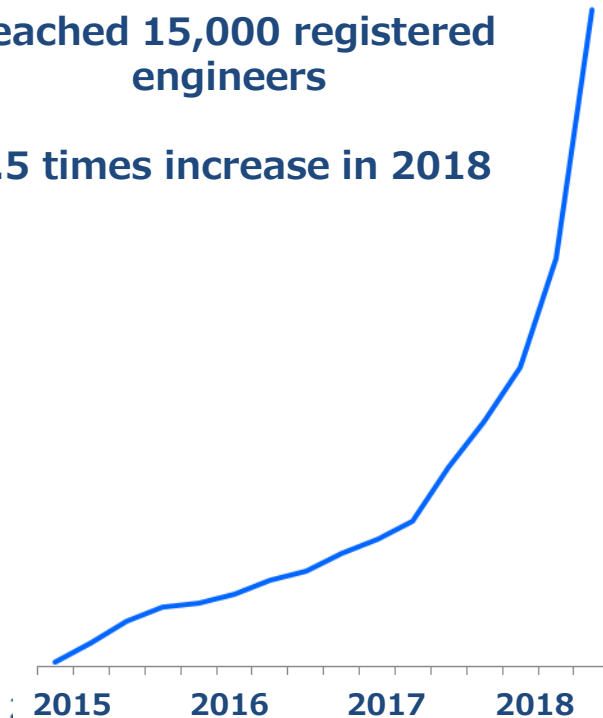


Started full-operation of AI business by establishing a new company in April 2018

**# of registered AI engineers jumped**  
**AI projects increased 5 times vs 2017**  
**HR support business started**

Number of registered engineers/developers

Reached 15,000 registered engineers  
 2.5 times increase in 2018



Awards/Accomplishments related to HR business

Nominated at Professional category of HR Award 2018 supported by MHLW and MET



Won Innovation Award at 3<sup>rd</sup> HR technology competition supported by METI of Japan



Participated xData Alliance which aims to develop and prevail of the first Japanese satellite data platform "Tellus"

~SIGNATE takes the roles in talent acquisition and promotion of space data utilization~





## Will transform to Internet Ad Agency plus Digital Shift Company

### “Digital Shift (DS)”: How we envision?

① **Support “digital shift”  
For clients**

Provide DS support for overall corporate activities covering people, resources, financing, knowledge and information in addition to ad business

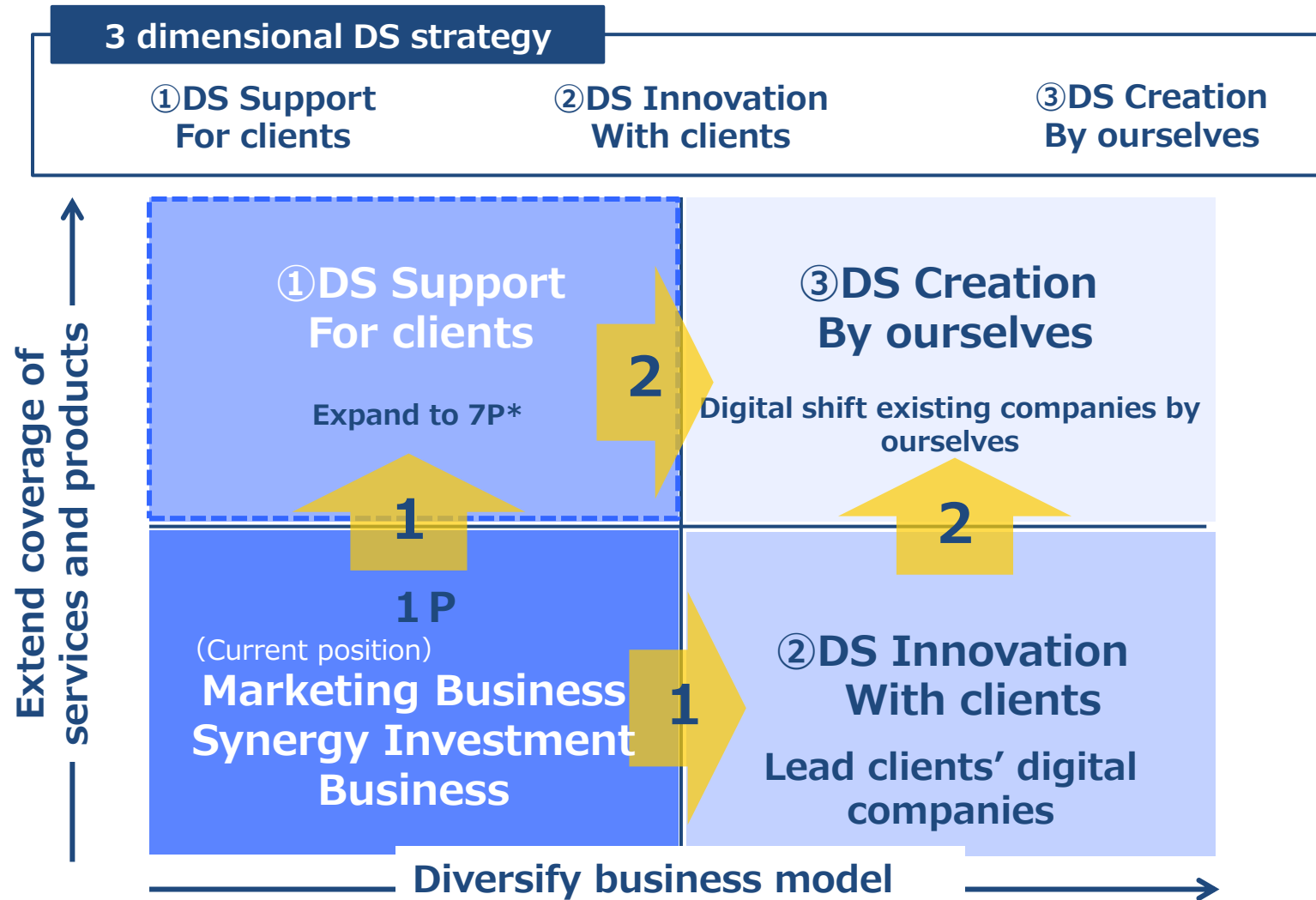
② **Innovate through  
“digital shift”  
With clients**

Commit ourselves to clients’ digital shift; support digital companies created with/by clients with our own group resources

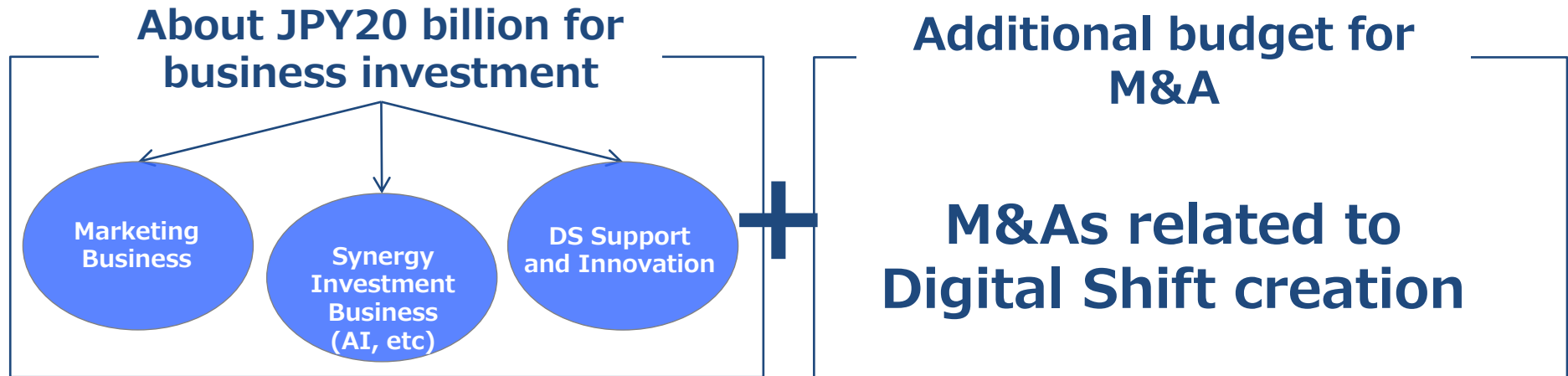
③ **Create “digital shift”  
By ourselves**

Implement digitalization of existing companies  
Create digital business from zero to one

## Internet Ad Agency plus Digital Shift Company



## Start growth investment aggressively in about three years



### J-GAAP Earnings

Expect deterioration mainly due to amortization of goodwill; however, aiming to improve corporate value

### Target Return on Investment

• IRR 10%

### Management KPI

- EBITDA
- Free cash flow
- ROCE (Return on Capital Employed)
- ROE (Return on Equity)

### Return to shareholders

Expand return to shareholders by accelerating mid-to-long term growth of EPS through allocating retained earnings to investment on digital related business



# **JPY 1 trillion revenue in 2030\***

**Create a marked impact on society**



# 5 References

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\*Figures are basically adjusted as defined Page 5  
except results and data for OPT Inc., and consolidated SG&A

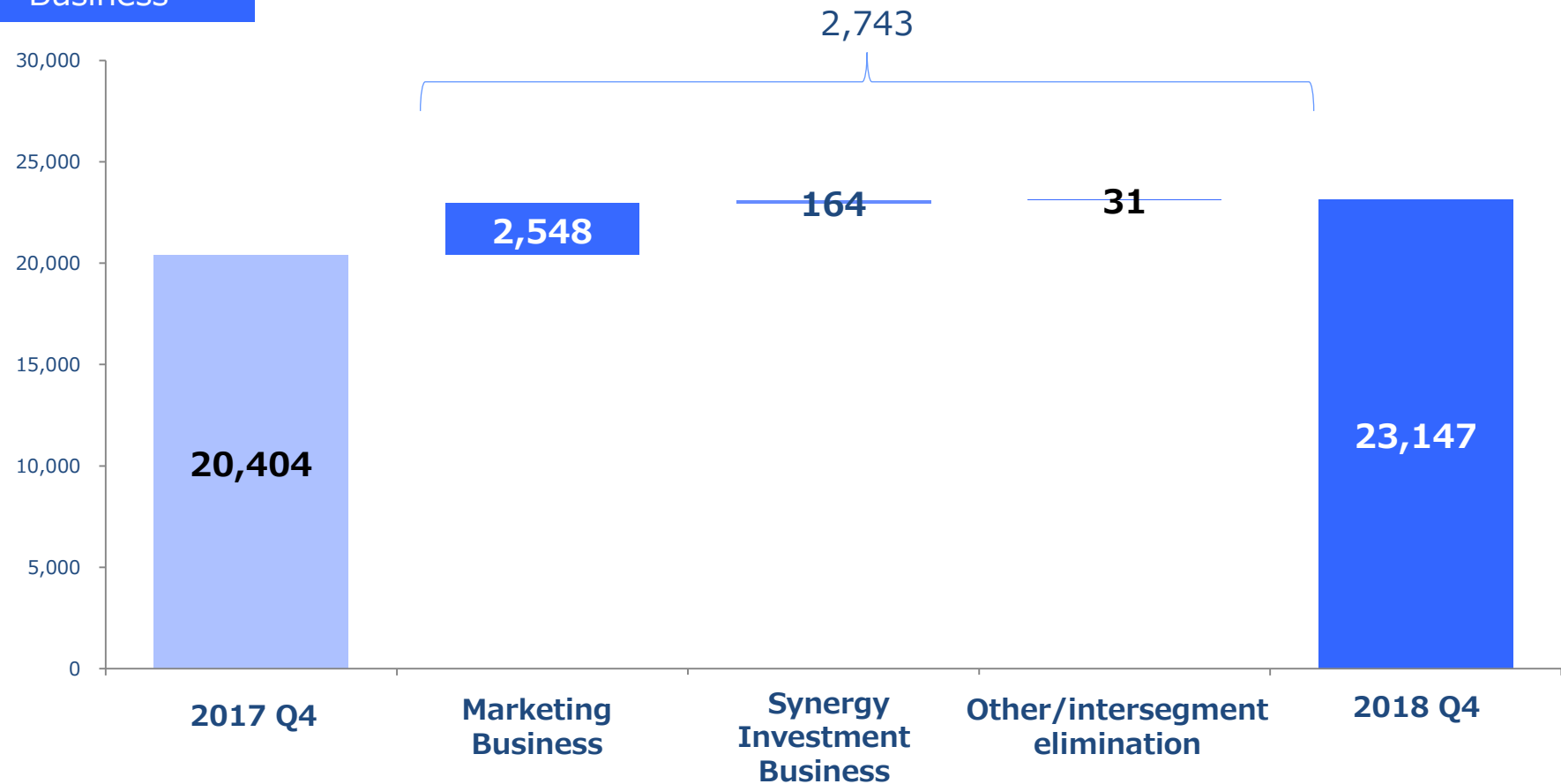
**Marketing Business**

Revenue increased by stable growth of large corporation and strong growth of Local SMEs.

**Synergy Investment Business**

Revenue grew by the increased billing of China cross-border EC business in spite of deconsolidation of Writeup which became a listed company.

in million yen





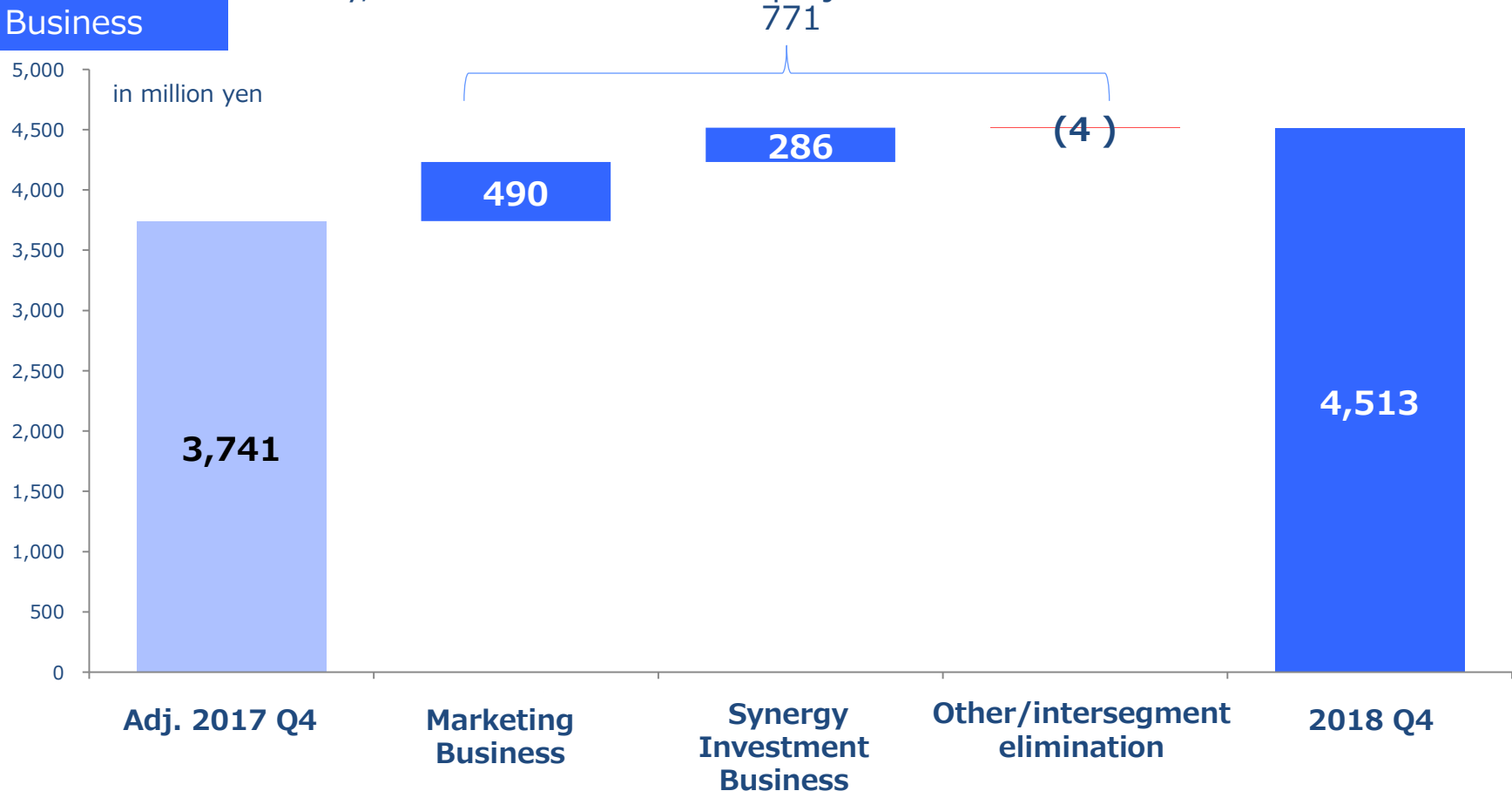
# 2018Q4 Consolidated Gross Profit Analysis (Adjusted)

## Marketing Business

Gross profit increased driven by increased revenue of both Large Corporation and Local SMEs.

## Synergy Investment Business

Increased mainly due to sale of Writeup stocks, which held as operational investment security, and due to increased AI projects at SIGNATE.

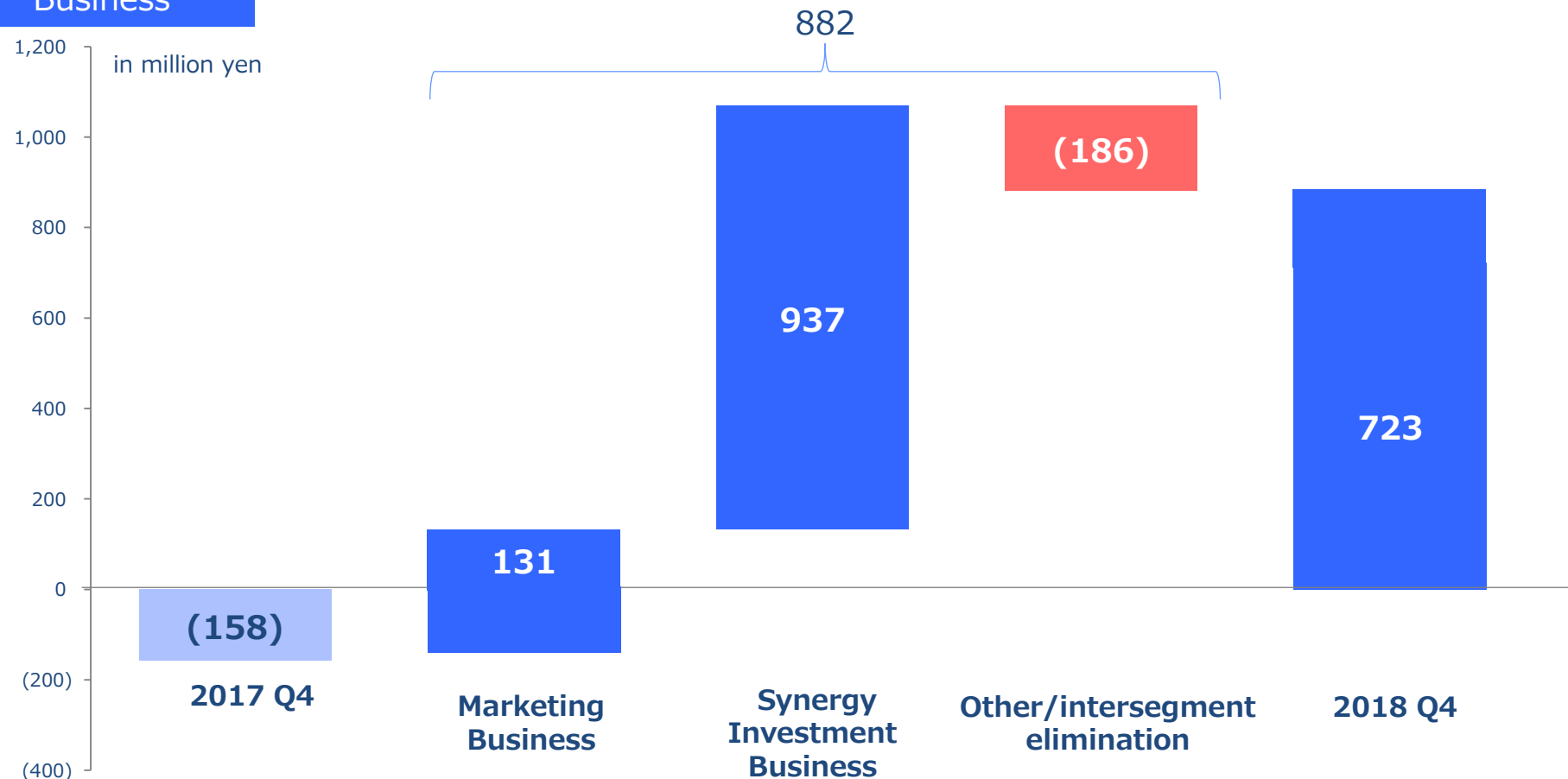


Marketing Business

EBITDA increased mainly by stable growth in large corporation and higher growth in SMEs.

Synergy Investment Business

Increased mainly due to earnings from selling of Writeup share and gain from sales of share of equity method company: redfox. Inc,.



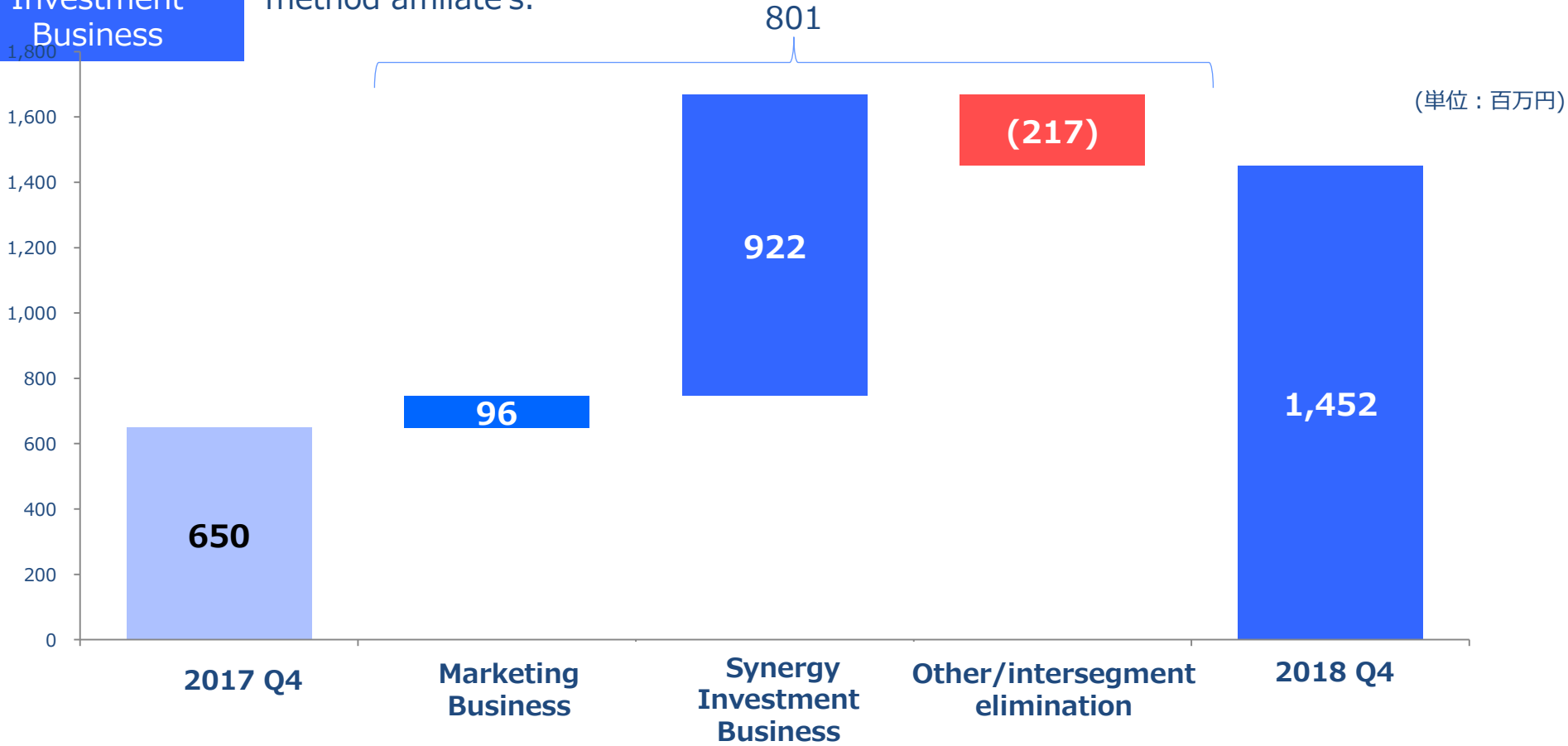


Marketing Business

Segment EBITDA increased by stabilized sales growth of Large Corporation segment and high growth by Local/SMEs.

Synergy Investment Business

Segment EBITDA increased due to gains form sales of WriteUp and redfox, equity-method affiliate's.

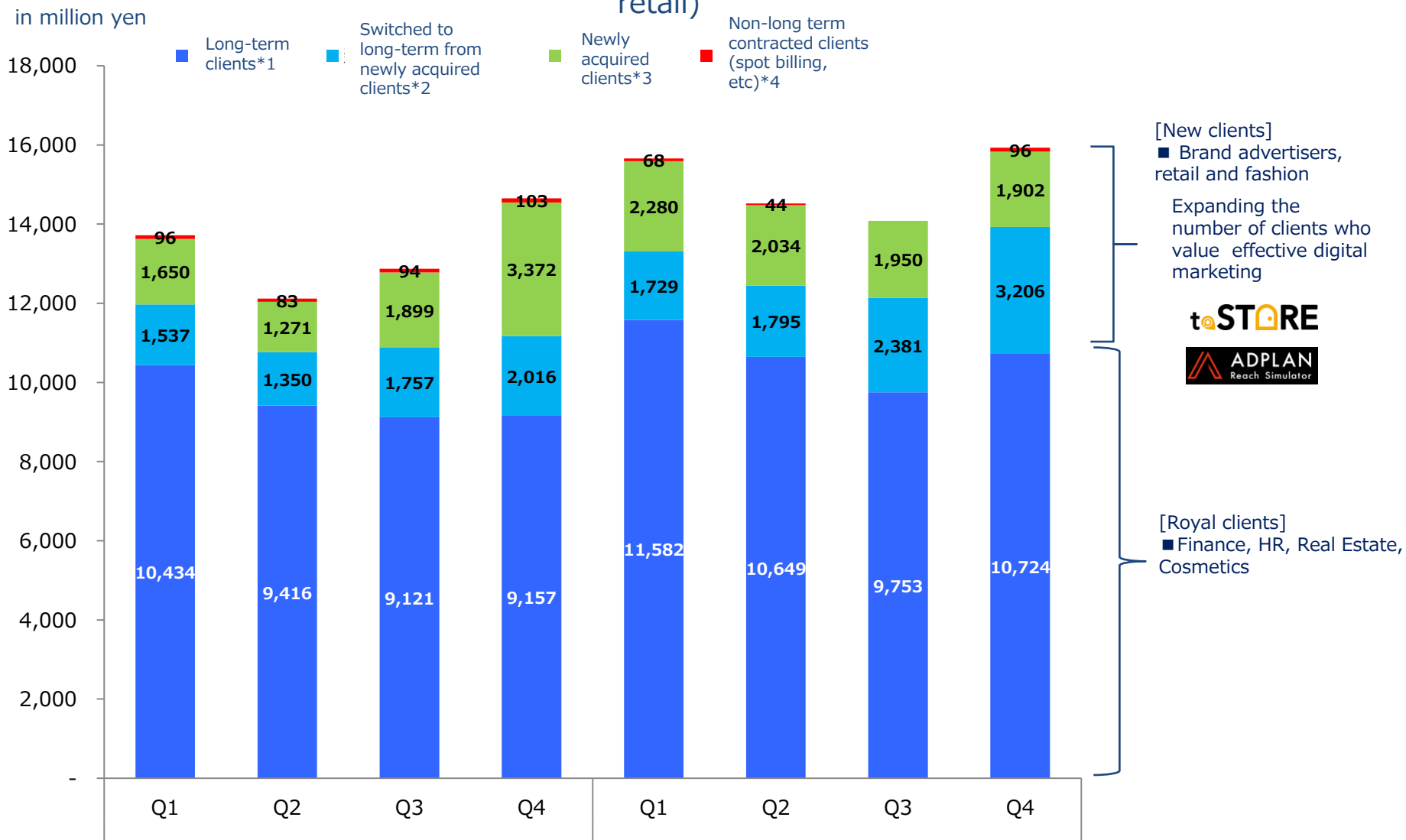




# OPT Inc. Quarterly Revenue Movement by Client Segment



Achieved growth in both existing core four client segments and new client segments (brand advertisers and retail)



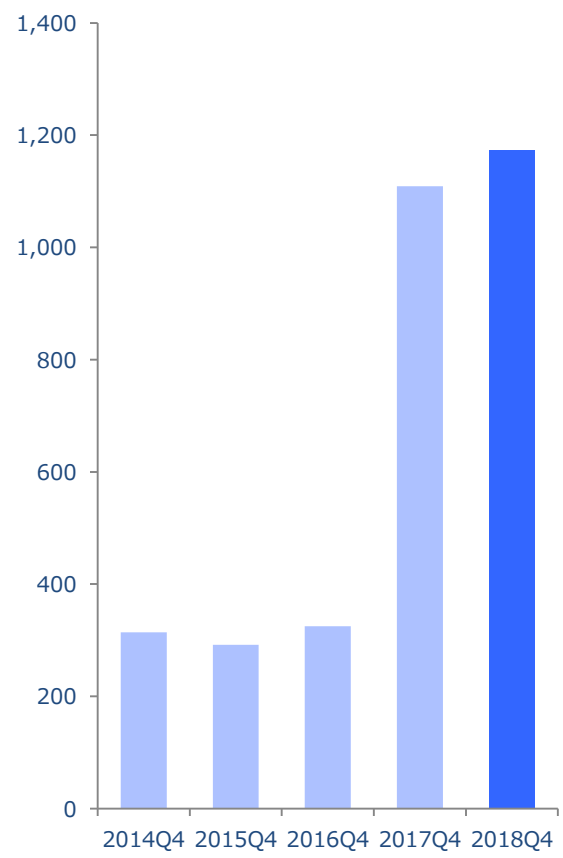
The category above is defined based on service period; \*1: More than 24 months \*2: 12 months ~ 24 months, \*3: 1 month~12 months, \*4: Less than 1 month

Achieved high growth rate in video-ad, SNS, and LINE ad by focusing on our strategic target (brand advertisers and O2O)

in million yen

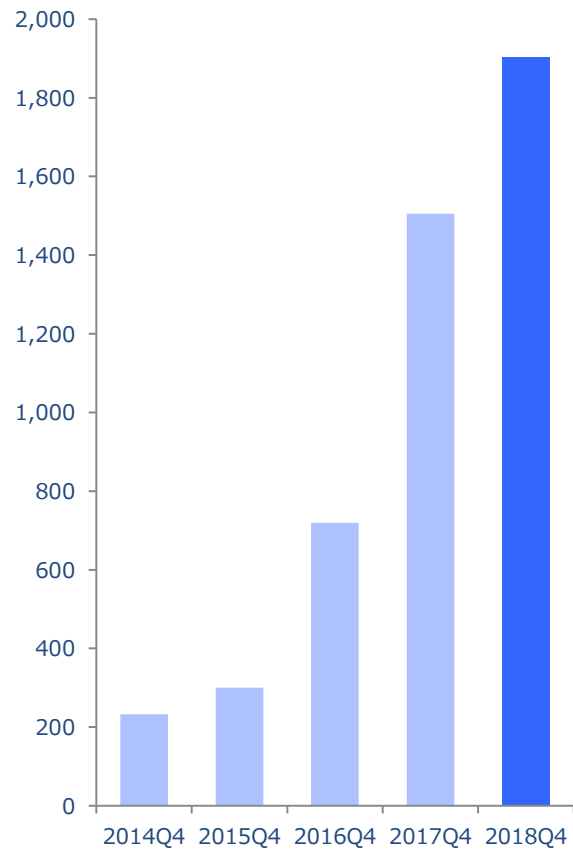
[Video]

YoY : 5.8%up



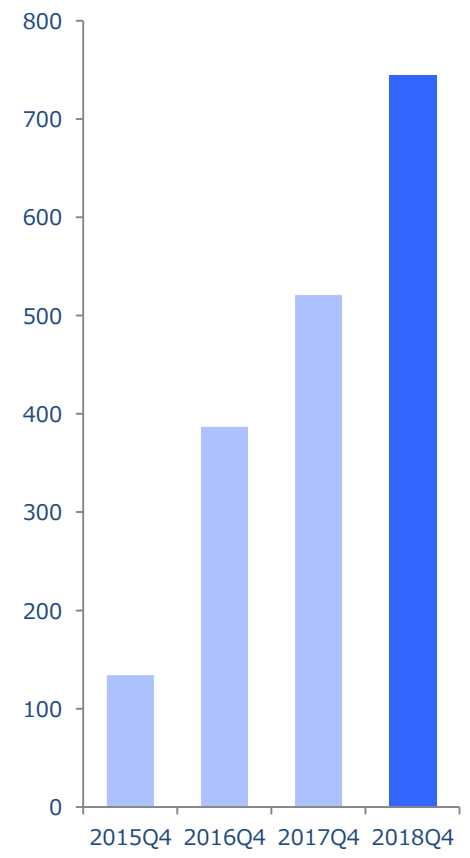
[SNS]

YoY : 26.5%up



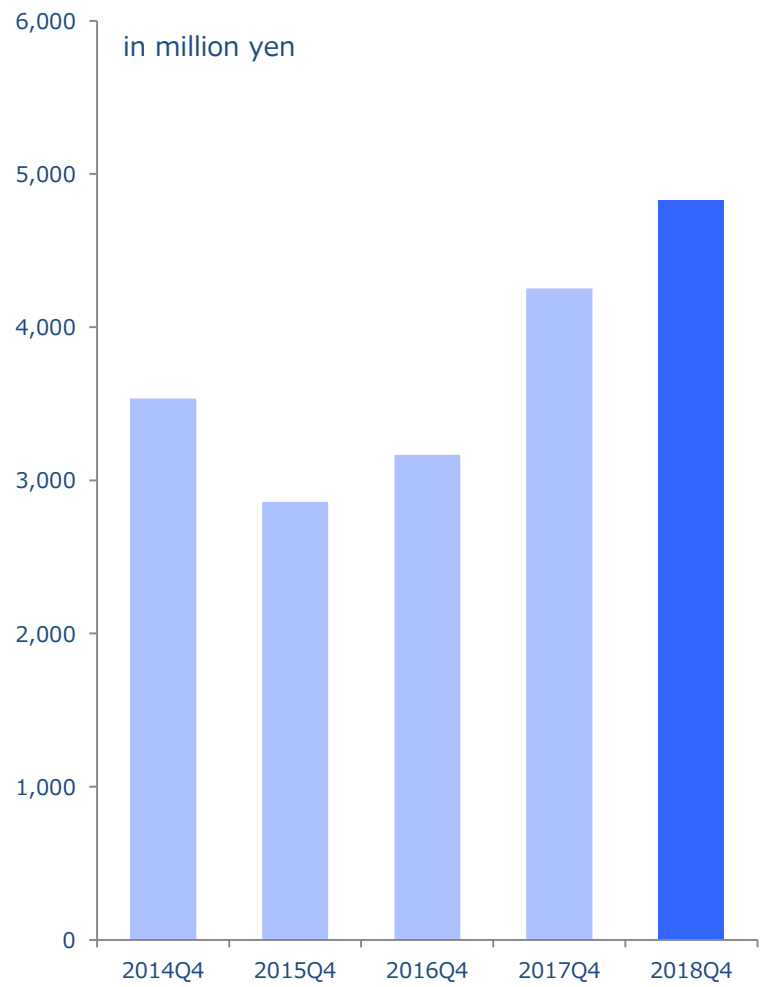
[LINE Ad]

YoY : 42.8%up

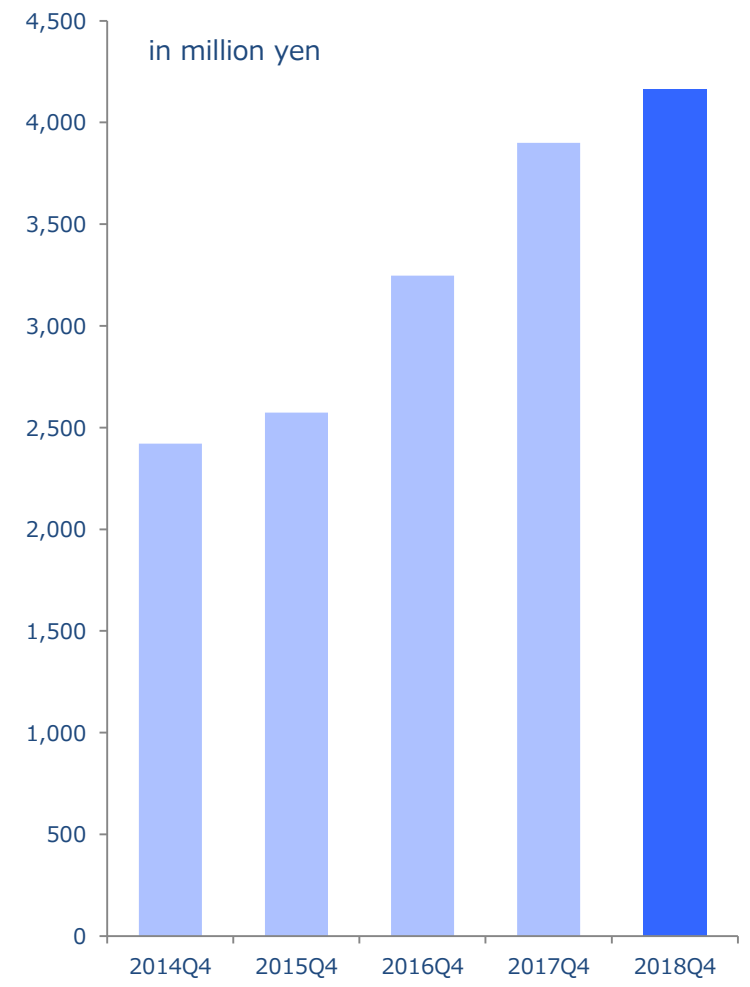


Note; All figures are results of OPT Inc., belongs to Marketing Business, large corporation segment.

[Listing ad] YoY : 13.6%up  
 Maintained double-digit growth by effective operation



[Ad network] YoY : 6.7%up  
 Back to recovery phase from Q3 temporary contraction (YoY 9.9% down in Q3)



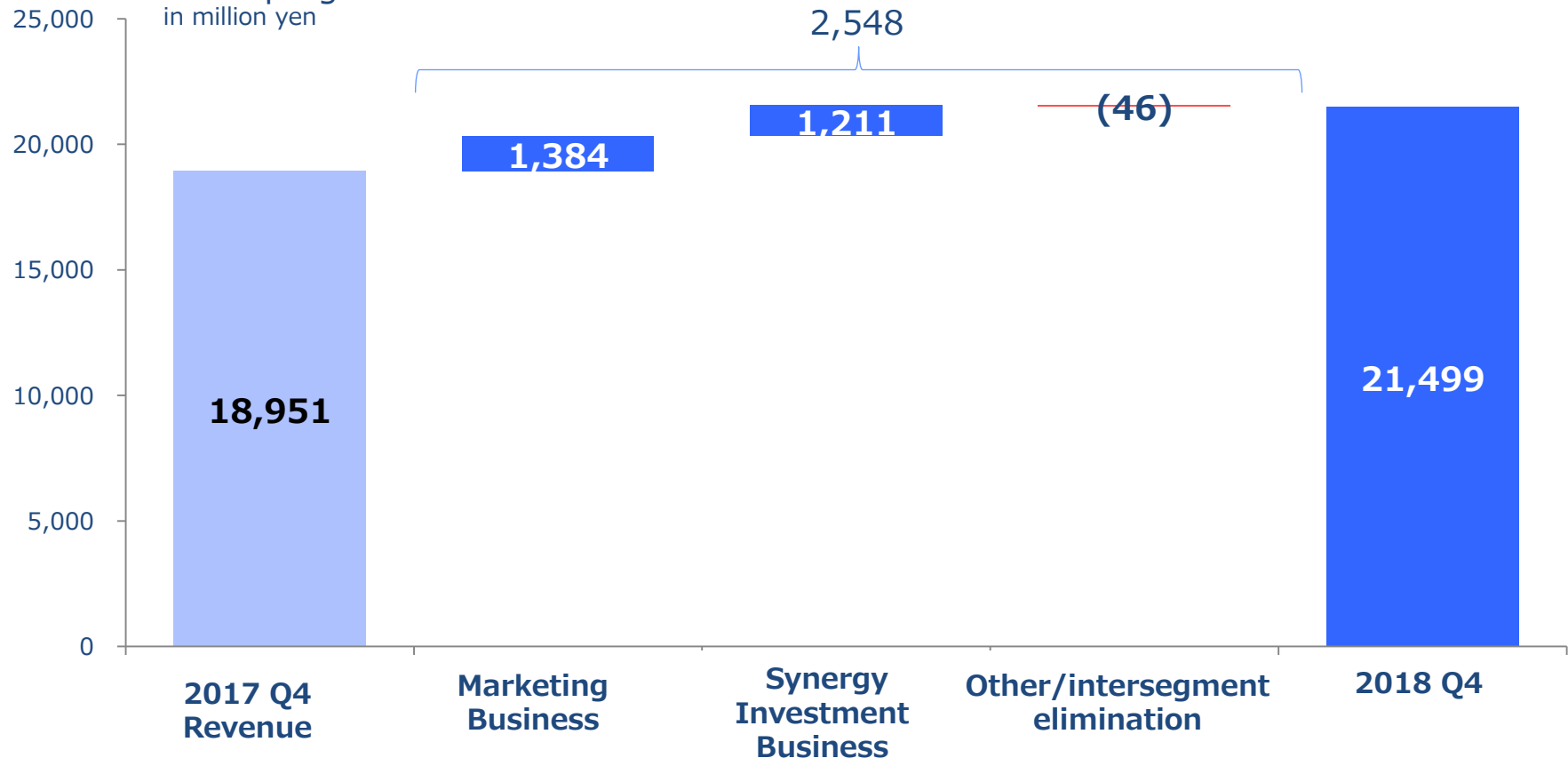
# 2018Q4 Breakdown of Marketing Business Revenue Growth (Adj)

## Large corporation

Continued demand for brand ad and O2O ad at OPT Inc. As brand sponsors value quality, video/SNS/Line ad increased. Pay-per-click ad (e.g., affiliate ad) stagnated.

## Local SMEs

Growth continued in both existing and new clients. Partnership with platformers progressed.



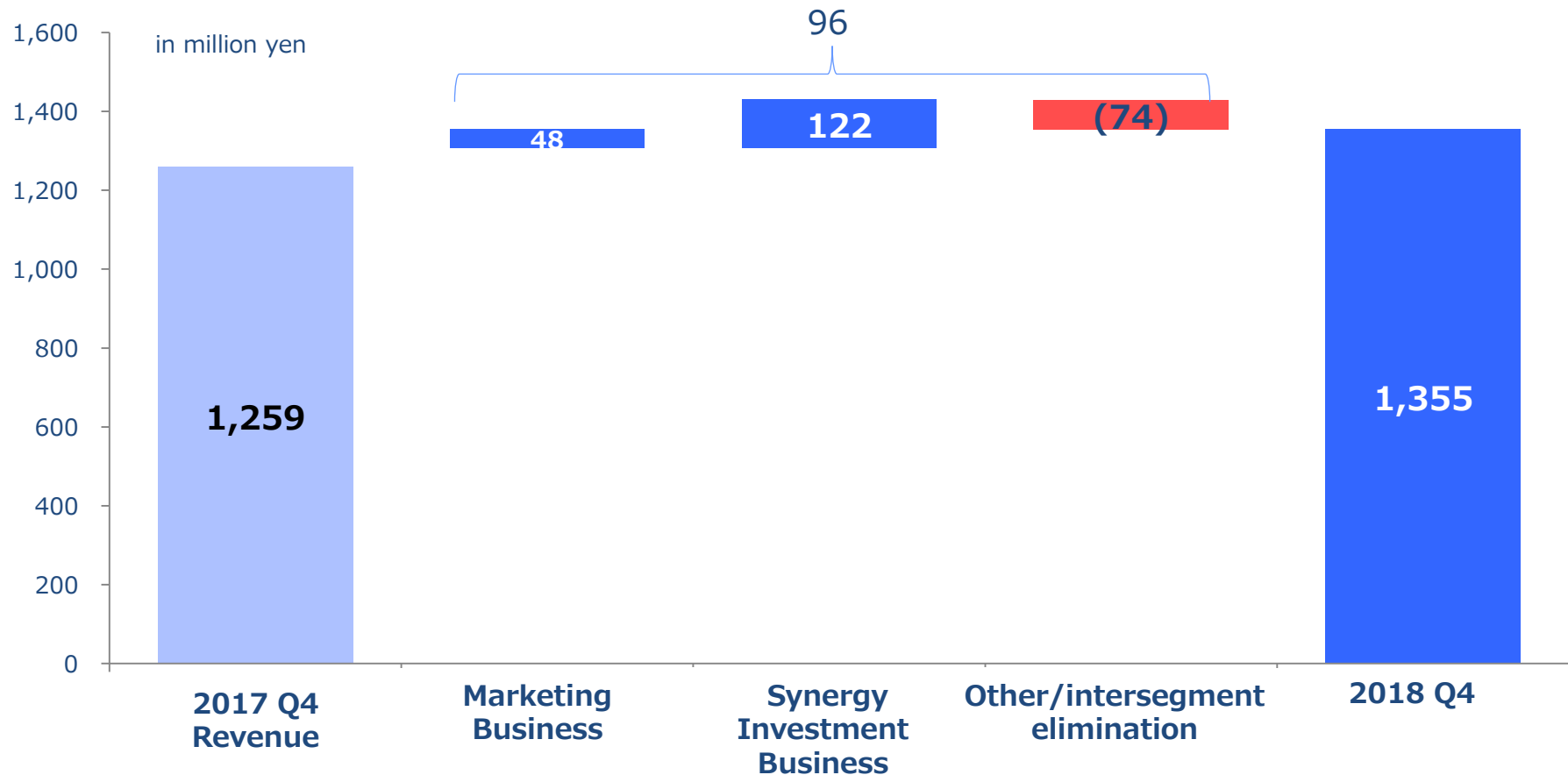
# 2018Q4 Breakdown of Marketing Business EBITDA Growth (Adj)

Large corporation

Slightly increased from the corresponding period of the previous year

Local SMEs

Growth continued in both existing and new clients. Partnership with platformers progressed.





# 2018Q4 Breakdown of Synergy Investment Business Revenue Growth (Adj)

**China cross-boarder EC**

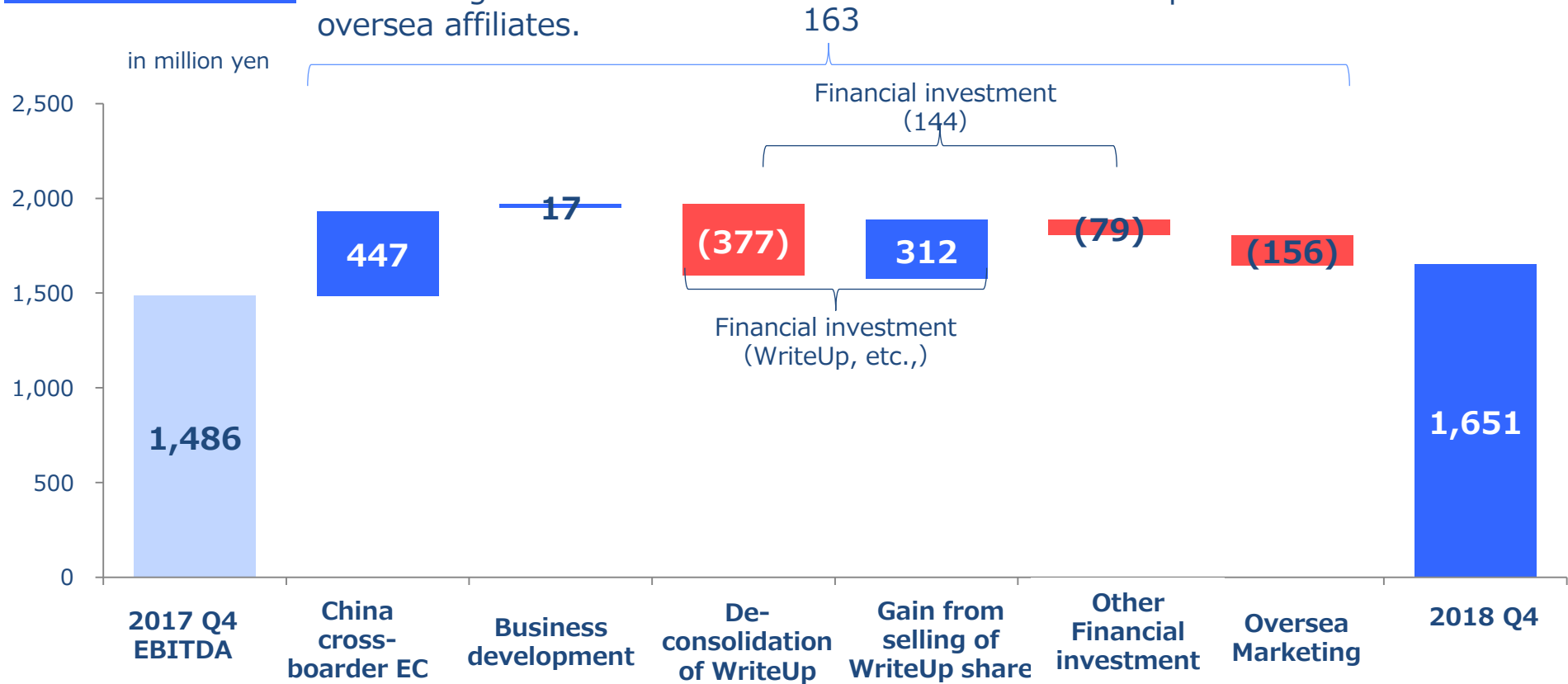
Revenue increased by the expansion of China cross-boarder e-Commerce business, JPY 447 million up from Q4 2017

**Financial investment**

JPY 144 million down from the corresponding period of previous year due to deconsolidation of WriteUp\*, albeit recorded the gain from selling its shares (consolidated sub until June 2018, operational investment security from July 2018)

**Oversea Marketing**

Declined by JPY 156 million from the corresponding period of the previous year due to stagnated result of Korean subsidiaries and the liquidation of some oversea affiliates.



Note; WritUp had been a consolidated subsidiary until June 2018, and converted into operational investment securities form July 2018.



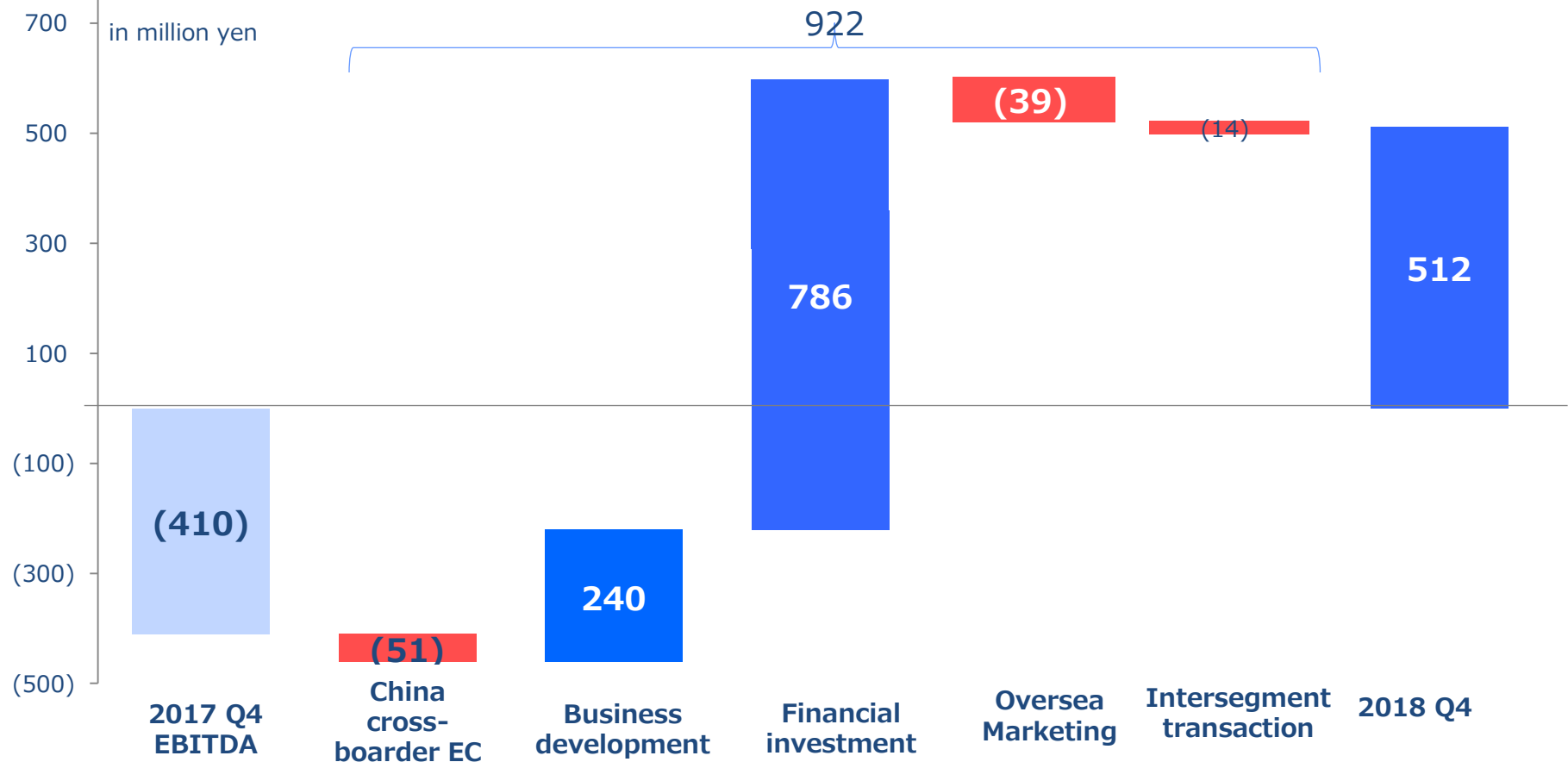
# 2018Q4 Breakdown of Synergy Investment Business EBITDA Growth (Adj)

China cross-boarder EC

Declined due to the increased number of personnel for business expansion and increased CoGs

Oversea Marketing

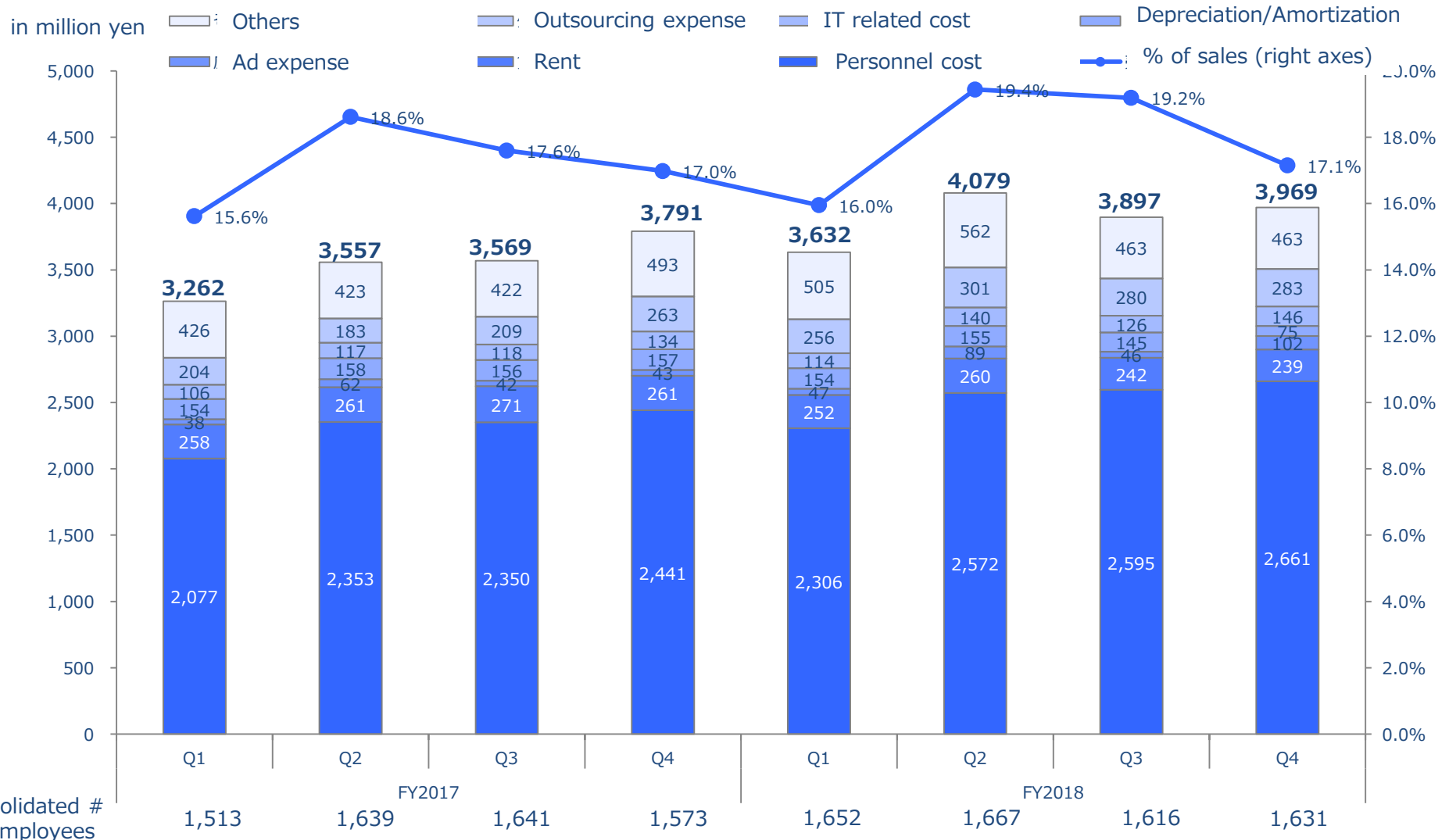
Increased mainly due to selling of Writeup share and gain from sales of share of equity method company: redfox





# Quarterly Consolidated SG&A Movement

Continued investment on HR (hiring and training) for mid-term growth and enhancing group-wide management system increased SG&A



\*Employees include regular employee and contractors.

1) Shares of consolidated Subsidiaries and affiliates: book value.

2) Operational investment securities and other investment securities; calculated depending on the classification

| Classification   | Valuation method  |
|--|---|
| ① Notes and securities of which investment amount is small | Acquisition cost  |
| ② Listed companies' shares                                 | Closing price at the end of Dec 2018  |
| ③ Securities (except ① or ②) with the recent financing     | Based on value on the recent financing  |
| ④ Securities except above                                  | CMV* <sup>1</sup> , DCF* <sup>2</sup> , or net asset method* <sup>3</sup> depending on each company's status. |

\*1: CMV (comparable multiple valuation) method

Applied to issues for which competitors are set in SPEEDA, an information analysis tool.

\*2: DCF (discounted cash flow) method

Applied to issues for which competitors are not set in SPEEDA and with reasonable business plans using KPIs or any other basis for calculation are available. If there are any discrepancies between the actual performance and the business plan, it will be adjusted by the plan achievement ratio.

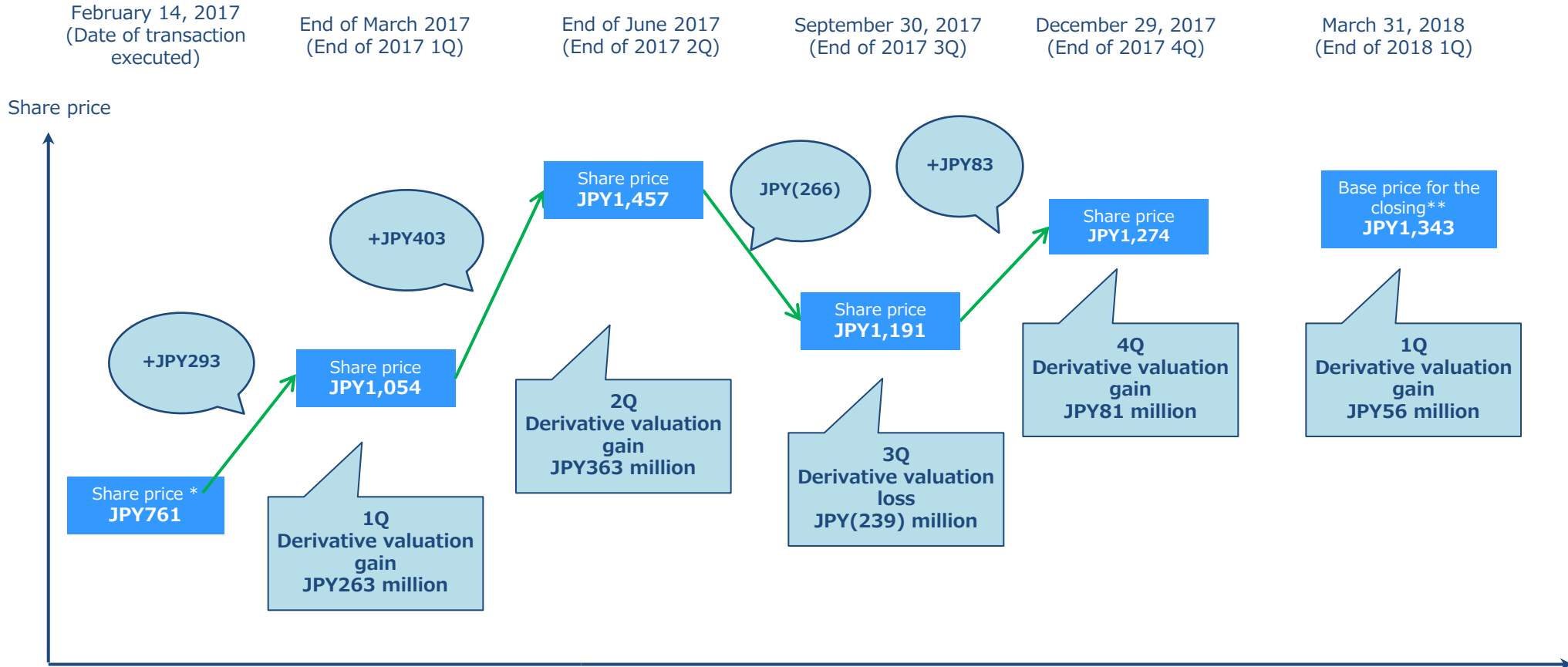
\*3: Net asset method

Applies to issues for which: (i) no specific business plan is available, (ii) a company with going concern, or (iii) the FMV estimate by the CMV or DCF method falls below shareholders' equity attributed to us.

KPMG AZSA LLC has provided us with guidance and advice in calculating FMV for the investment business.

| item                           |                                  | contents   |
|--------------------------------|----------------------------------|--|
| Investment                     |                                  | Those invested in or after 2003  |
| Reference date for calculation |                                  | End of reporting period  |
| Method                         | Impaired investment              | Calculated as if they were sold at the net asset value after impairment.   |
|                                | Investment with recent financing | Calculated as if they were sold at the refinance valuation.  |
|                                | IPOed investment                 | Calculated as if they were sold at the market value as of the reference date.  |
|                                | Fund                             | Calculated with the amount collected until the end of the reporting period and the book value as of the end of reporting period.   |
|                                | Others                           | Any other investment with no change in their acquisition cost due to sale, impairment, financing, IPO or the like are calculated as if they were sold on the reference date at the acquisition cost. |
| Income taxes                   |                                  | Income taxes are included.   |

# Gains and losses by derivative valuation ended on Feb 13, 2018



Note;

1. JPY 761 was defined as the base price for the derivative; reserved price to acquire own shares.
2. JPY 1,343 was the weighted average price for the shares sold by EVOFund for dissolve this hedge position as soon as practically feasible from the starting date for compute closing base price until maturity date or the determined date for dissolving this contract prior to maturity date (include the maturity date)

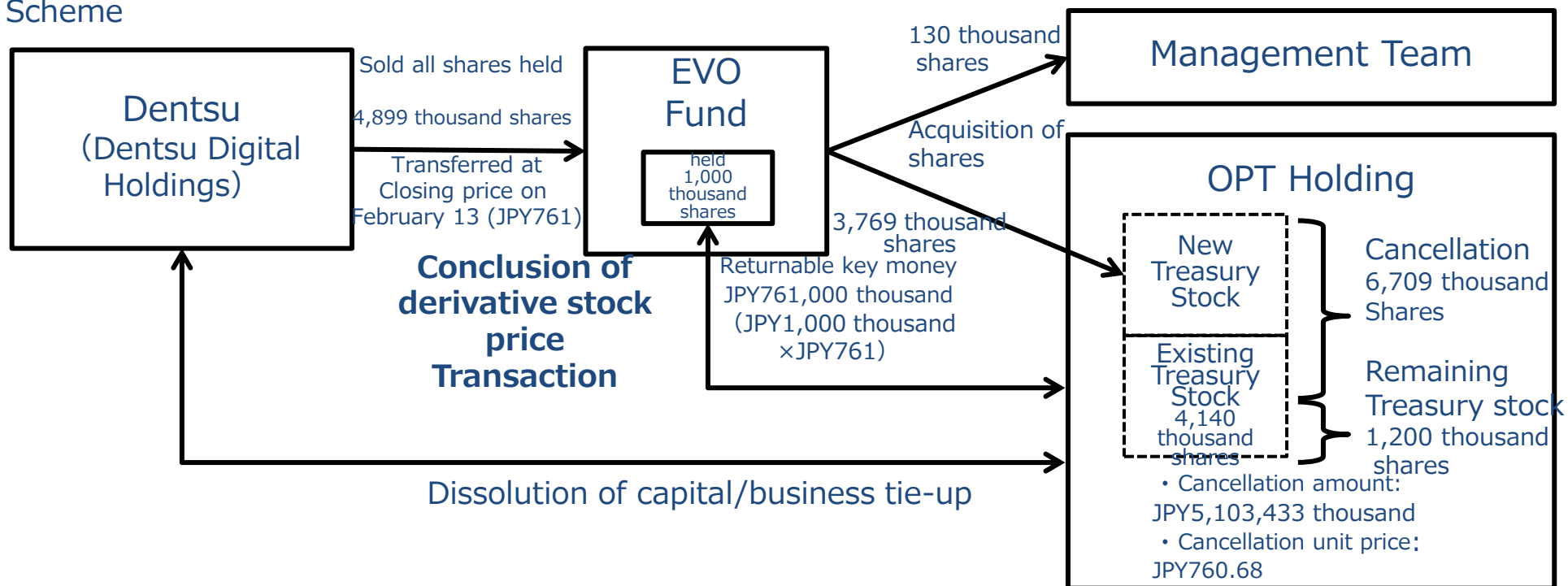
## ■ Background

1. Dissolution of capital/business tie-up with Dentsu on Feb 13, 2017.
2. Dentsu sold 4,899 thousand shares of our company to EVOFund.
3. Purchased back our own shares of 3,769 thousand shares from EVOFund and cancelled 6,709 thousand stocks.
4. Entered into the derivative stock transaction with EVOFund based on 1 million shares owned by EVOFund.
5. The derivative stock transaction contract terminated on Feb 13, 2018.

## ■ Derivative contract with EVOFund

Signed on February 13, 2017 (Starting date of settlement: December 12, 2017, Ending date: February 12, 2018)

## ■ Scheme





# ***THE LEADER in DIGITAL SHIFT***

**~Support, Innovate, and Create Digital Revolution~**