

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

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- | **1. 2019 Q2 Results**
- | **2. 2019 Full-year Earning Forecasts**
- | **3. 4 Turning Points**
- | **4. References**



# | 1. 2019 Q2 Results

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 taxes + 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)**

= Investment return computed assuming the securities (including securities of subsidiaries) held in our portfolio have been 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.



## 【Adjustments for past financial results】

- Consolidated results for 2018 include earnings from the video streaming business of relaido, Inc. (former Skill-Up Video Technologies, Inc.), belongs to Large Corporations Segment of Marketing Business, and also includes costs and gains incurred by its company-split and business transfer.
- In this material, consolidated results and Marketing Business segment results are compared to the adjusted previous year's results in which the earnings and other related costs and gains related to the transferred business of the former Skill-Up Video Technologies, Inc. were excluded.
- Results for 2019 Q2 are not adjusted, as the business was already transferred in 2018.

Unit: JPY million	2019 Q2			2018 Q2		a-b Adjusted amount
	Actual	Adjusted YoY (%)	YoY (%)	a Adjusted	b Actual	
Revenue	20,141	(1.4)%	(4.0)%	20,421	20,982	(561)
Gross profit	3,484	(13.8)%	(16.3)%	4,040	4,160	(120)
Operating income	(528)	-	-	134	81	53
EBIT	(724)	-	-	1,181	1,127	54
EBITDA	(247)	-	-	1,355	1,395	(40)
Quarterly net income attributable to owners of the parent	(596)	-	-	724	663	61

<b>Marketing Business</b>	<b>Large Corporations</b>	<ul style="list-style-type: none"> <li>✓ New business wins from national clients and brand advertisers is increasing; keeping the profit margin and quality of services is critical</li> <li>✓ Investment into human resources is critical as we anticipate increased business wins from national clients and brand advertisers in 2019 Q3/Q4</li> </ul>
	<b>Local SMEs</b>	<ul style="list-style-type: none"> <li>✓ The growth rate of sales revenue is recovering to 20% plus, and keep the overwhelming No.1 position in local SMEs business</li> </ul>
<b>Synergy Investment Business</b>	<b>Financial Investment</b>	<ul style="list-style-type: none"> <li>✓ Created OPT Ventures #2 Fund, and started investments</li> </ul>
	<b>Overseas Marketing</b>	<ul style="list-style-type: none"> <li>✓ Restructuring/liquidation of non-profitable subsidiaries has mostly completed, and resources are being concentrated into the domestic business.</li> </ul>
	<b>China Business</b>	<ul style="list-style-type: none"> <li>✓ General trading model will start from Q3, slightly behind the initial schedule</li> <li>✓ Recognized impairment loss for some of past investments, thereby promoted the restructuring of the investment portfolio and the cleaning of the B/S</li> </ul>
	<b>Digital Shift</b>	<p>Creating a new business model mixing digital advertising with digital shift :</p> <ul style="list-style-type: none"> <li>✓ Digital Sift Academy and Digital Shift Times started well</li> <li>✓ Investment into digital shift support/innovation/creation being prepared</li> <li>✓ Closely monitoring Chinese tech business model</li> </ul>

## Marketing Business (Adj)

- Large Corporations: Some existing clients continued to reduce ad budgets, gross profit margin lowered and personnel costs increased as new hires increased.
- Local SMEs: New business wins and increase in ad budgets of existing clients offset by increase of personnel costs due to new hires.

**Revenue JPY 19,269 million YoY 0.2% down**  
**EBITDA JPY 396 million YoY 53.9% down**

## Synergy Investment Business

- AUM: Decreased from the previous quarter mostly due to the decline in market value of Raksul Inc.
- IRR: Decreased from the previous quarter mostly due to the decline in market value of SoldOut Inc.

**AUM JPY 27,004 million JPY 3,031 million decrease from 2019 Q1**  
**IRR 13.0 % 2.7 pt down from 2019 Q1**

## Consolidated Results (Adj)

Revenue and EBITDA decreased due to decreased revenue/margin in the Marketing Business and deconsolidation of Writeup Inc.

**Revenue JPY 20,141 million YoY 1.4 % down**  
**EBITDA JPY (247) million YoY JPY 1,602 million down**

EBITDA Year-on-Year excluding extraordinary gains (approximately JPY 1.2 billion) from the IPO and sale of Writeup shares: JPY (314) million yen



(Unit: JPY million)	2019 Q2	2018 Q2 Adjusted	Change		2018 Q2 w/o adj	Change	
			Amount	YoY (%)		Amount	YoY (%)
Revenue	20,141	20,421	(280)	(1.4)%	20,982	(841)	(4.0)%
Gross profit	3,484	4,040	(555)	(13.8)%	4,160	(676)	(16.3)%
Operating income	(528)	134	(663)	-	81	(609)	-
EBIT	(724)	1,181	(1,905)	-	1,127	(1,851)	-
EBITDA	(247)	1,355	(1,602)	-	1,395	(1,643)	-
Quarterly net income attributable to owners of parent	(596)	724	(1,321)	-	663	(1,260)	-
ROE(LTM) <sup>※1※2</sup>	1.5%				7.3%	(5.8)pts	-
Free cash flow	(472)				715	(1,187)	-
Earnings per share EPS (in yen)	(26.06)				29.35	(55.41)	-
Diluted earnings per share (in yen)	(26.07)				29.07	(55.14)	-

※1 ROE=Net income attributable to owners of parent (LTM) ÷ (Average equity amount as of June 30, 2018 and 2019)

2 LTM=Last Twelve Months

# 2019 Q2 Breakdown by Segments (Adjusted)

	Reporting segment			Others		Consolidated
	Marketing Business	Synergy Investment Business	Total	Corporate Function Cost	Others	
(Unit: JPY million)						
Revenue	19,269	877	20,147	-	(5)	20,141
Gross profit	3,141	368	3,510	-	(26)	3,484
SG&A	(2,837)	(645)	(3,483)	(538)	9	(4,012)
Operating income	303	(276)	27	(538)	(16)	(528)
EBIT	238	(382)	(144)	(572)	(7)	(724)
EBITDA	396	(140)	255	(483)	(20)	(247)

Note: Operating income/EBIT/EBITDA : Before Corporate Function cost allocation

[Free cash flow]

(Unit: JPY million)

	2019 Q2	2018 Q2	Amount	YoY (%)
Operating cash flow	(405)	854	(1,259)	-
Investing cash flow	(67)	(139)	71	-
Free cash flow	(472)	715	(1,187)	-
Adjustments*	-	-	-	-
Adjusted Free cash flow	(472)	715	(1,187)	-

None: Adjustments: One off cash flow item

[EBITDA]

(Unit: JPY million)

	2019 Q2	2018 Q2	Amount	YoY (%)
Income before Taxes	(728)	1,120	(1,849)	-
Interest paid (+)	5	8	(2)	(29.0)%
Interest received (-)	(1)	(1)	-	16.8%
EBIT	(724)	1,127	(1,851)	-
Depreciation (+)	25	44	(18)	(41.8)%
Amortization of intangible assets(+)	111	242	(131)	(54.1)%
Depreciation of long-term pre-paid expense (+)	-	1	-	(35.7)%
Non-cash profit/loss (+)	338	(19)	358	-
EBITDA	(247)	1,395	(1,642)	-

# 2019 Q2 Results of Marketing Business (Adj)

## Large Corporations

- Some existing clients continued to reduce ad budgets, gross profit margin lowered and personnel costs increased as new hires increased.
- Reduction of overall SG&A somewhat offset by investment into human resources (hiring, training, pay increase)

## Local SMEs

- Sales revenue recovered due to increase in ad budget of existing clients and new business wins in spite of decrease in transaction with some large-size clients.
- Gross profit pressured by decrease in incentives from some media
- As same with Large Corporations Segment, SG&A increased due to continued investment into human resources (hiring, training, pay increase), EBIT/EBITDA reduced.

	Large Corporations				Local SMEs				Segment Total ※			
	2019 Q2	2018 Q2	Amount of change	% of change	2019 Q2	2018 Q2	Amount of change	% of change	2019 Q2	2018 Q2	Amount of change	% of change
Revenue	14,573	15,473	(899)	(5.8)%	4,836	4,021	814	20.3%	19,269	19,301	(32)	(0.2)%
Gross profit	2,261	2,557	(296)	(11.6)%	888	821	66	8.2%	3,141	3,353	(211)	(6.3)%
SG&A	(2,080)	(1,989)	(90)	(4.6)%	(764)	(679)	(85)	(12.5)%	(2,837)	(2,644)	(193)	(7.3)%
Operating income	180	567	(386)	(68.2)%	123	141	(18)	(12.9)%	303	708	(405)	(57.1)%
EBIT	119	568	(448)	(79.0)%	126	145	(19)	(13.4)%	238	714	(476)	(66.6)%
EBITDA	250	688	(438)	(63.6)%	145	170	(24)	(14.5)%	396	859	(463)	(53.9)%

Note: 1. Operating income/EBIT/EBITDA : Before Corporate Function cost allocation  
 2. Segment total: figures include inter-segment reconciliation between Large Corporations and Local SMEs sub-segment

## Revenue

Revenue decreased due to the deconsolidation of Writeup Inc., (a subsidiary until 2018 2Q), and the restructuring of overseas subsidiaries.

## EBIT/EBITDA

Although EBITDA improves by JPY 242M vs EBIT through reversing impairment loss, on YoY basis, decrease as previous year recorded gain from selling Writeup in the amount of JPY 1,173M.

(Unit: JPY million)	2019 Q2	2018 Q2	Amount of change	% of change
Revenue	877	1,152	(274)	(23.8)%
Gross profit	368	699	(330)	(47.2)%
SG&A	(645)	(817)	171	21.0%
Operating income	(276)	(118)	(158)	-
EBIT	(382)	941	(1,324)	-
EBITDA	(140)	944	(1,085)	-

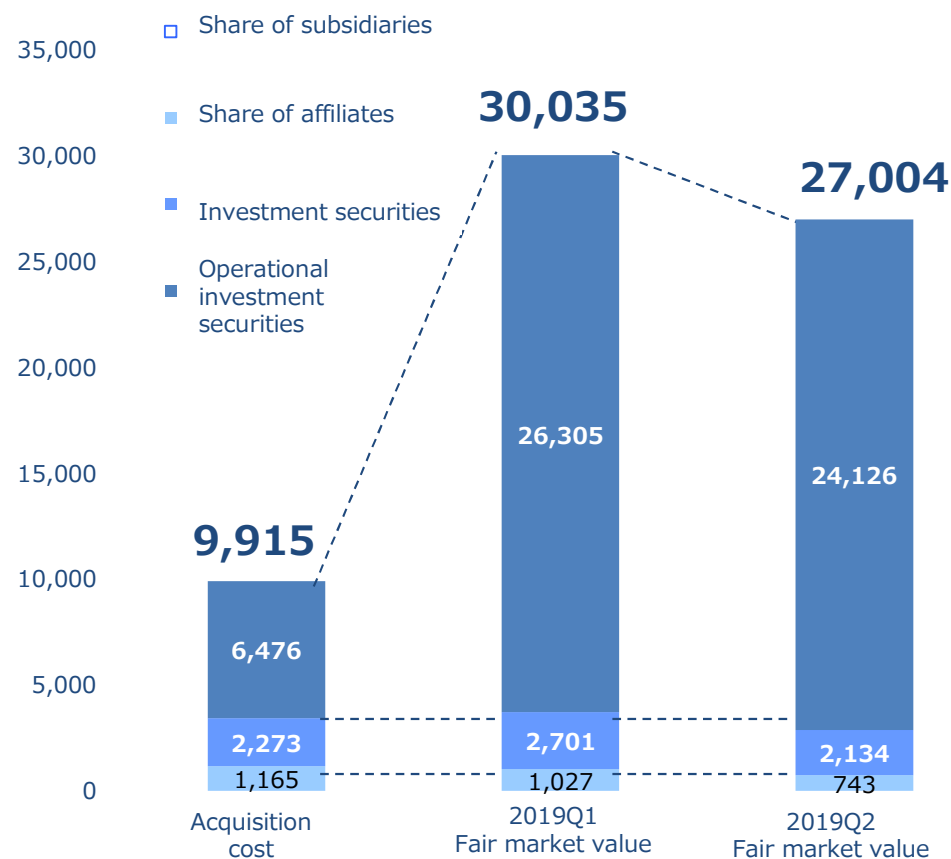
## **[AUM\*1 (FMV\*2)]**

**AUM at the end of 2019 Q2 : JPY 27,004 million**

(JPY 17,088 million increase from acquisition cost; up 172.3%)

• Decrease of JPY 3,031M from 2019 Q1 mainly due to change in market value of Raksul Inc. and impairment losses of overseas investments.

(Unit: JPY million)



## **[IRR (Internal Rate of Return)]**

Decreased from 2019 Q1 mainly due to the decline in the market value of SoldOut Inc.

2019 Q2	(Reference) 2019 Q1
13.0%	15.7%

From 2<sup>nd</sup> quarter of 2018, IRR of invested assets is disclosed for improving transparency of return on investments

SG&A costs increased due to investments for mid-to-long term growth on human resources (hiring and training), group-wide management systems, and granting of restricted stocks to selected employees.

(Unit: JPY million)		2019 Q2	2018 Q2	Change amount
	SG&A	(538)	(460)	(77)
	Operating income	(538)	(460)	(78)
	EBIT	(572)	(480)	(92)
	EBITDA	(483)	(450)	(32)

## Definition of Corporate Function cost

The definition of this Corporate Function cost has changed since 2018 as follows.

- ✓ Personnel cost at administrative division at OPT Holding
- ✓ Overhead cost to manage OPT Holding's administrative division except personnel cost.
- ✓ Expense for several services provided to Group companies by OPT Holding is included.

\* Reasons for the discrepancy between SG&A costs and EBIT include non-Operating income and losses.

\* Reasons for the discrepancy between EBIT and EBITDA include costs of stock compensation plan (since 2018 Q3).



## | 2. Updated 2019 Earnings Guidance



# Updated 2019 Earning Guidance for Marketing Segment **opt** Holding

(Unit: JPY million)

	Updated Guidance	Original Guidance	Variance vs original guidance	Variance vs original guidance (%)	Updated YoY Growth	Original YOY Growth
Revenue	86,500	93,500	(7,000)	(7.5)%	7.3%	16.0%
EBIT	2,900	5,000	(2,100)	(42.0)%	(24.0)%	31.1%
EBITDA	3,450	5,550	(2,100)	(37.8)%	(27.8)%	16.1%

**Synergy Investment Segment and Corporate Function Cost: no changes from the previous guidance as of today**

## [Updated Guidance]

Although revenue growth is recovering in 2H, EBIT/EBITDA are decreased by approx.. JPY 2B from original forecast  
 Reduction of Gross Margin (JPY 2.95B) from reduced revenue (JPY 1.35B) and margin ratio (JPY 1.6B)  
 Improvement of SG&A (JPY 0.9B)

(Unit: JPY million)

	2019 1H		2019 2H		2019 Full Year		
	Actual	YoY	Forecasts	YoY	Forecasts	YoY	Vs the original guidance
Revenue	39,567	(1.1)%	46,933	15.7%	86,500	7.4%	(7,000)
EBIT	1,097	(48.4)%	1,853	11.3%	2,950	(22.7)%	(2,050)
EBITDA	1,366	(44.6)%	2,084	(9.8)%	3,450	(27.8)%	(2,100)

2018 Figures are in adjusted basis; Excluding earnings from video streaming business operated by our consolidated subsidiary relaido, Inc (previously SkillUp Video Technologies Corporation) and gain from sales the business. The video streaming business was sold at the end of September 2018.

### The reasons for the difference of original guidance

### Vs the original guidance

Large Corporation: Decrease in gross profit is expected due to decrease in revenue	approx. JPY (850) million
Local SMEs: Decrease in gross profit is expected due to decrease in revenue	approx. JPY (500) million
Large Corporation: Decrease in gross profit margin on new business wins from national clients and brand advertisers and decrease in incentives	approx. JPY (1,600) million
Containment of SG&A given the current weak business, offset by continued investment into human resources (hiring, training, and pay raise)	approx. JPY 900 million
Total	approx. JPY (2,050) million

## Challenges

## Planned Actions

### Market environment

- Competitive environment for digital agencies due to accelerated digitalization of sales promotion (mass ad to internet ad)

- Focus on strategic client targets in our strong business segments and implementation of integrated marketing

### Improvement of organizational capability

- Training of junior staff into digitalization specialists
- Productivity per person

- Staff development leveraging HR Development Center\*
- Reorganization and business process improvement
- Aggressive utilization of AI (creative)

### New business development

- Access to national clients and brand sponsors and time/cost for new business wins
- Costs to service new clients and development of solutions

- Pooling and sharing of knowledge and knowhow for digitalization support obtained through new business development
- Group reorganization/optimization to strengthen client relationship and proposal quality



## | 3. Turning Points

1 . Management

**Transformation to “Digital Shift Company”**

2 . Marketing business for large corporations

**Profitability improvement and supporting the transformation of client business model**

3 . Marketing business for local/SME clients

**Positioned at dominating No.1 market share**

4 . Synergy investment business

**Growth investments for future**



## | 3. Turning Points

- (1) Management
- (2) Marketing business for large corporations
- (3) Marketing business for local/SME clients
- (4) Growth Investments for future

## **Ad Agency plus Digital Shift Company expanding our business domain**

Digital Shift is essential for survival for any companies

Inquiries/support requests pouring in from clients for the most updated digital technology information, new business models, connect with startup companies, talent development/assignment of staff and AI system developments in addition to Internet ad.

## **OPT group's capabilities**

- ✓ Extensive DS experience through clients' DS supports
- ✓ Digital human resources of 1,600 employees (outstanding resources)
- ✓ Development programs of DS human resource
- ✓ No.1 AI human resource platform in Japan
- ✓ Our strong client base who are facing challenges for DS
- ✓ Leverage of the latest digital information
- ✓ Strong connections with and investment into venture companies, and trust from entrepreneurs
- ✓ Track record of business turnaround
- ✓ Network and knowledge with Chinese Internet companies and venture companies



**With all these advantages, transform into DS company**





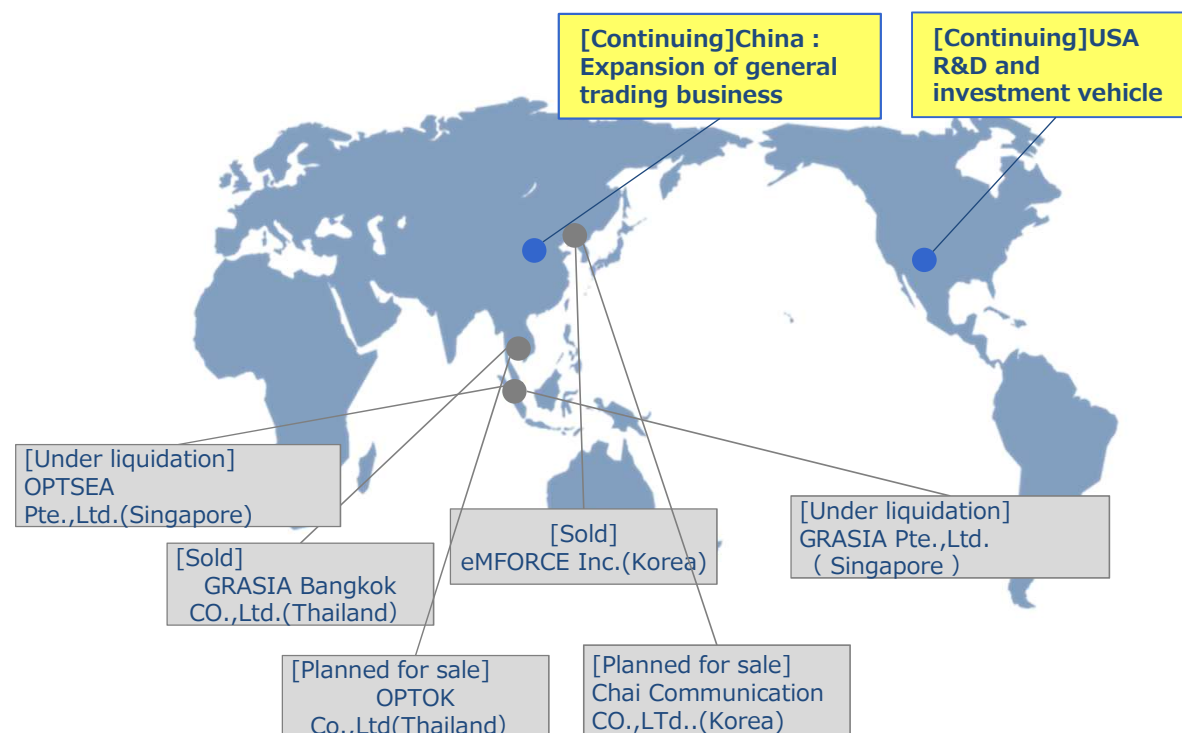
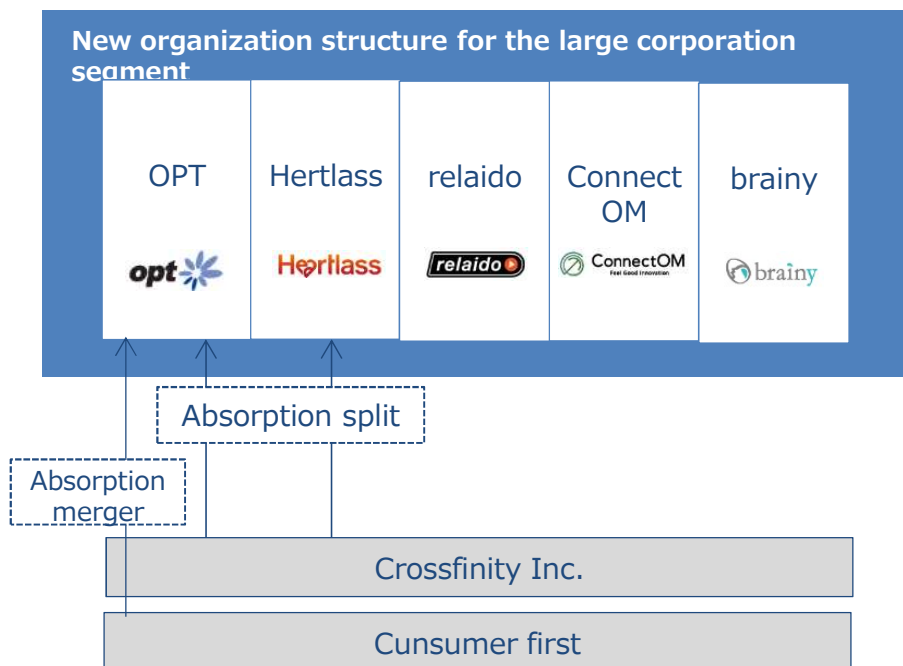
## Reviewed business portfolios and concentrating management resources on core businesses

Marketing business:  
Reorganization in the large corporations segment

- Group optimization from subsidiary optimization
- Optimization through integrating services, realizing synergies, and improving operational efficiency

Overseas marketing business:  
review and restructuring

Liquidation and restructuring of Overseas ad agency businesses on track



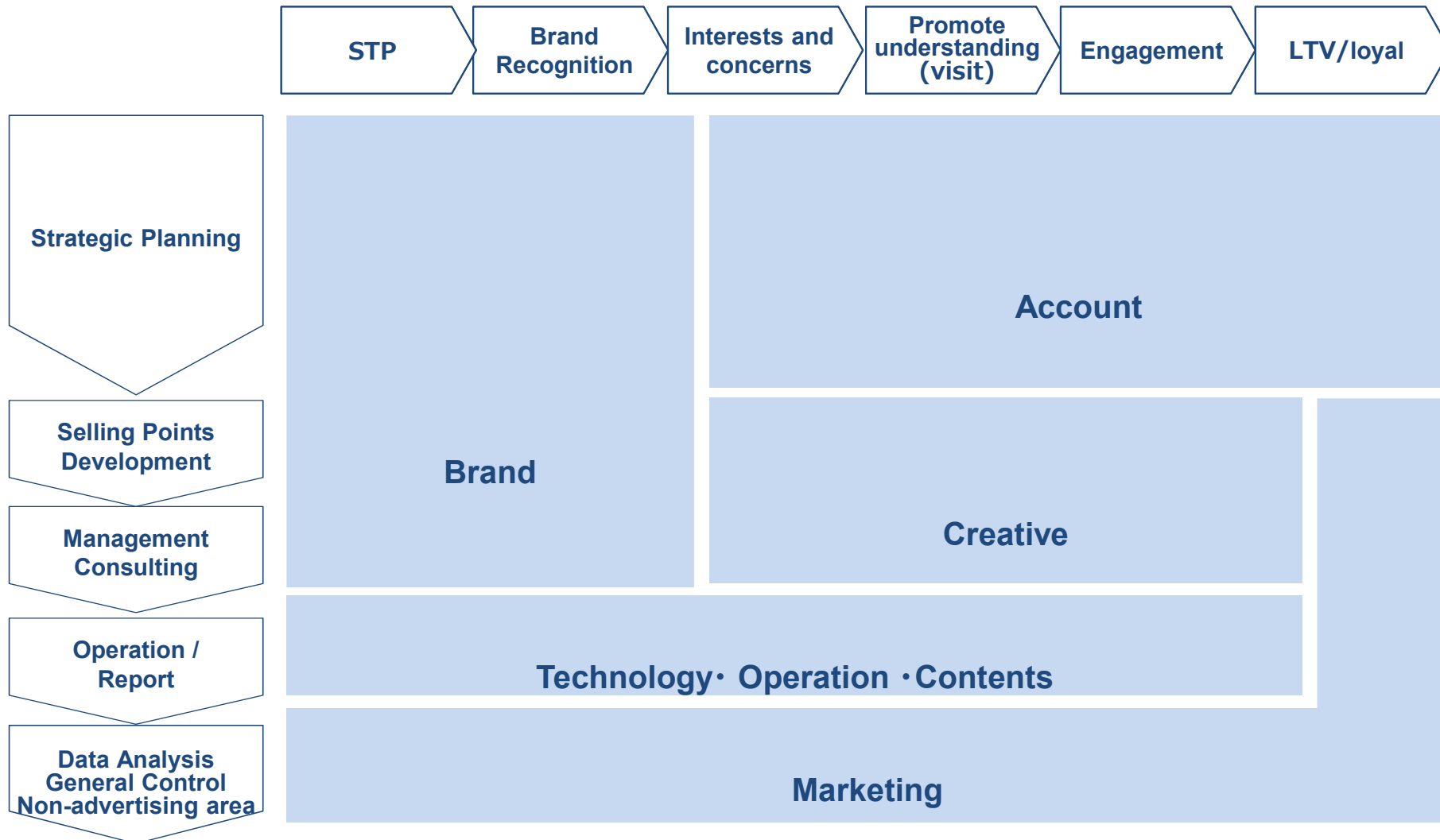


## | 3. Turning Points

- (1) Management
- (2) Marketing business for large corporations
- (3) Marketing business for local/SME clients
- (4) Growth Investments for future



### Business partner in digitalization covering advertising to business model transformations



## Steadily winning new businesses of new large clients thru competition

[Examples of wins by industry]



Leading auto  
manufacturer



Leading cosmetic  
manufacturer



Leading  
telecommunications  
manufacturer



Leading retail store



Leading pharmaceutical  
manufacturer



Leading consumer goods  
manufacturer



## | 3. Turning Points

- (1) Management
- (2) Marketing business for large corporations
- (3) Marketing business for local/SME clients
- (4) Growth Investments for future

## KPIs on track; aiming for continued higher growth

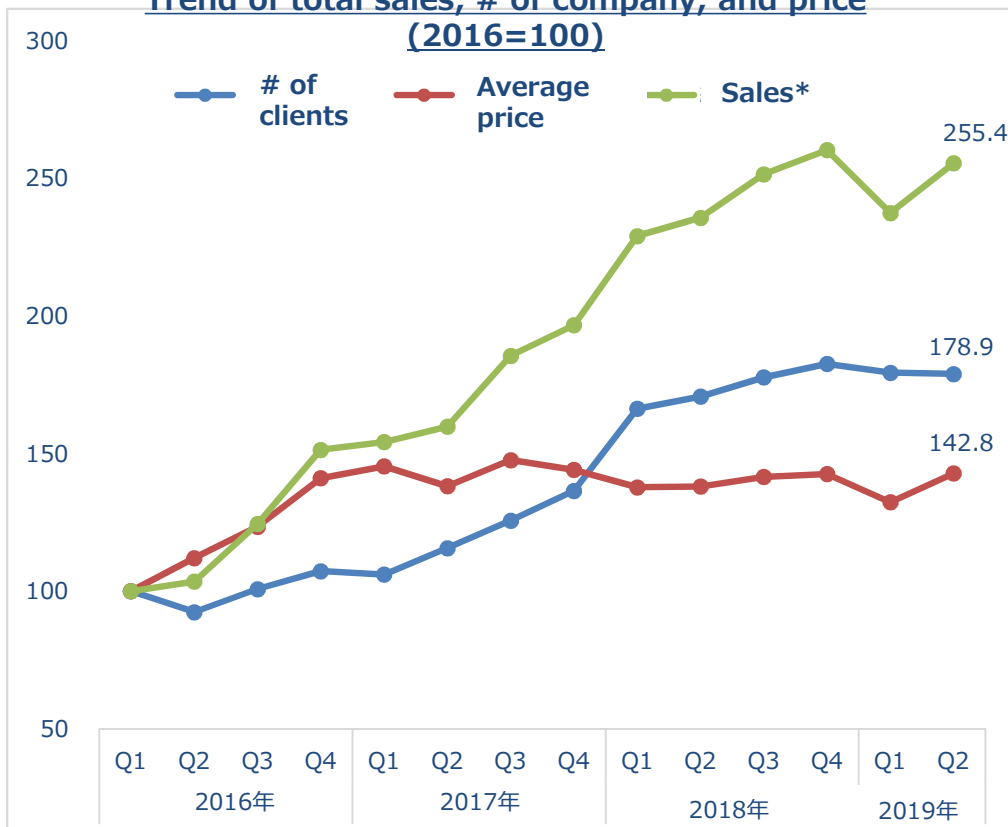
### [# of companies × Unit Price]

- The number of clients: steadily increasing (YoY **+4.8%** )
- Average price: increased in revenue from medium-sized clients. (YoY **+3.3%**)  
(The unit prices steadily increasing for medium-priced transactions.)

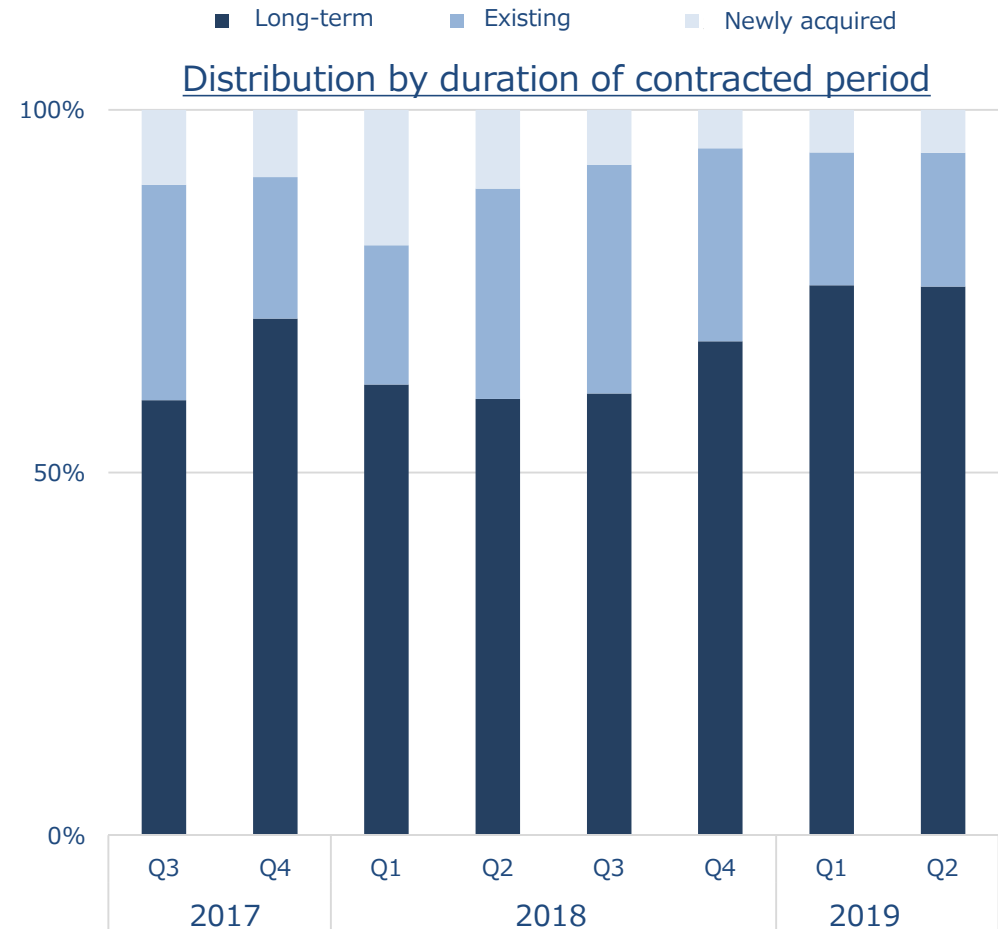
### [Duration of contracts (continuity)]

“Long-term duration” transactions are increasing.  
(YoY **+15.5pts**)

**Trend of total sales, # of company, and price  
(2016=100)**



**Distribution by duration of contracted period**





## Marketing and promotional support for SME retail clients by partnering with platformers



This is a service to help register, update, and improve the effects of Google My Business for individual store owners, providing a function to easily operate Google My Business on the LINE Talk screen.

In addition, provide a service for managers with multiple stores who can update information of multiple stores at one time on the management screen.

### Google My Business Case Study



Chawawa @Arashiyama

The viewing number of the store information compared with last same period of quarter

**6.8x**

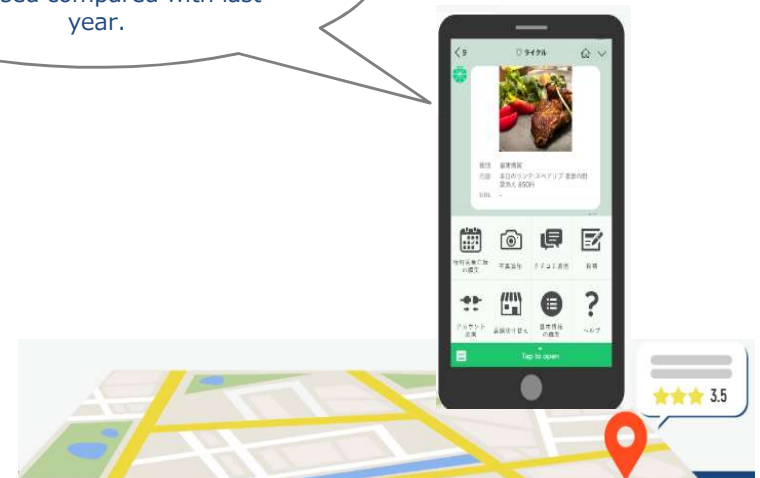


Kawabata taki saburō shōten

The searched times of the route information compared with last same period of quarter

**2.1x**

In adopted stores, the viewing number of the store information and the route information, etc. is increased compared with last year.





## | 3. Turning Points

- (1) Management
- (2) Marketing business for large corporations
- (3) Marketing business for local/SME clients
- (4) Growth Investments for future



Create new services and industries to realize future prosperity leveraging our expertise and networks obtained in the investment into startups since OPT was born.

## Portfolio of Group's own investments and investments thru own funds ※1

Portfolio include many startups with high growth potential

### Sharing Economy



### Direct Trading

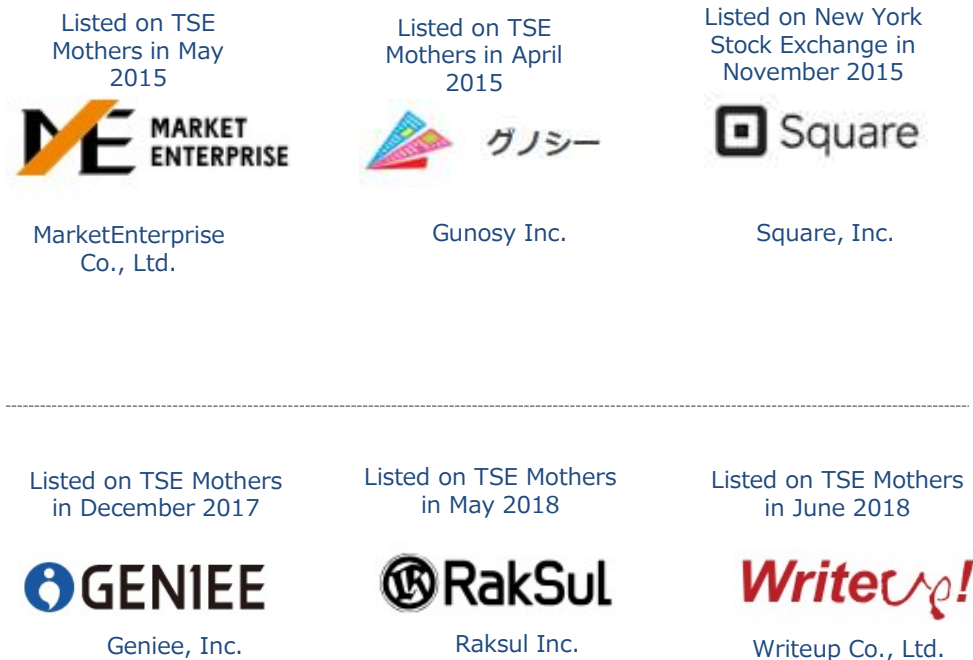


### DisruptiveTechnology



## Group's IPO track record in own investment and LP investment to funds

Actual Performance after 2013 Full-scale Launch

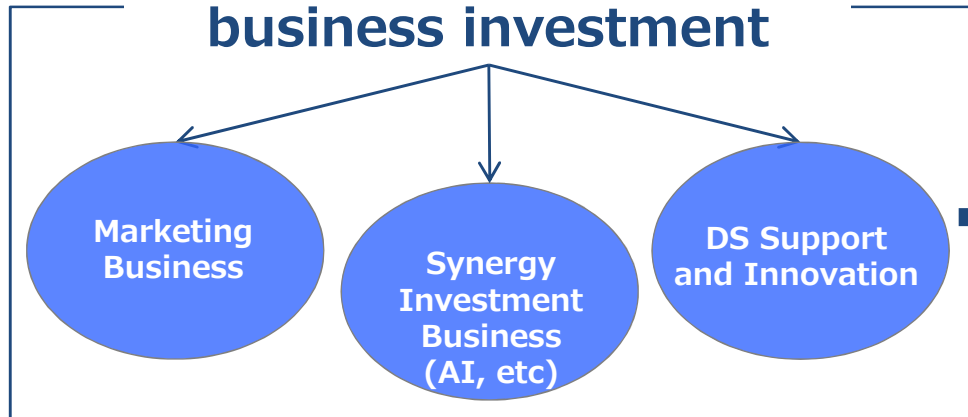


※ Listed after transfer of holdings



## Start growth investment aggressively in about three years

About JPY20 billion for  
business investment



Additional budget for  
M&A

**M&As related to  
Digital Shift creation**

### 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

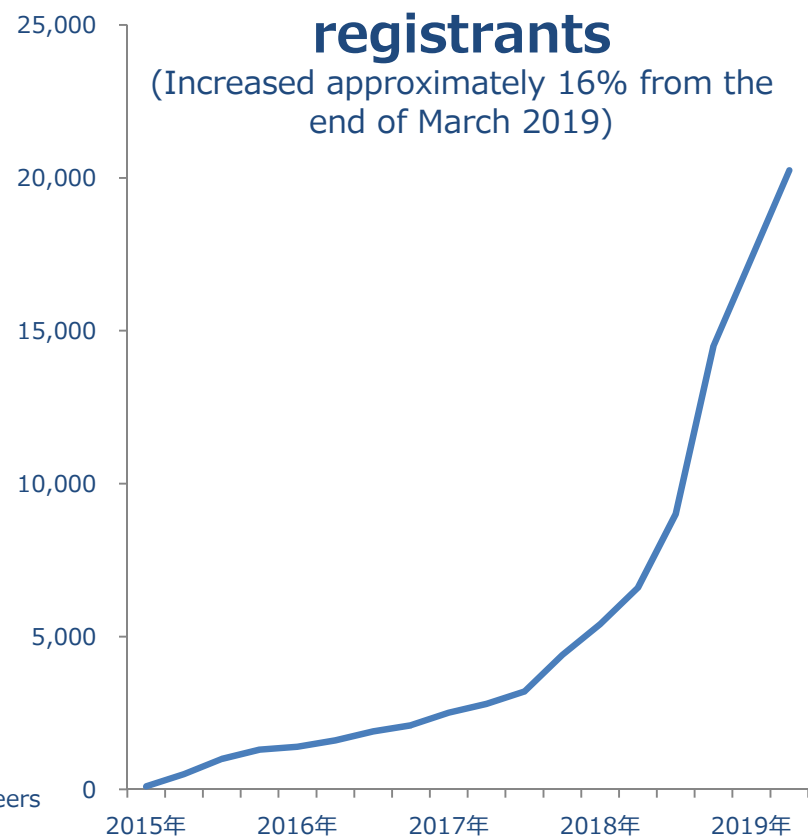
Expand return to shareholders by accelerating mid-to-long term growth of EPS through allocating retained earnings to investment on digital related business

## No.1 data scientist platform in Japan Number of registrants are drastically increasing

### Membership on our AI platform

**Over 20,000  
registrants**

(Increased approximately 16% from the  
end of March 2019)



### SIGNATE: Reasons to be chosen

① Want to know who is excellent AI  
service provider or competent engineer



**SIGNATE's AI platform provide  
transparency by its scoring system**

② AI talent shortage in Japan



**Support through SIGNATE AI platform  
which has the largest registration number  
of data scientists**

**Entered into AI business; the company established in April 2018**

**Worked on multiple projects**

Cases

Japan Tobacco Inc.



West Japan Railway Company



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

### ①Support “digital shift” For clients

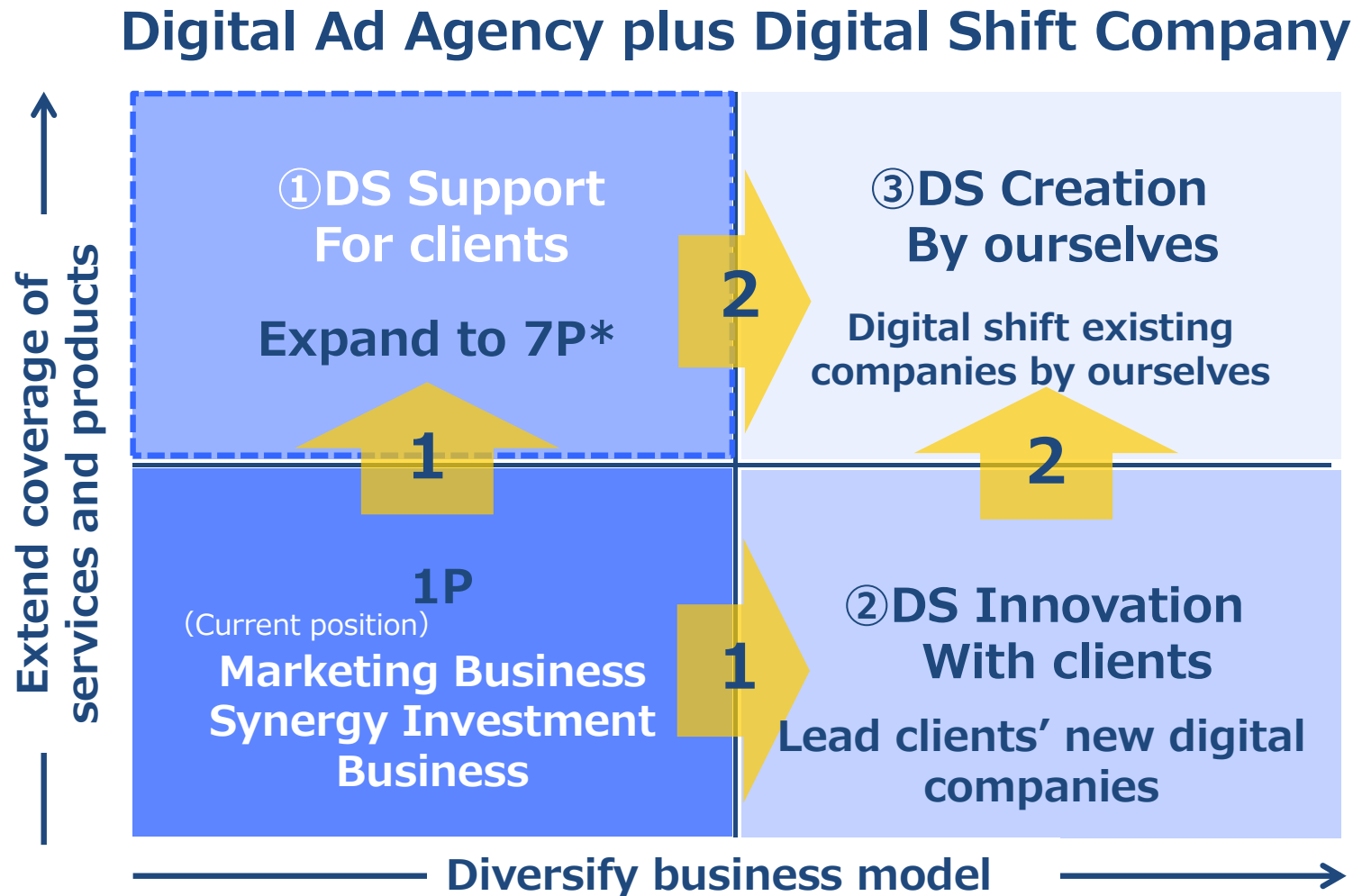
Provide DS support for overall corporate activities covering people, resources, financing, knowledge and information in addition to ad business

### ②Innovate “digital shift” With clients

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

### ③Create “digital shift” By ourselves

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



## **OPT Group's Core Asset**

- ✓ Strong client base/Approx. 1,600 digital talents
- ✓ Strong connection to China/Established network with startups/No.1 in AI talent pool in Japan and advanced technologies

OPT Group's new owned media

*Be a compass for DS transformation and create new values  
through "Digital Shift Times"*



"Contribute to successful digital shift and give courage and hope to the management of Japanese corporations"

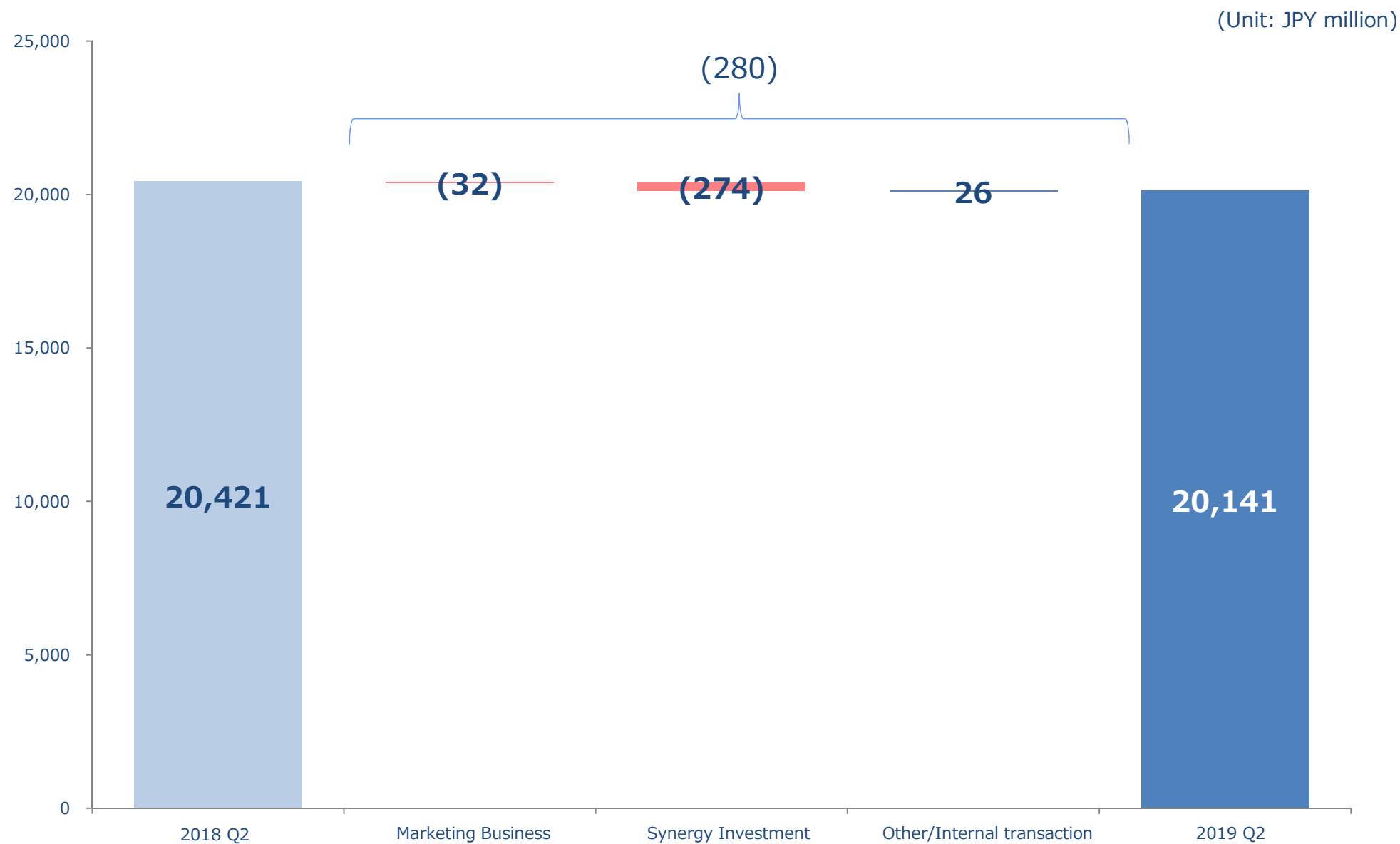
Media that guides users through "digital shift in the way it should be" by collecting by far the largest examples and knowledge of digital shift

URL : <https://digital-shift.jp/>



## | 4. References

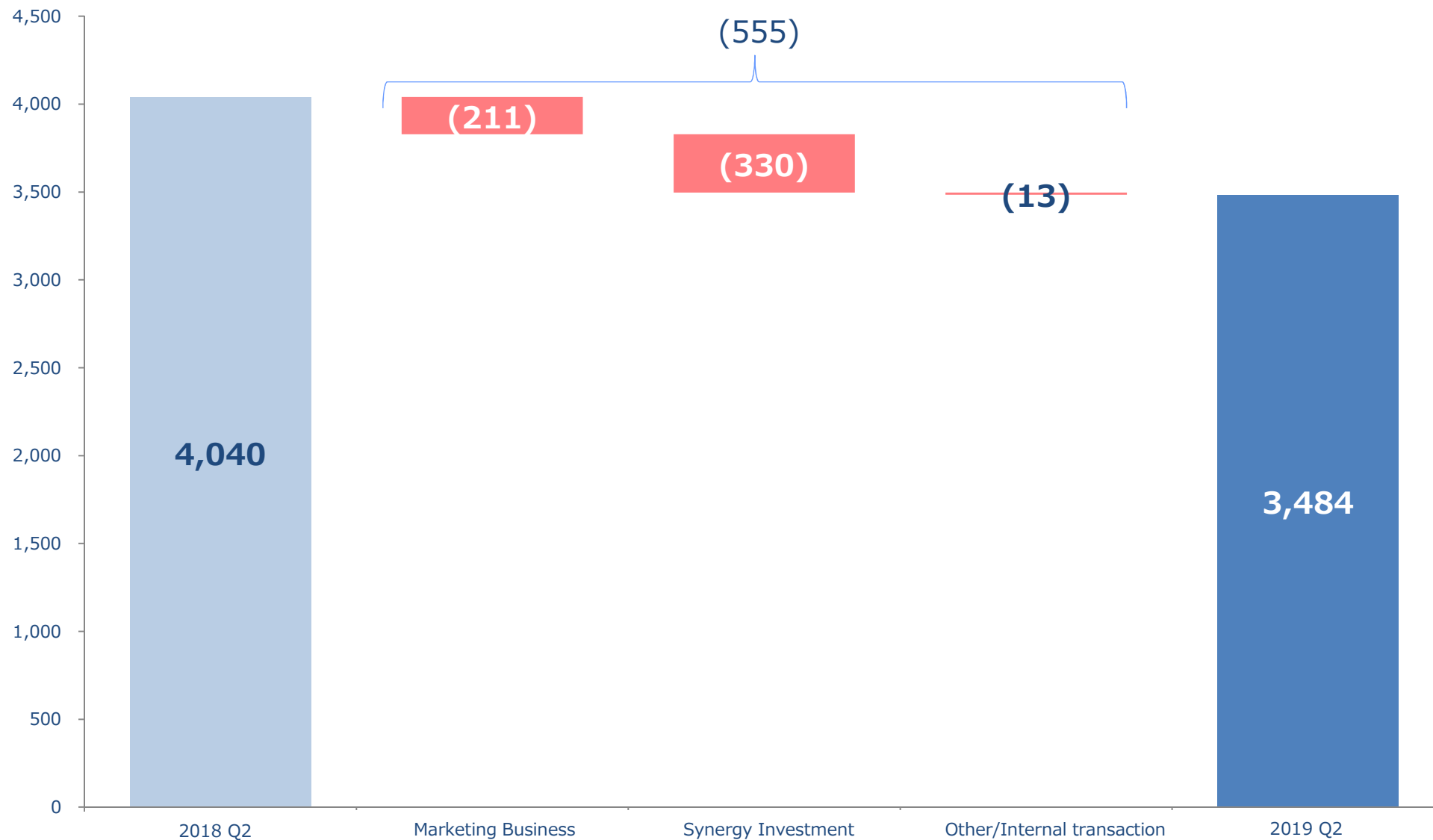






# 2019 Q2 Consolidated Gross profit Analysis (Adjusted)

(Unit: JPY million)



# 2019 Q2 Consolidated EBIT Analysis (Adjusted)

- Decrease in Synergy Investment.

Impairment on overseas investment and funds by JPY 400M

IPO gain from selling Writeup stocks in 2018 and deconsolidation of the company from group

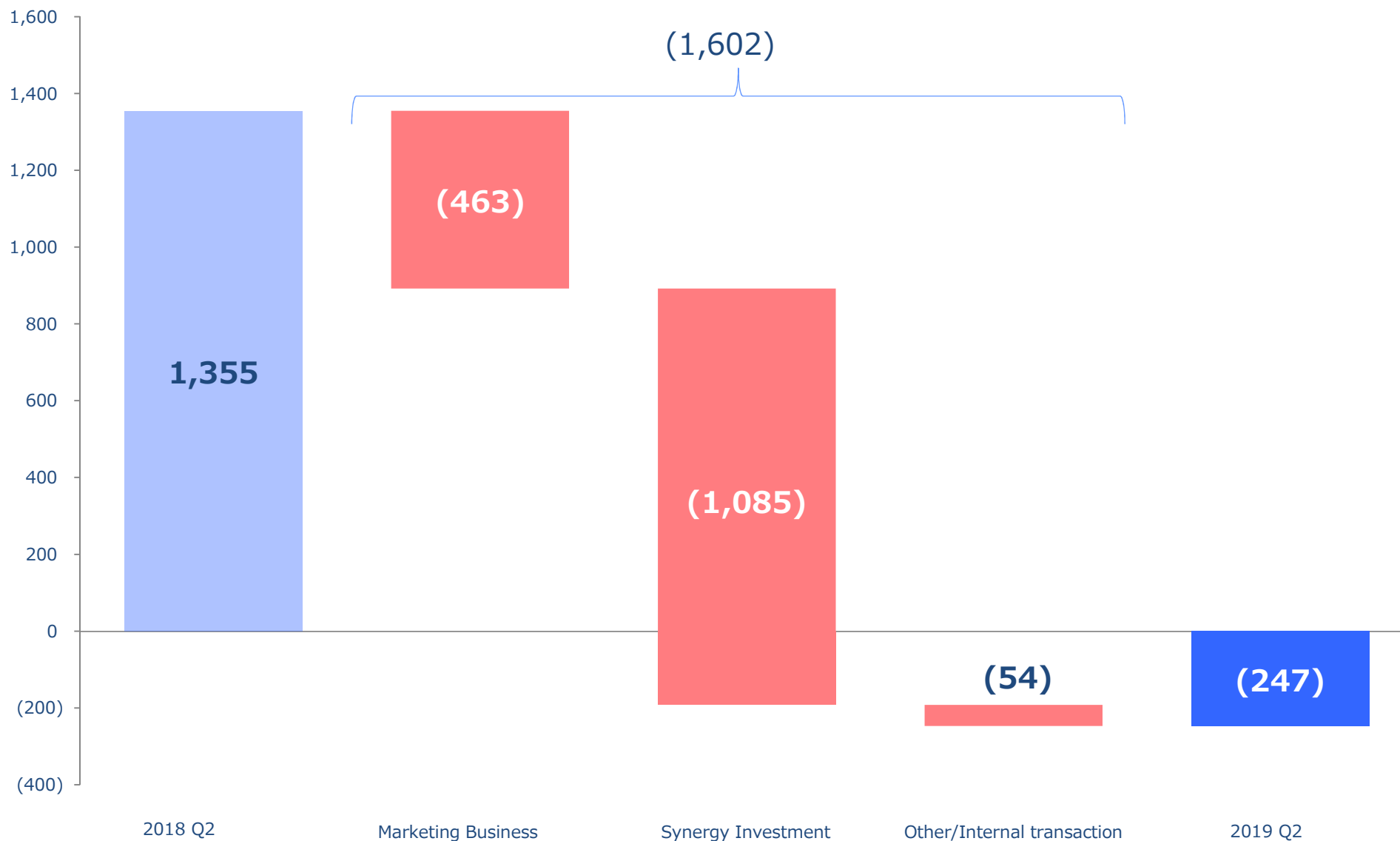
(Unit: JPY million)



# 2019 Q2 Consolidated EBITDA Analysis (Adjusted)

- Decrease in Synergy Investment.  
 Impairment on overseas investment and funds by JPY 400M  
 IPO gain from selling Writeup stocks in 2018 and deconsolidation of the company from group

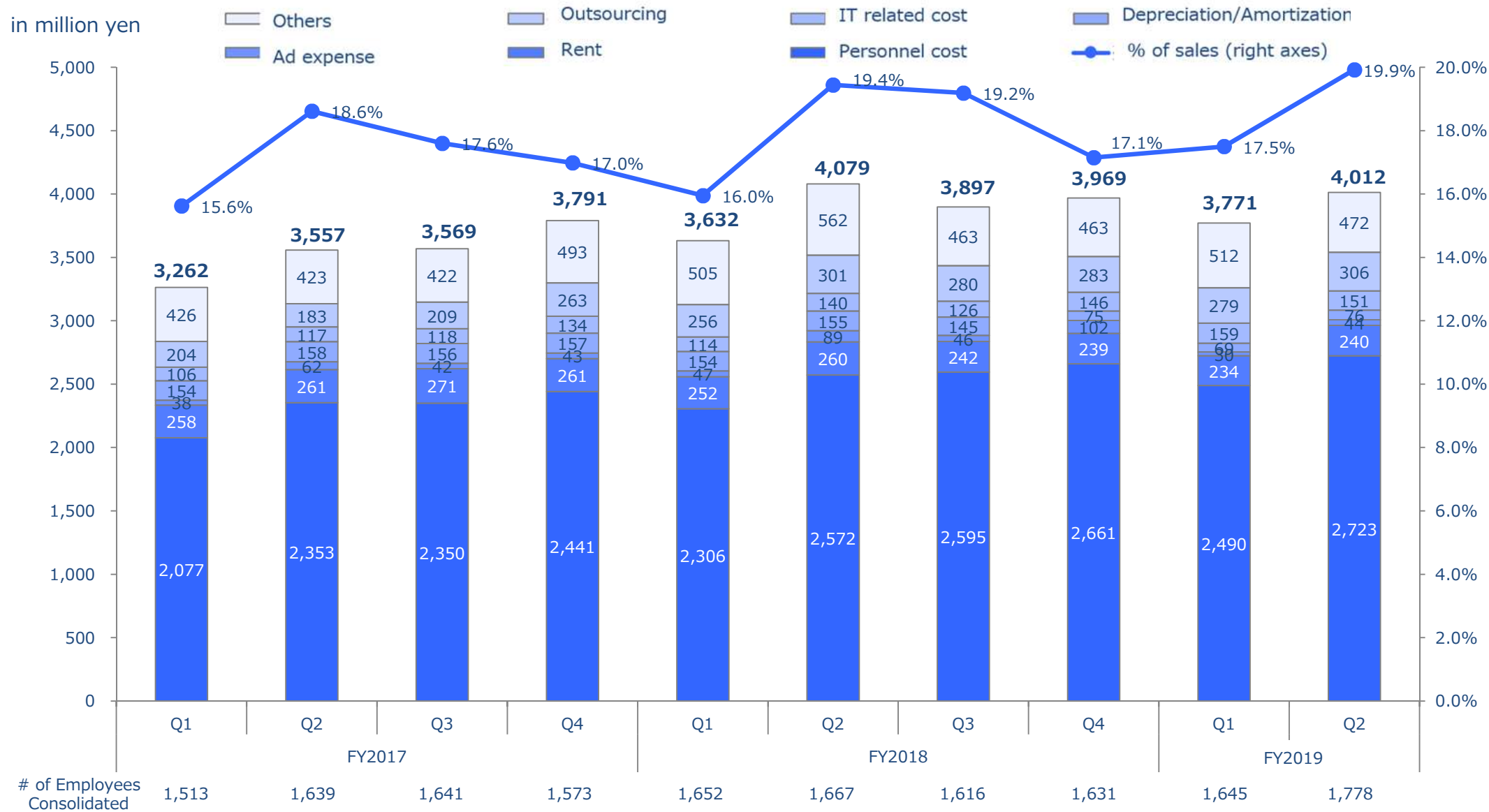
(Unit: JPY million)



# Quarterly Consolidated SG&A Movement

Continued investment on human resources (hiring/training) for mid-to-long term growth and enhancing group-wide management system increasing SG&A.

(Unit: JPY million)

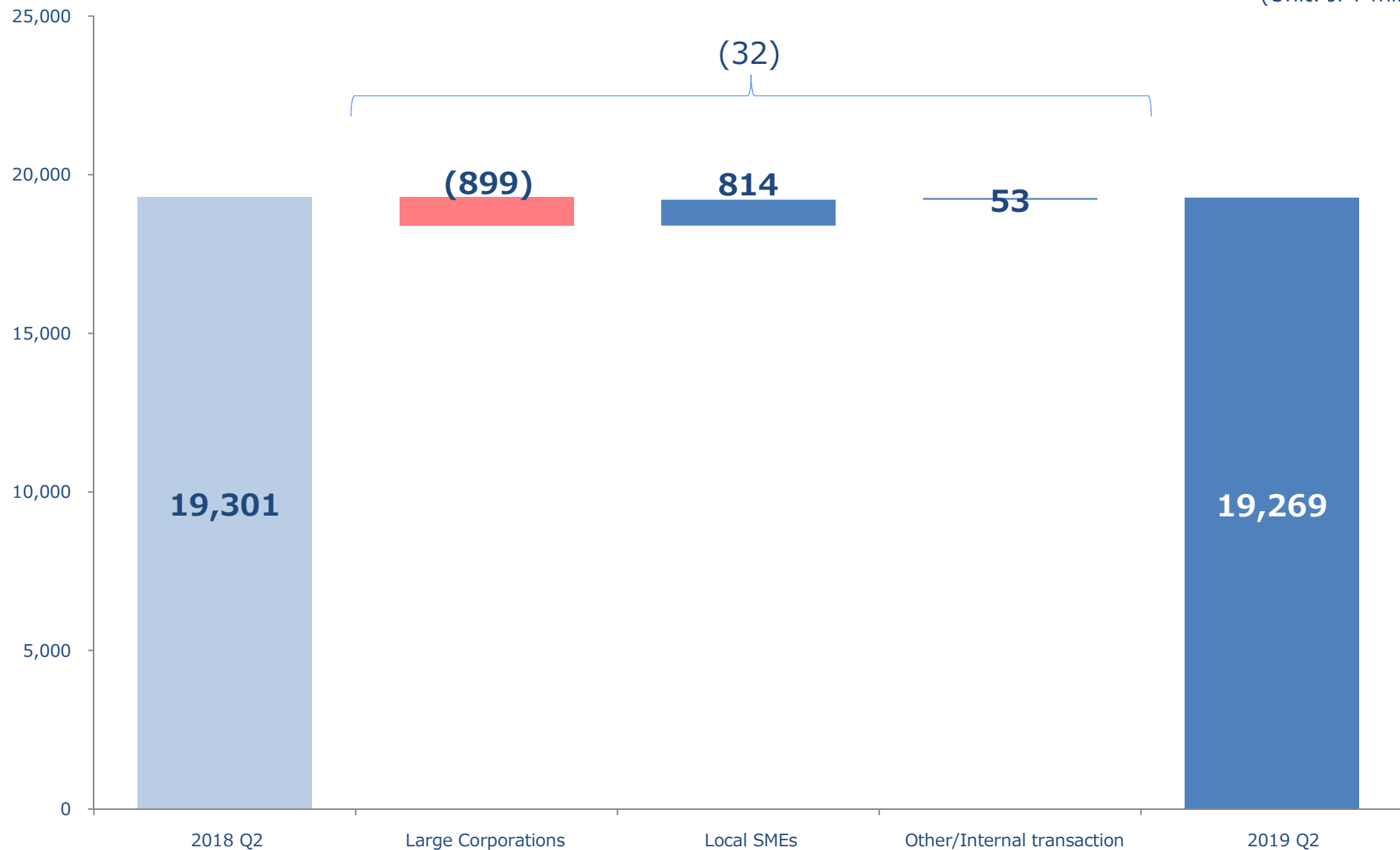


Note; Employee include regular employees and contractors.

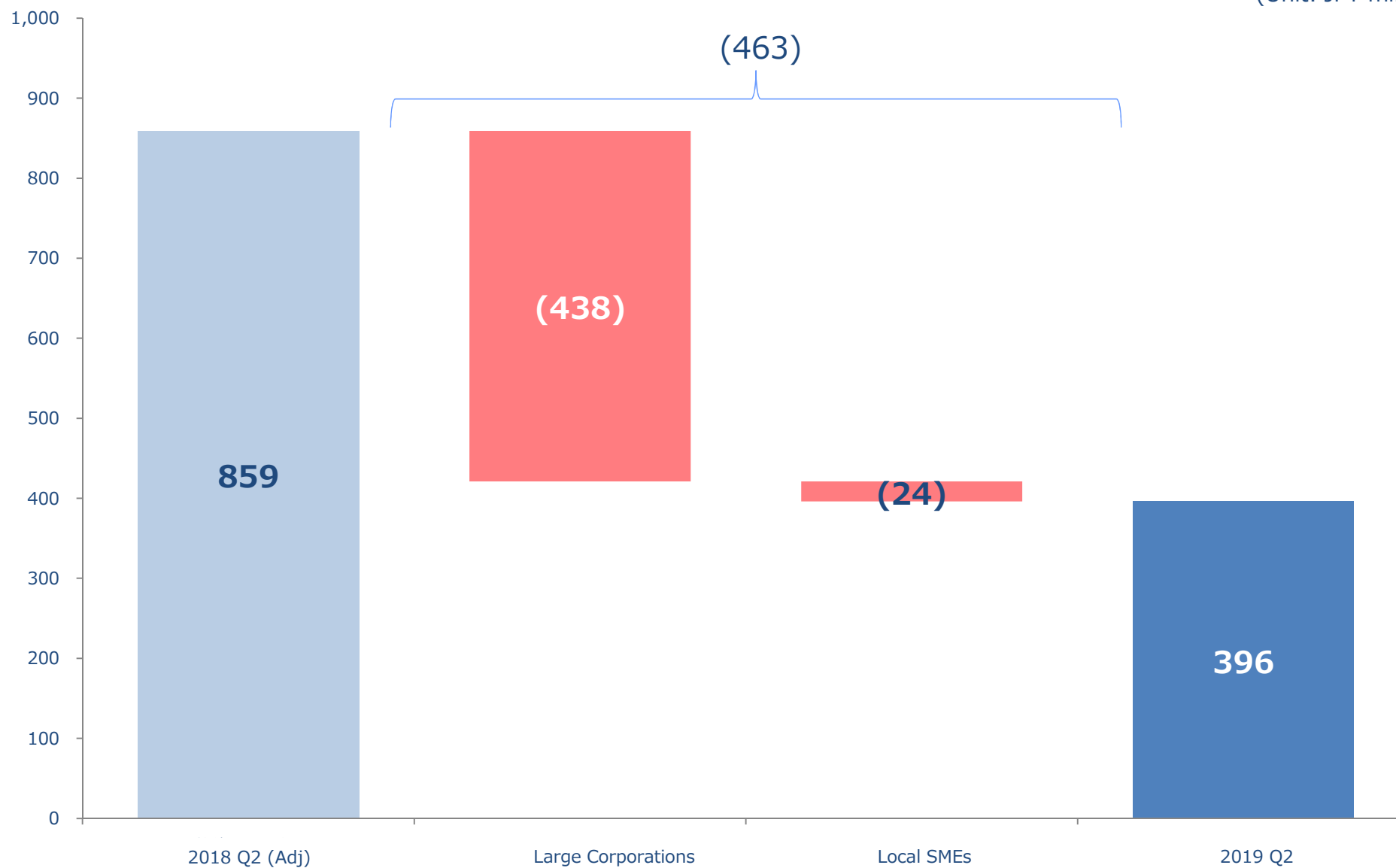


# 2019 Q2 Breakdown of Marketing Business Breakdown of Revenue (Adjusted)

(Unit: JPY million)



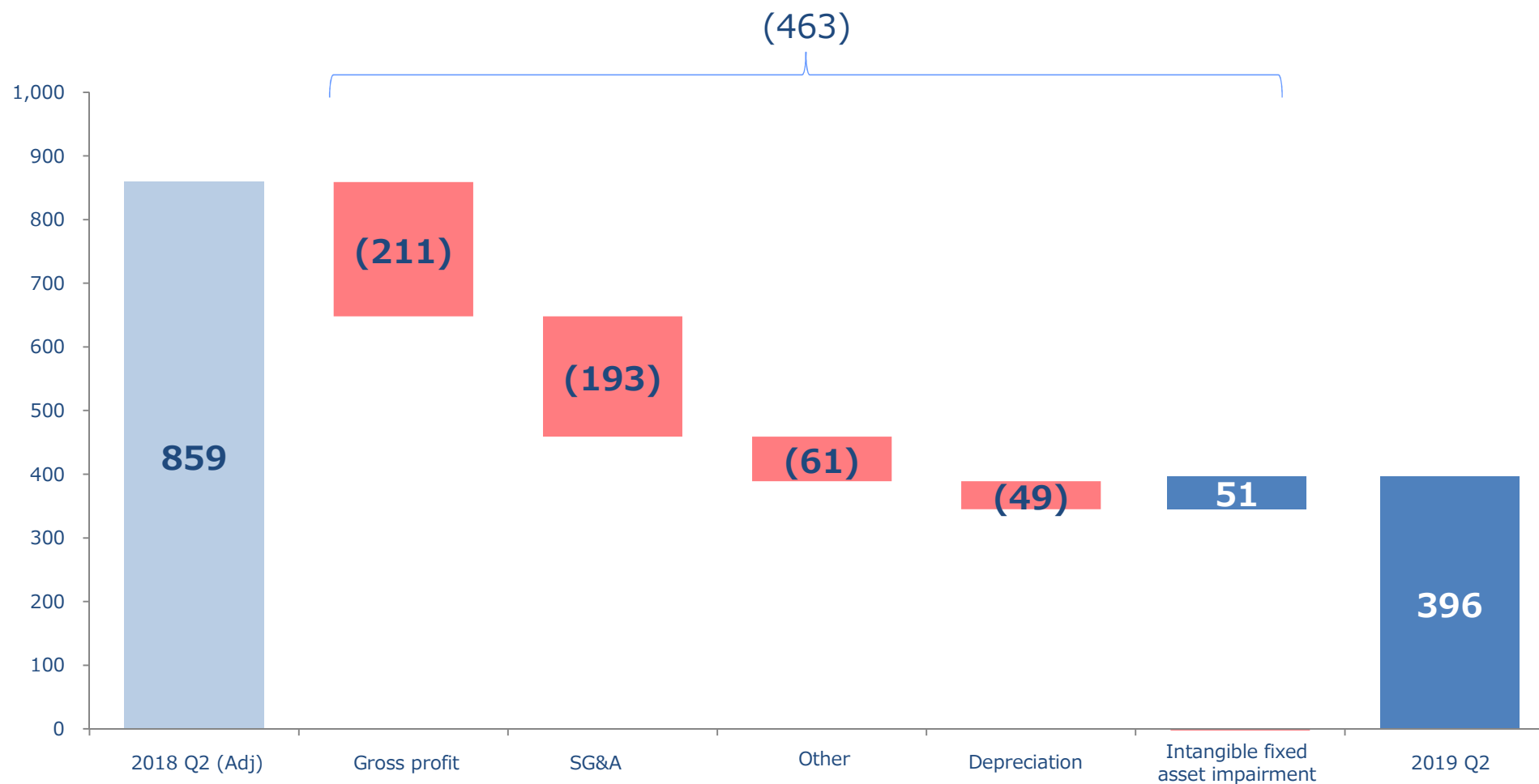
(Unit: JPY million)



\* EBITDA: Before allocation of Corporate Function costs

# 2019 Q2 Marketing Business EBITDA Breakdown (Adjusted) **opt** Holding

- Gross profit decreased due to a decline in revenue and lower gross profit margin in the Large Corporations segment
  - SG&A cost increased due to advance investment for HR cost (recruiting, training)
- (Unit: JPY million)

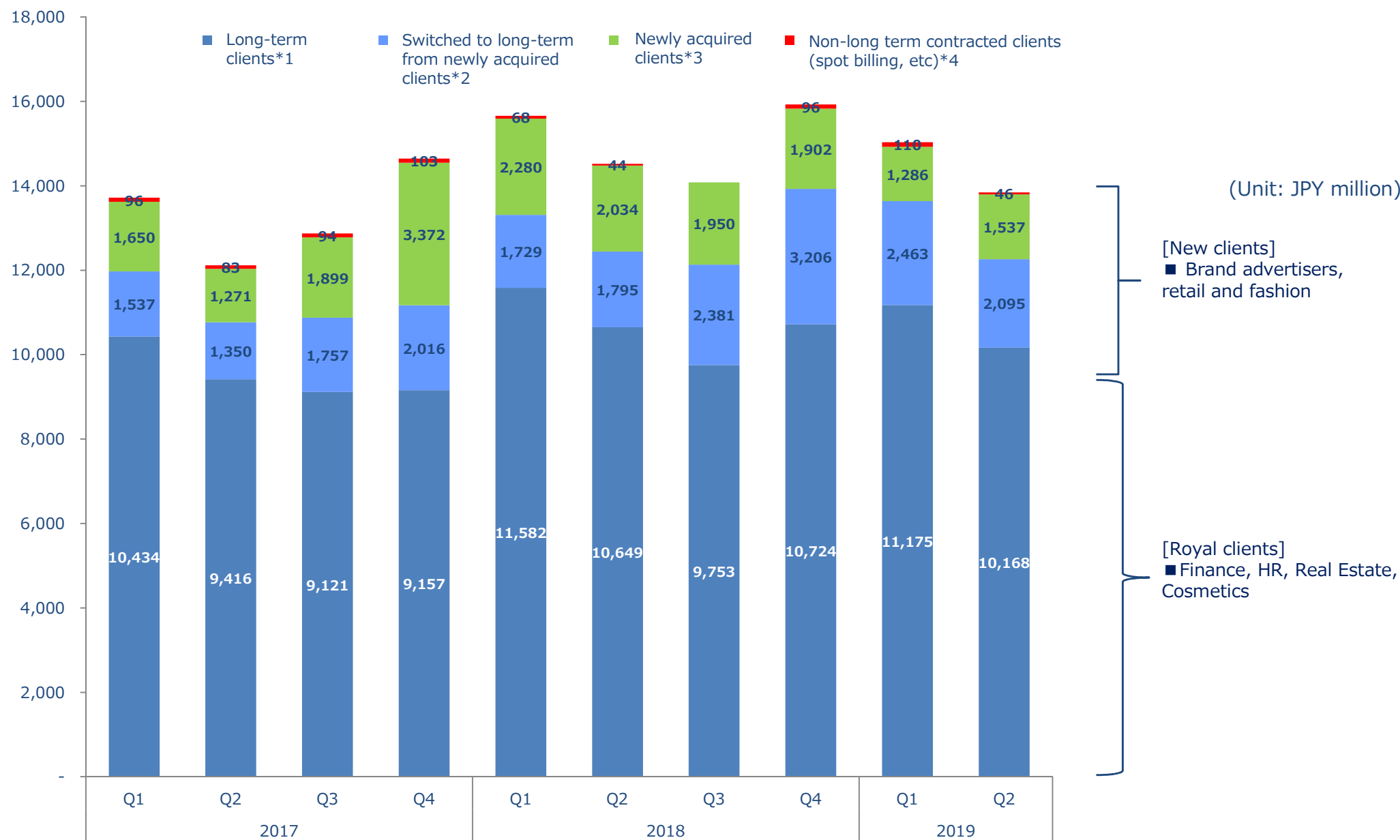


\* EBITDA: Before allocation of Corporate Function costs





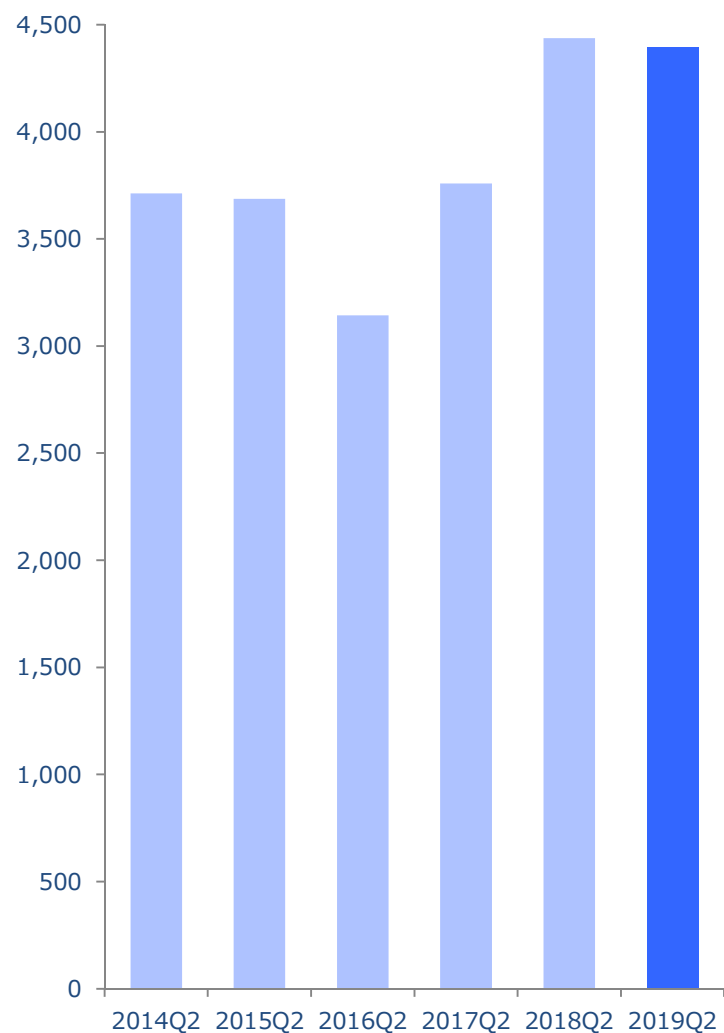
# OPT Inc. Quarterly Revenue Movement by Client Segment



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

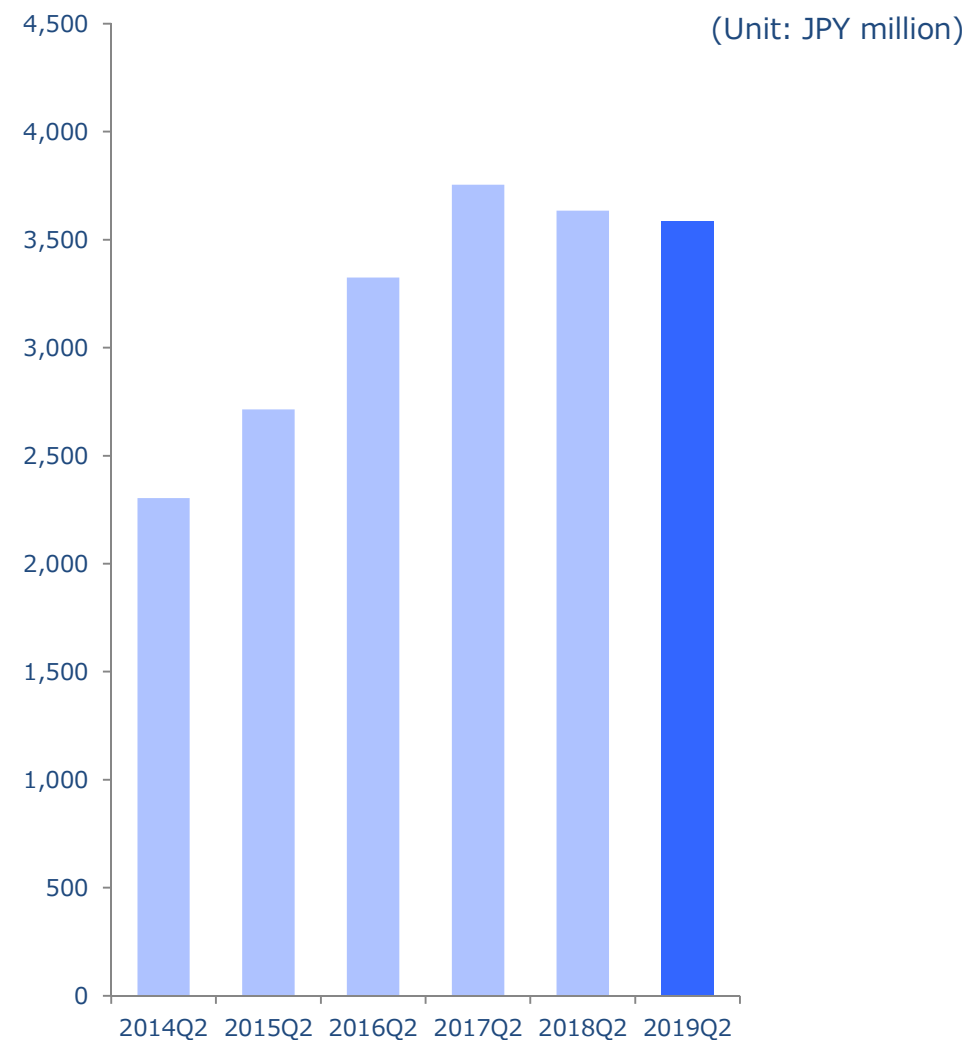
[Listing Ad] YoY : (1.0)%

Decreased due to a decline in transaction volume of a part of existing clients



[Ad-network Ad] YoY : (1.4)%

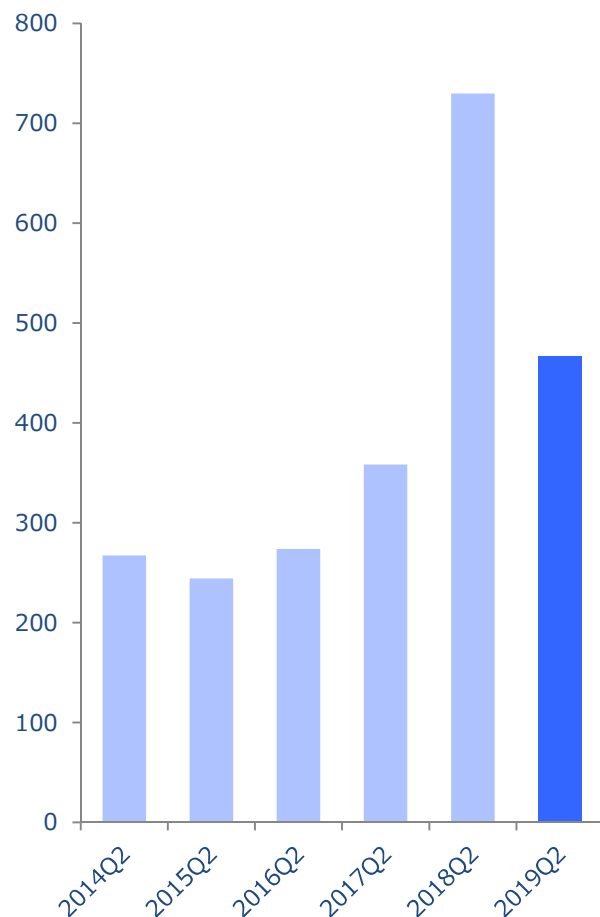
Decreased due to a decline in transaction volume of a part of existing clients



## [Video Ad]

YoY: (36.0)%

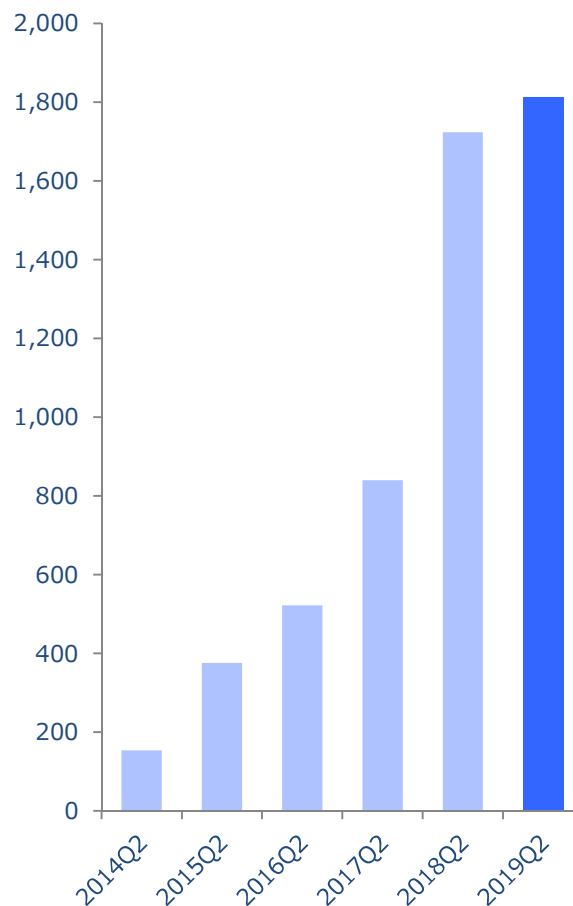
Decreased due to a decline in transaction volume of a part of existing clients



## [SNS Ad]

YoY : +5.1%

An increase in social advertising with new clients, but a slow down in growth due to a decline in transaction volume of a part of existing clients

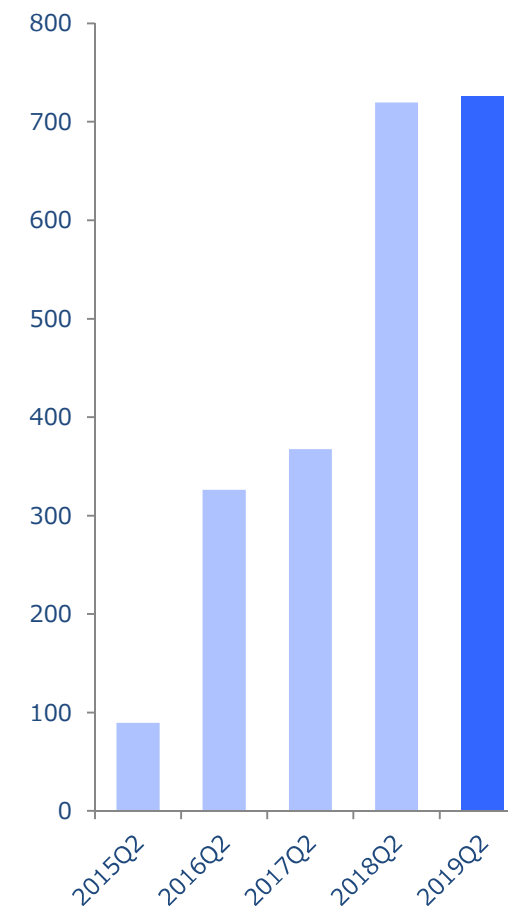


## [LINE Ad]

(Unit: JPY million)

YoY : +0.9%

An increase in LINE advertising with new clients, a slow down in growth due to a decline in transaction volume of a part of existing clients



# 2019 Q2 Synergy Investment Business : Breakdown of Revenue (Adjusted)

Business Development

SIGNATE business is steady but other subsidiaries' revenue decreased

Financial Investments

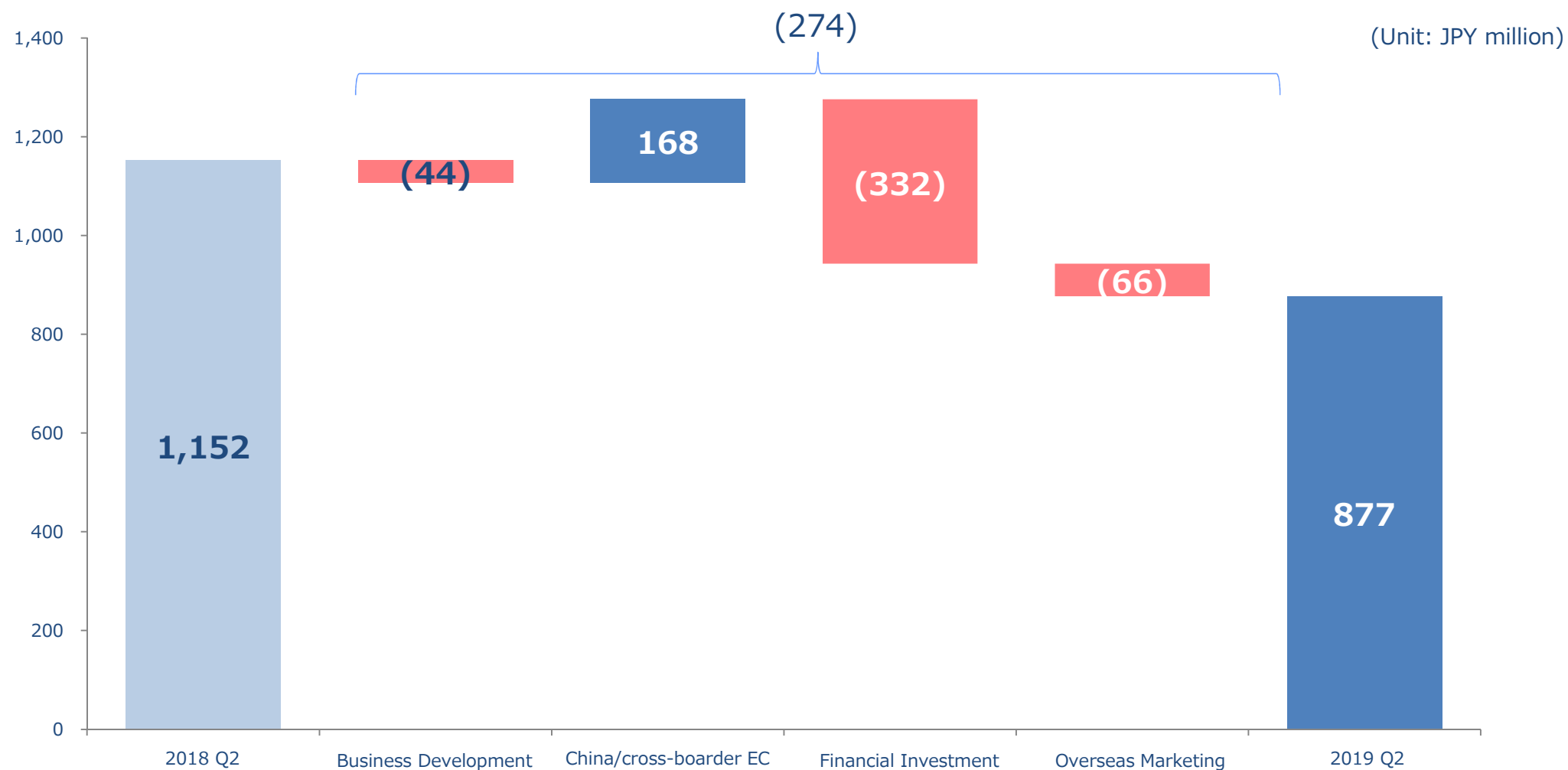
Decreased due to deconsolidation of Writeup, Inc.

China/cross-boarder EC

Increased from acquisition of new clients

Overseas Marketing

Decreased by restructuring/liquidation of non-profitable businesses



# 2019 Q2 Synergy Investment Business EBITDA Breakdown (Adjusted)

Business Development

SIGNATE business is steady but other subsidiaries' revenue decreased

Financial Investments

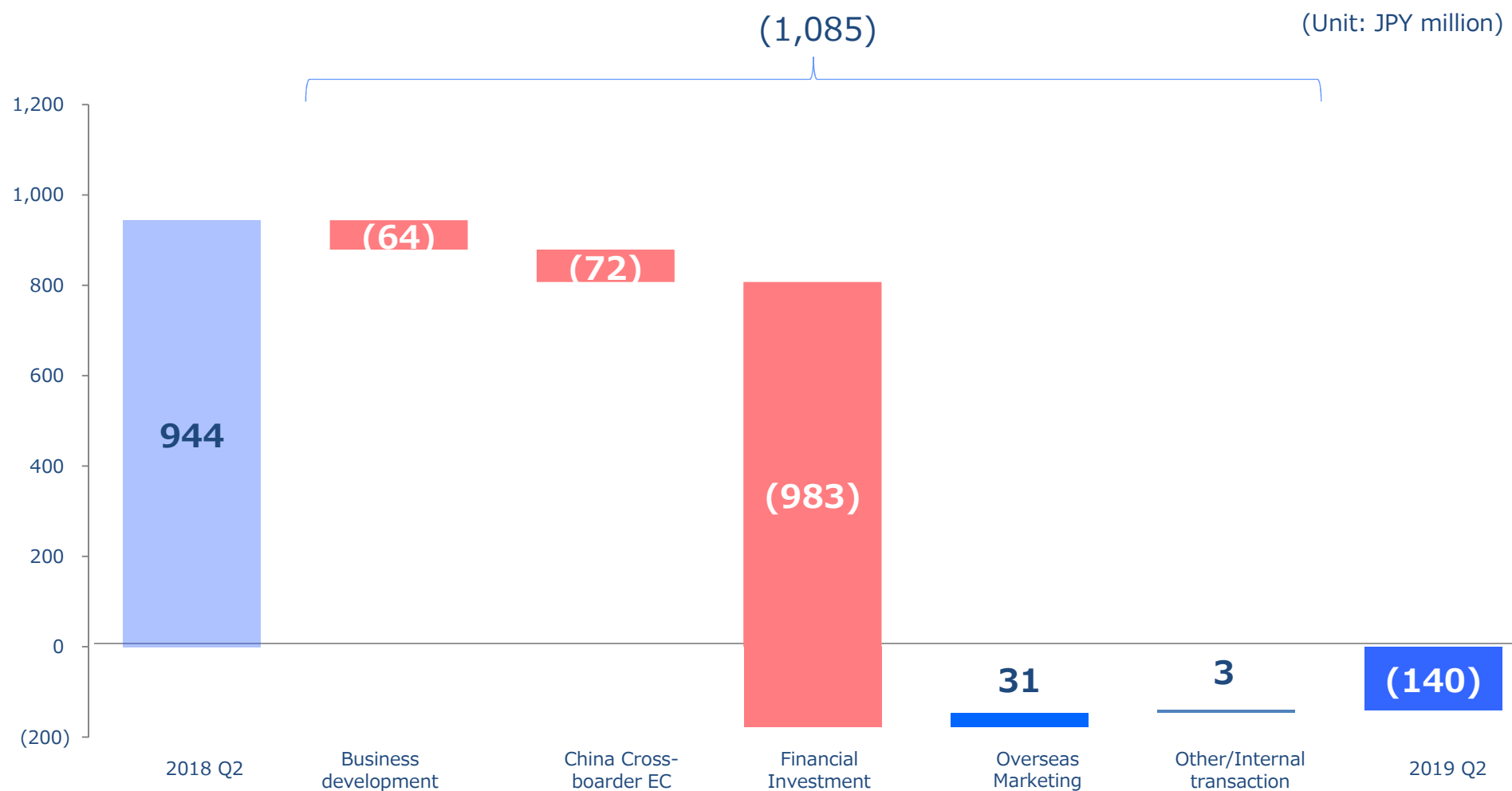
Gains in overseas funds but decrease in profits because of last year's extraordinary gains from IPO of Writeup, Inc.

China/cross-boarder EC

Decreased due to lower gross profit margin

Overseas Marketing

Reduction in losses due to restructuring/liquidation of unprofitable businesses

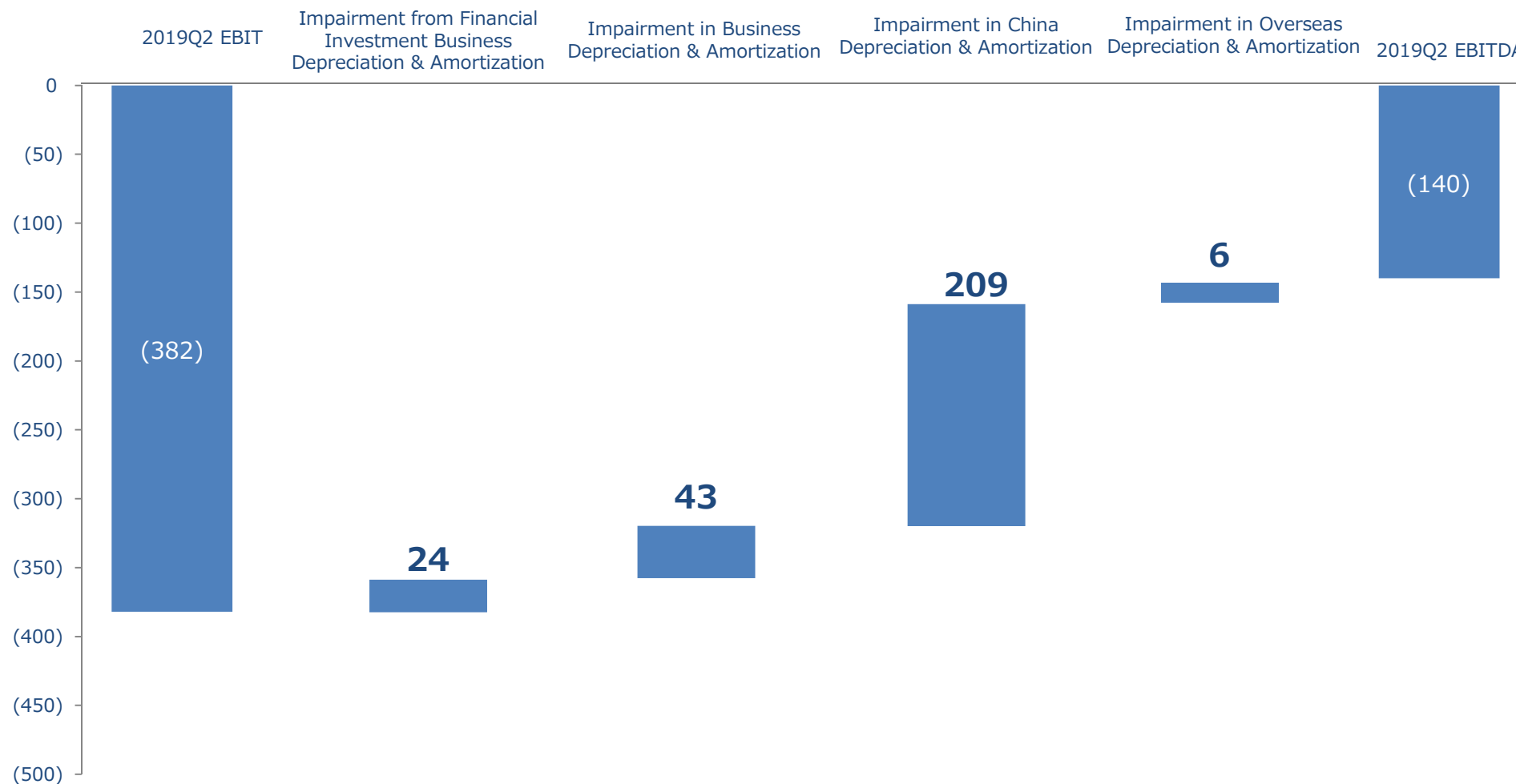


\* EBITDA: Before allocation of Corporate Function costs

## EBIT YoY 382 down, EBITDA 140 down

- Reversal of impairment losses from operational investment securities and investments in China and other overseas subsidiaries in DA

(Unit: JPY million)



- 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 June 2019
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 (including securities of operational investment securities, investment securities, shares of subsidiaries and shares of affiliates)
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 if refinance happens within last one year.
	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.





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