



*e-marketing company*

# 2nd Quarter, Business Results for the Fiscal Year Ended December 31, 2013

**July 29, 2013**

# Changes in the Scope of Consolidation

Launch of Investment and Value Creation Business.  
OPT America, Inc. becomes consolidated subsidiary.

## Advertisement and Solution Business



## Investment and Value Creation Business



NEW

## Database Business



## S&C Business (Social and Consumer)



## Overseas Business



# FY2013 Q2 (April-June) Consolidated Results Summary

\*Unstated amounts are rounded down to the nearest one million yen unit, and percentages are rounded to the nearest unit.

**Operating income rises 2.5times YoY.  
Net sales decreased due to  
changes to business alliance with Dentsu.**

**Net Sales 15,915**

**(-14.0% YoY)**

**Operating Income 469**

**(2.5times YoY)**

## Advertising & Solution Business

**Net Sales 13,132 (-23.9% YoY)**

**Operating Income 191 (-47.7% YoY)**

- ✓ Excluding the impact of changes to business alliance with Dentsu, gross profits rises 10% YoY.
- ✓ Around 100 new hires YoY, due to business refocusing and organizational reinforcement (transfers from S&C and Overseas businesses, new graduates and mid-career hires).

## Database Business

**Net Sales                      694 (+12.3% YoY)**

**Operating Income        42 (+18.7% YoY)**

- ✓ Solid performance by Xrost DSP.
- ✓ Accelerating investment (DMP, C-Finder, etc.).

## S & C Business

**Net Sales 575**  
**(+10.0% YoY)**

**Operating Income 56**  
**(improve YoY)**

## Overseas Business

**Net Sales 1,149**  
**(Strong increase YoY)**

**Operating Loss 46**

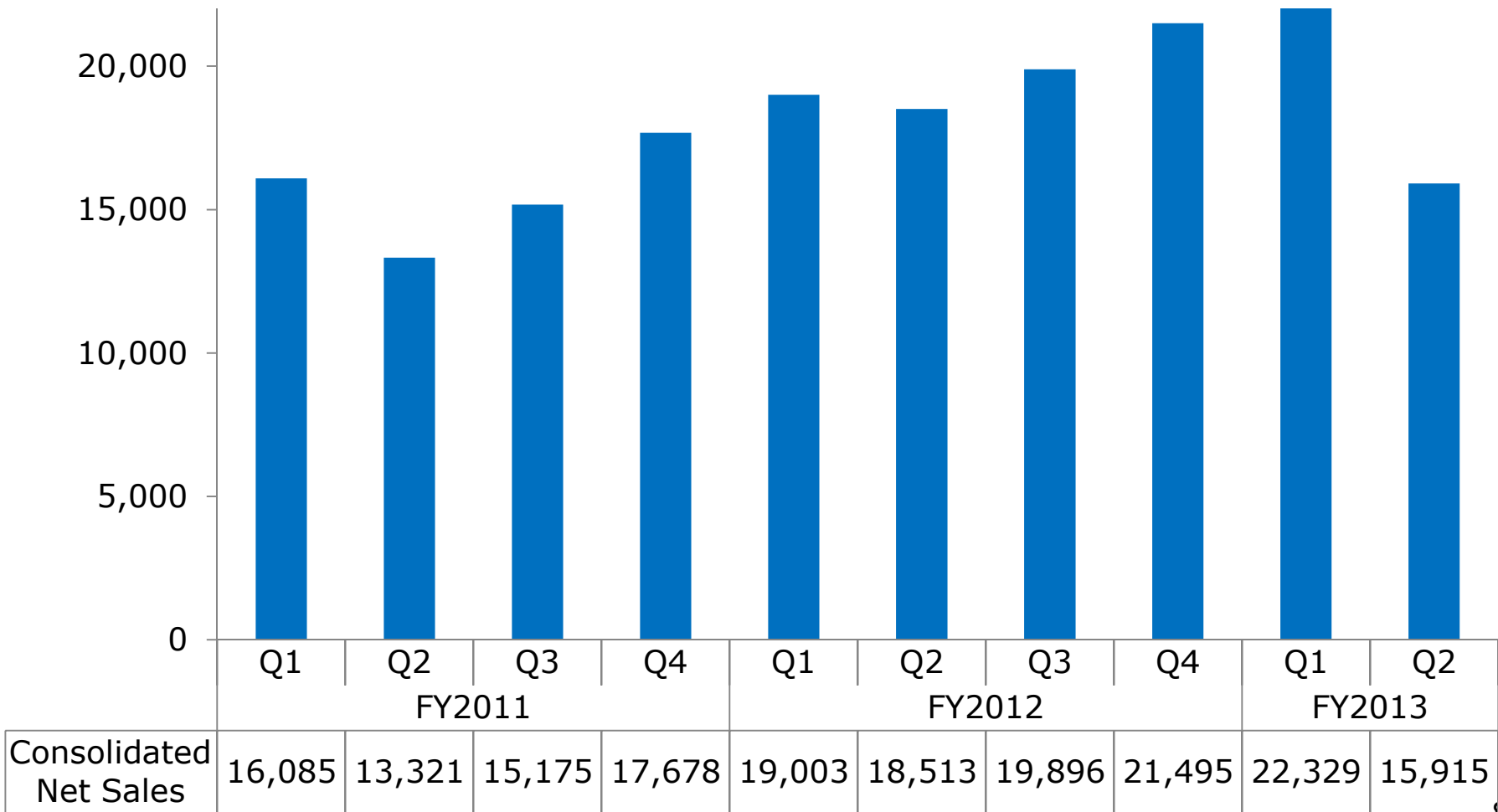
## Investment and Value Creation Business

**Net Sales 444**  
**Operating Income 224**

# Consolidated Net Sales



**YoY decreased due to changes to business alliance with Dentsu.**



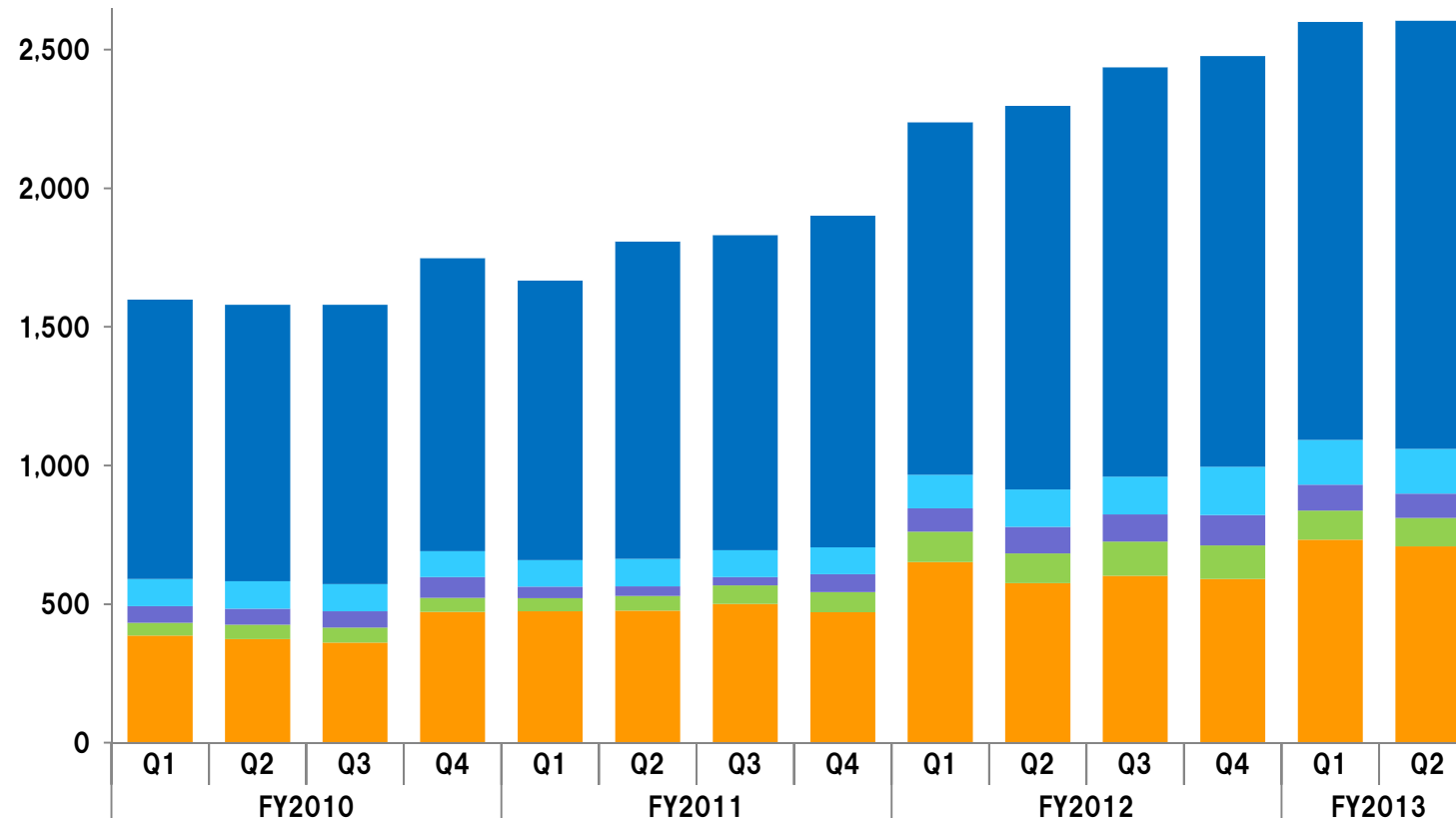


# Net Sales and Operating Income by Segment



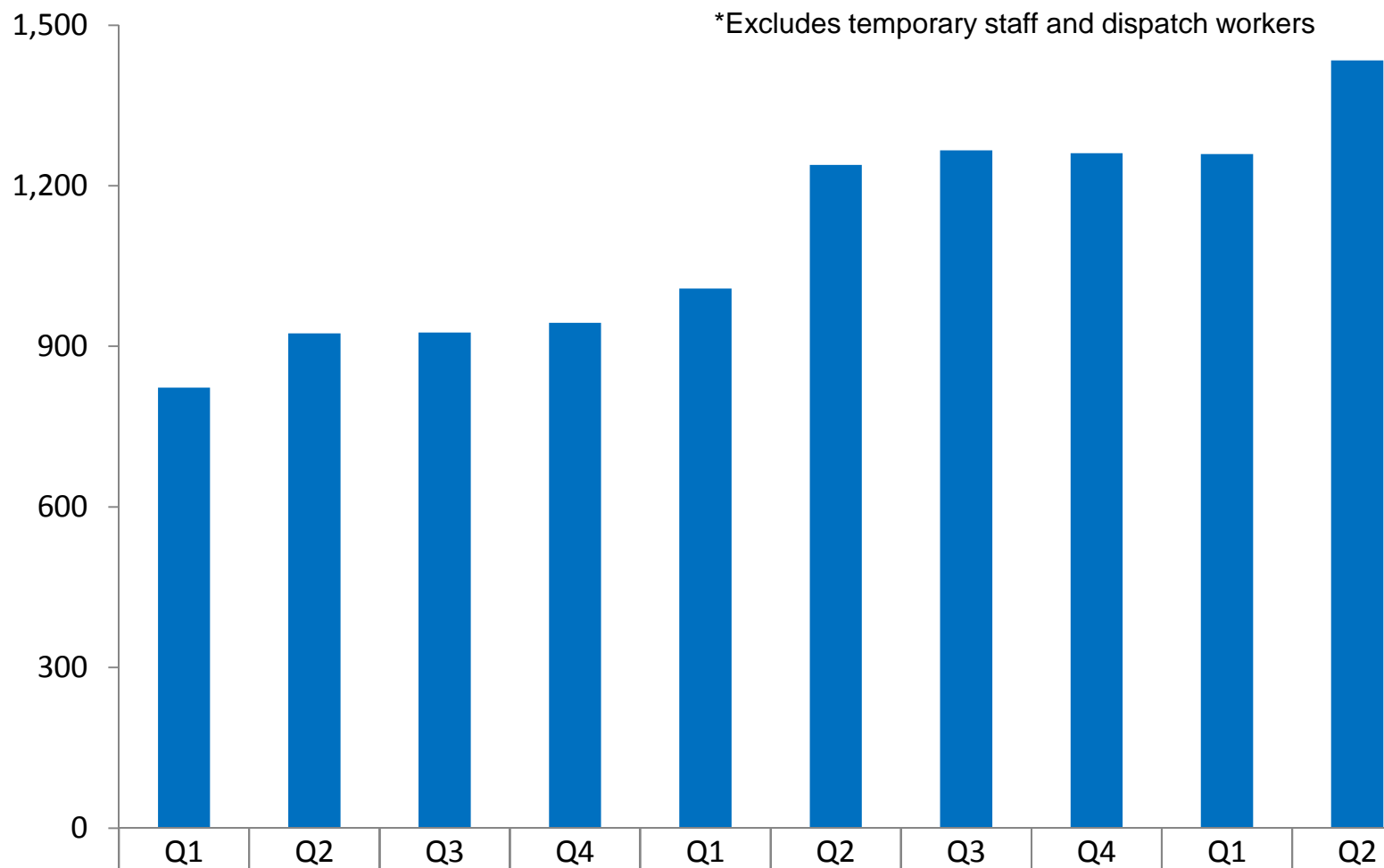
		2010	2011	2012				2013		12Q2 Comparison
		FY	FY	Q1	Q2	Q3	Q4	Q1	Q2	
<b>Advertising &amp; Solution Business</b>	Net sales	55,352	59,325	17,727	17,253	17,909	18,850	20,134	13,132	(23.9%)
	Operating income	1,377	1,305	465	367	547	606	436	191	(47.7%)
<b>Database Business</b>	Net sales	1,465	1,636	636	618	692	760	738	694	+12.3%
	Operating income	(8)	55	56	35	69	126	104	42	+18.7%
<b>Social &amp; Consumer Business (S&amp;C Business)</b>	Net sales	954	789	511	523	577	553	575	575	+10.0%
	Operating income	42	(102)	(162)	(175)	(142)	(109)	(19)	56	Improve
<b>Overseas Business</b>	Net sales	528	654	201	185	838	1,401	948	1,149	Strong Increase
	Operating income	(20)	(152)	(43)	(32)	(83)	(2)	(52)	(46)	-
<b>Investment and Value Creation Business</b>	Net sales								444	-
	Operating income								224	-
<b>Total</b>	Net sales	58,132	62,260	19,003	18,513	19,896	21,495	22,329	15,915	(14.0%)
	Operating income	1,391	1,107	314	187	380	623	471	469	2.5times
									Operating Income (Excluding the Investment and Value Creation Business)	245

# Consolidated Sales Costs



	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
	FY2010				FY2011				FY2012				FY2013	
Total SGA	1,602	1,583	1,581	1,749	1,671	1,811	1,832	1,904	2,241	2,301	2,439	2,479	2,604	2,609
Personal expenses	1,008	998	1,008	1,057	1,009	1,146	1,137	1,197	1,273	1,385	1,477	1,483	1,509	1,546
Rents	99	99	98	93	96	99	97	97	120	134	137	174	161	161
Advertising expenses	59	57	59	75	42	35	29	65	85	96	97	109	94	88
Amortization of goodwill/ Depreciation and amortization	47	52	54	51	47	53	67	72	109	107	124	121	105	103
Others	386	374	361	472	474	476	501	471	652	576	602	591	732	708

# Consolidated Number of Employees



Consolidated Number of employees	823	924	926	944	1,008	1,239	1,266	1,261	1,259	1,434
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# Status of Businesses

## Tailwind from “Abenomics” policies continues.

### Customers Status

<b>Financial</b>	Solid performance overall, notably in securities, insurance and other fields.
<b>Real Estate</b>	Sales dip as leasing companies and others hold back on ad placements due to seasonal factors.
<b>Human Resources</b>	Performance remains strong due to buoyant career-change market, etc.
<b>Cosmetics</b>	Ad placements robust mainly from major customers due partly to seasonal factors.

### Organizational Structure

Around 100 people taken on (consolidated basis) including transfers from the S&C Business, to strengthen organization and for new product development and marketing.

## Leading market expansion centered on Operational Advertisements.

### Media Status

Operational Advertisements	Ad-networks	<ul style="list-style-type: none"> <li>•OPT wins top prize in the YDN Awards (Oct. 2012–Mar.2013) and continues to show strengthen afterwards, growing three times YoY.</li> <li>•Volume of Criteo transactions continues to grow, with strong performances from GDN and other major networks.</li> </ul>
	Search-linked ads	<ul style="list-style-type: none"> <li>•Strong performance from both Yahoo!JAPAN and Google.</li> <li>•Smart devices build traction.</li> </ul>
	Affiliate ads	<ul style="list-style-type: none"> <li>•Strong performance from customers connected with finance.</li> <li>•Net sales double YoY.</li> </ul>
Social ads	Growth in Facebook and twitter. Consulting Social Networking Services also increase.	

## Devices

<b>PCs</b>	<ul style="list-style-type: none"><li>• Slightly increasing trend continues.</li></ul>
<b>Feature phones</b>	<ul style="list-style-type: none"><li>• Already low transaction volume also continues to decrease.</li></ul>
<b>Smartphones</b>	<ul style="list-style-type: none"><li>• Quarterly growth continues with a 60% increase YoY, centered on search-linked ads.</li><li>• Further growth expected in take up (units).</li></ul>

## New initiatives in progress.

### New initiatives

Expansion of product lineups through new development and handling of omni-channel advertising, etc

Attracting people to O2O marketing

### Retailgence

Products for companies with point reward programs

### DIGI GACHA

Video Ads

### Formed a project team

Local government advertising networks

### Mamafre

### Performance




- ① Acquisition of major advertisers  
(other than direct type)
- ② In addition to conventional advertising fees, we are increasing capture of marketing and promotion fees
- ③ Development of new sectors



## Strong earnings at consolidated subsidiaries.

 <b>CLASSIFIED</b>	<ul style="list-style-type: none"> <li>✓ Condominium and single family units fare well, especially with major developers.</li> <li>✓ YoY surge in smartphone information enquiries.</li> <li>✓ Quarterly net sales increase 33.4% YoY.</li> </ul>
 <b>Crossfinity</b>	<ul style="list-style-type: none"> <li>✓ Establishment of subsidiary in Taiwan, progress in SEO overseas sales growth.</li> <li>✓ Sharp increase in affiliate ads mainly in the financial sector.</li> <li>✓ Quarterly net sales increase four times YoY.</li> </ul>
	<ul style="list-style-type: none"> <li>✓ Subsidiary Search LIFE ,Inc. receives investment from Yahoo Japan Corporation, and accelerates opening of local agencies.</li> <li>✓ Establishment of TechLoCo, Inc. for strengthening of marketing technology business model.</li> <li>✓ Quarterly net sales increases 47.3% YoY.</li> </ul>
	<ul style="list-style-type: none"> <li>✓ FreakOut Inc. becomes the first certified partner of the company.</li> <li>✓ Number of customers for trading desk outsourcing services growing.</li> <li>✓ Quarterly net sales increases 41.8% YoY.</li> </ul>

## Implement various growth drivers for business expansion and for profit increase.

 <p>platformio Open Data Platform Service</p>	<ul style="list-style-type: none"><li>✓ Strong sales performance by Xrost DSP.</li><li>✓ Xrost DMP earmarked as second growth driver.</li></ul>
 <p>Consumer First</p>	<ul style="list-style-type: none"><li>✓ Announcement of joint research results into Big Data analysis of online election campaigning arranged by Macromill, Inc. and Hottolink, Inc.</li><li>✓ Large-scale orders for analysis tool C-Finder.</li></ul>
 <p>hottolink</p>	<ul style="list-style-type: none"><li>✓ Online campaigning provides tailwind.</li><li>✓ Investment from Hitachi Systems, Ltd. and strengthened collaboration.</li><li>✓ Aim to expand marketing channels through social media data analysis.</li></ul>

## Smooth progress in profitability plans.

### S&C Business



Completion of  
liquidation in  
OPT



Apps perform  
well



Focus on  
cultivating new  
customers



Continue with  
policies for  
profitability

### Overseas Business



Full-scale development of the Southeast Asian market in alliance with subsidiary Catcha Digital Asia Pte Ltd.



Conversion into consolidated subsidiary for development of US market and more effective data collection.

## Entry into Investment and Value Creation Business.

Investment in online service venture companies,  
mainly in Japan and Asia Pacific areas.

### Priority investment areas

Commerce

Crowdsourcing

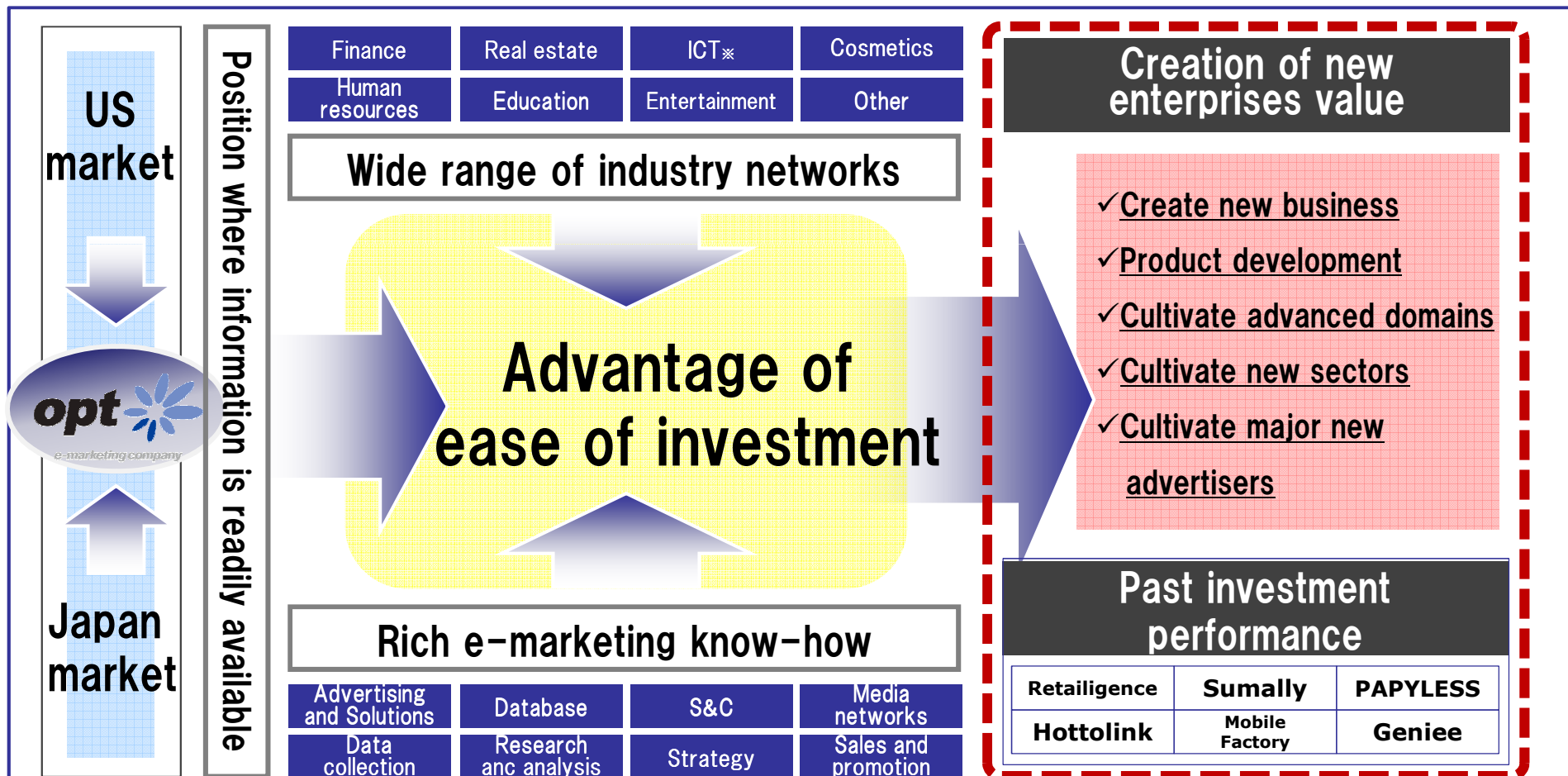
Education×Tech

Ad-technology

#### Investment Criteria

Target growth stage	: principally early and middle stage
Size of investment	: ¥30million- ¥100million
Average period of investment	: 3years (2-5years)
Number of employees	: 5

**Aim for new enterprise value creation, using our strengths.**



※ICT:Information and Communication Technology

# Growth Strategy

# The Macro Environment for the Online Advertising Market

The Internet and TV to dominate the advertising market.  
Continues growth of Online ad into a ¥2 trillion market.

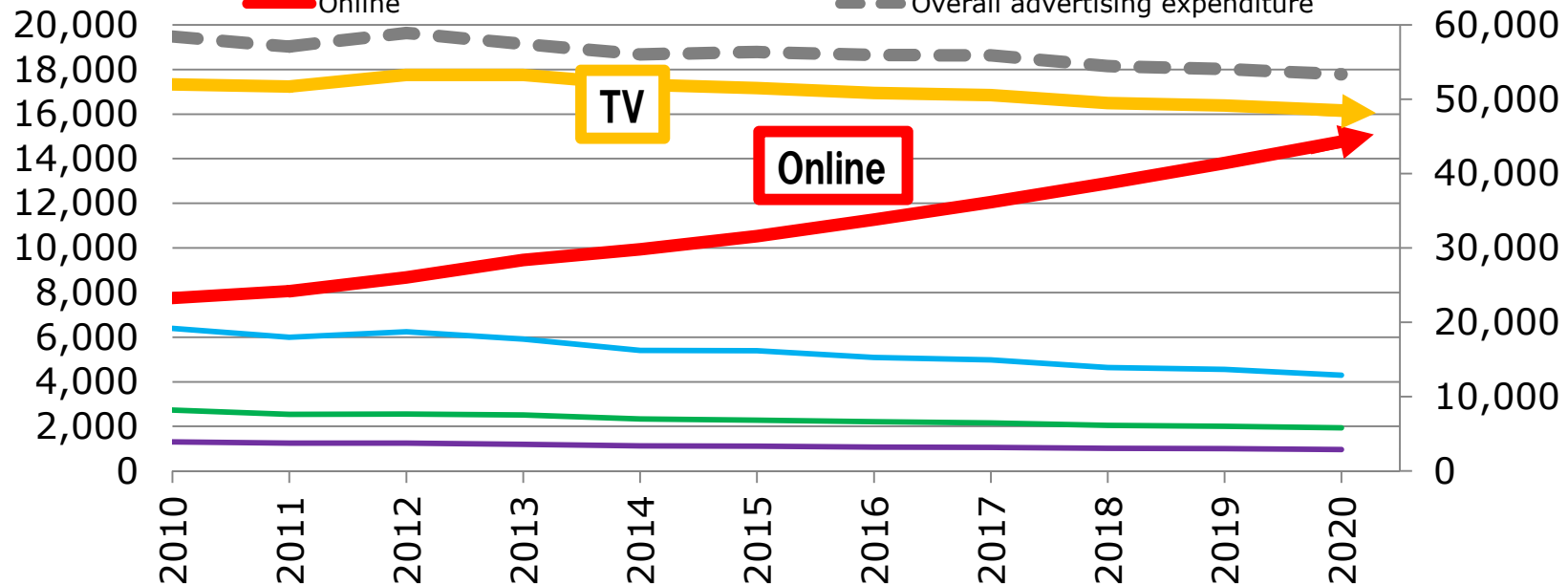
## Forecast advertising spending (by medium)

[Advertising spending by medium]  
unit: 100million yen

— TV  
— Newspaper  
— Online

— Radio [Reference]  
— Magazine  
— Overall advertising expenditure

[Overall advertising expenditure]  
unit: 100million yen



※Earning results for 2010–2012, estimates for 2013–2020.

※Estimates based on “Advertising Expenditures in Japan 2012”, by DENTSU INC., and “Outlook for advertising expenditure by medium,” by Japan Commercial Broadcasters Association.

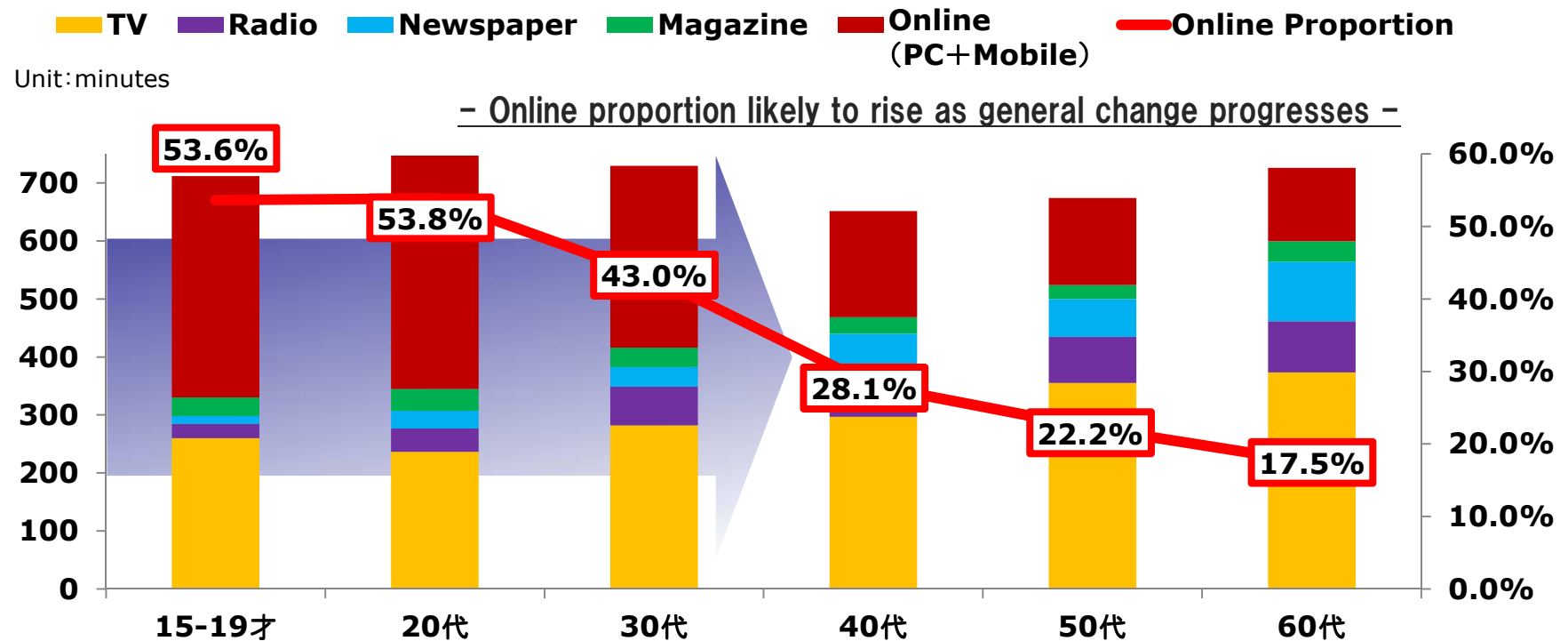
※Estimates on Online advertising based on “Advertising Expenditures in Japan 2012”, by DENTSU INC. and OPT estimates.

※Figures for radio are reference values and do not include digital radio.



In the segment in their 20s, online time already exceeds time spent on other mass media.

## Media contact time, by age group

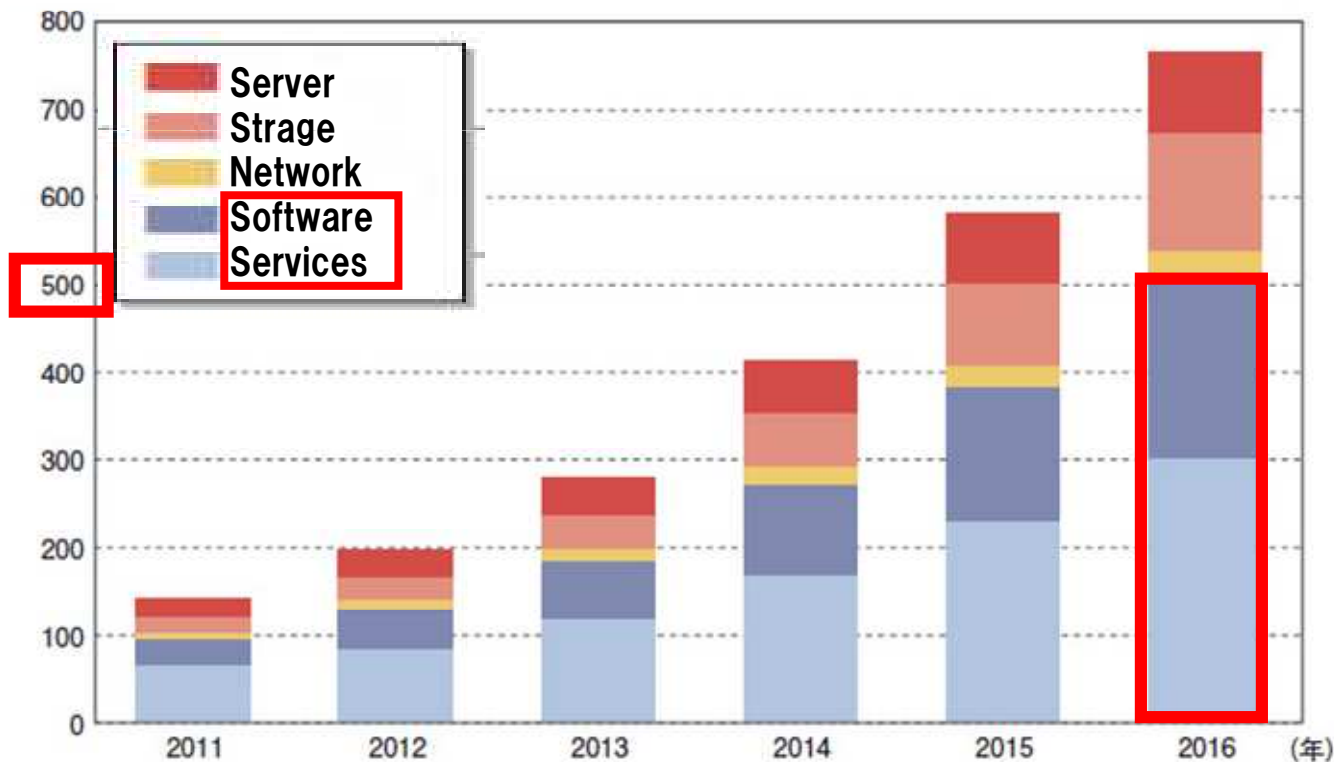


Source: Based on "Fixed-point Media Survey 2013" (Tokyo area), Institute of Media Environment, Hakuodo DY Media Partners Inc.

**Big Data market (software and services) is expected to exceed ¥50 billion by 2016.**

Trends in the Big Data technology and services market in Japan

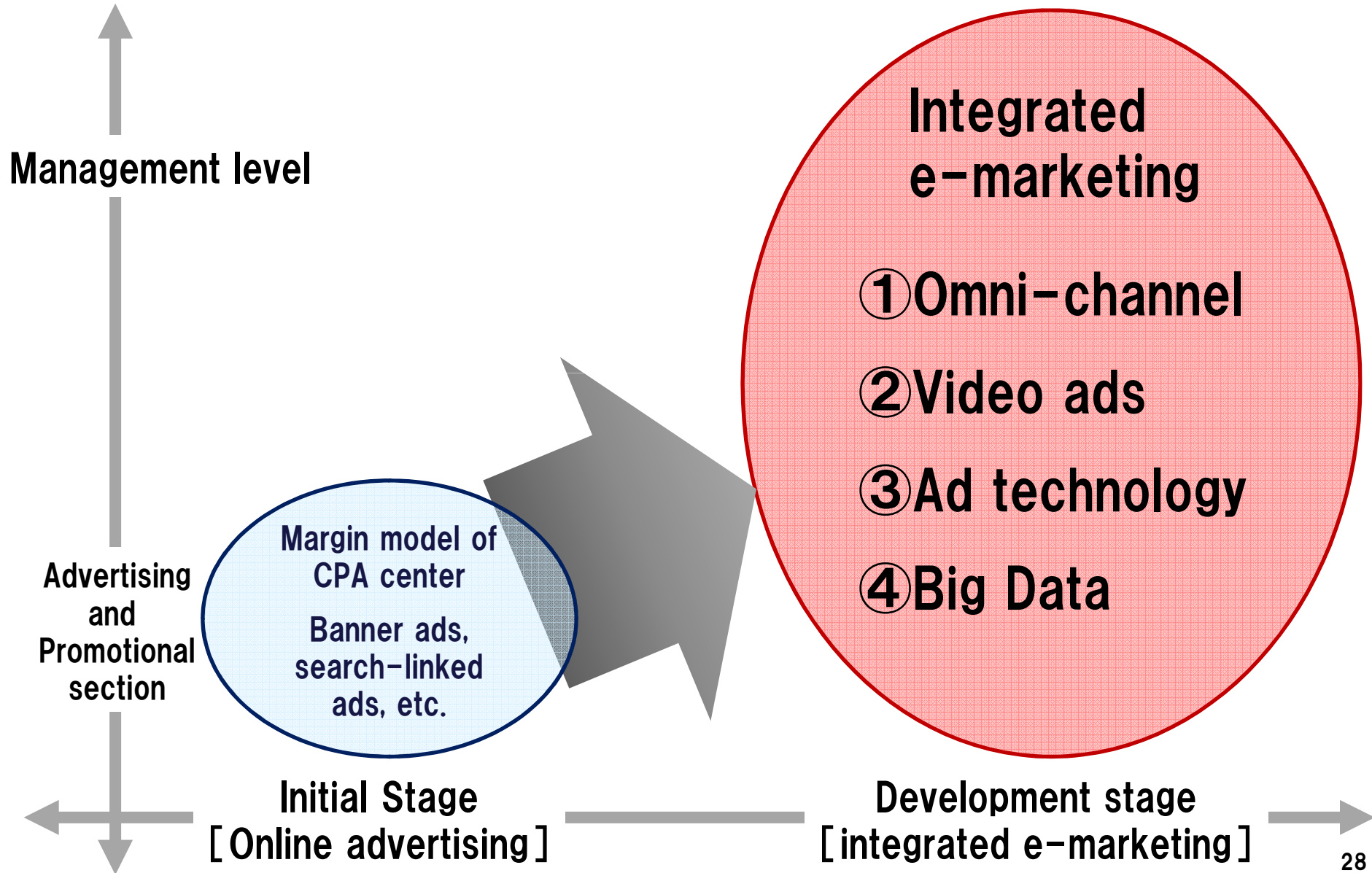
Unit:100million yen



Source: IDC Japan (2012.October.3rd)

# Focus areas of OPT

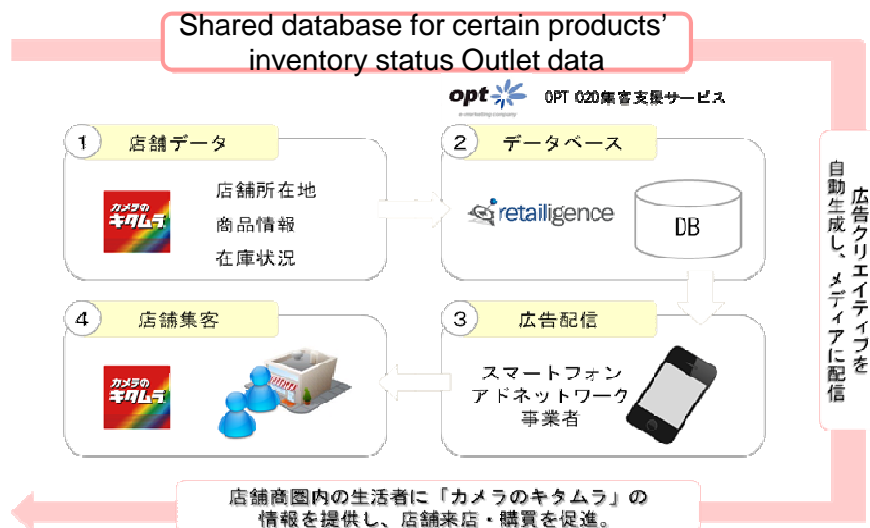
# Focus Areas of OPT



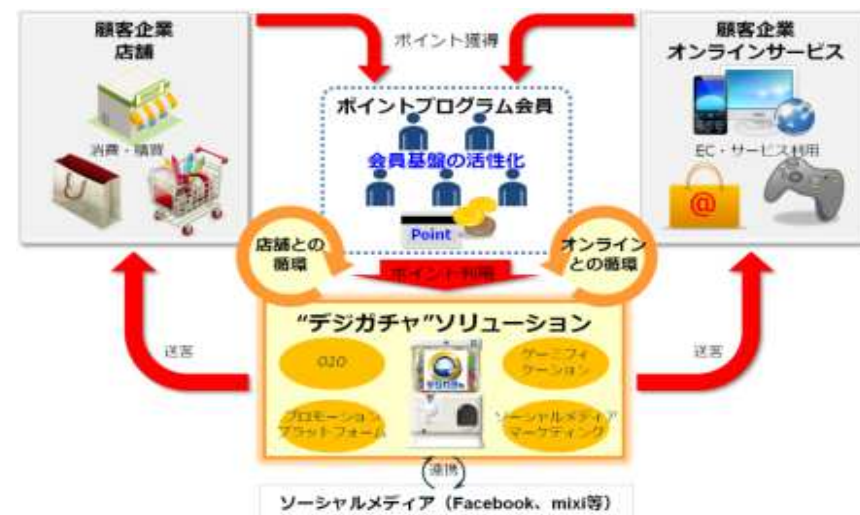
# ①Omni-channel

- Establishment of new omni-channel support organization at OPT.
- Trial launch of Retailigence from July.  
Companies adopting the service: KITAMURA Co., Ltd and Sports Authority.
- DIGI GACHA, four companies joint development.  
Company adopting the service: Yamada Denki Co., Ltd.

## Example “Retailigence”



## Example “DIGI GACHA”



# 【Reference】 Omni-channel Market

- By 2017 the market will have more than doubled compared with 2012.
- Likely sales increase with distribution and retailing as main target sectors.
- Forecast of budget shift away from paper-insert advertising to omni-channel marketing.

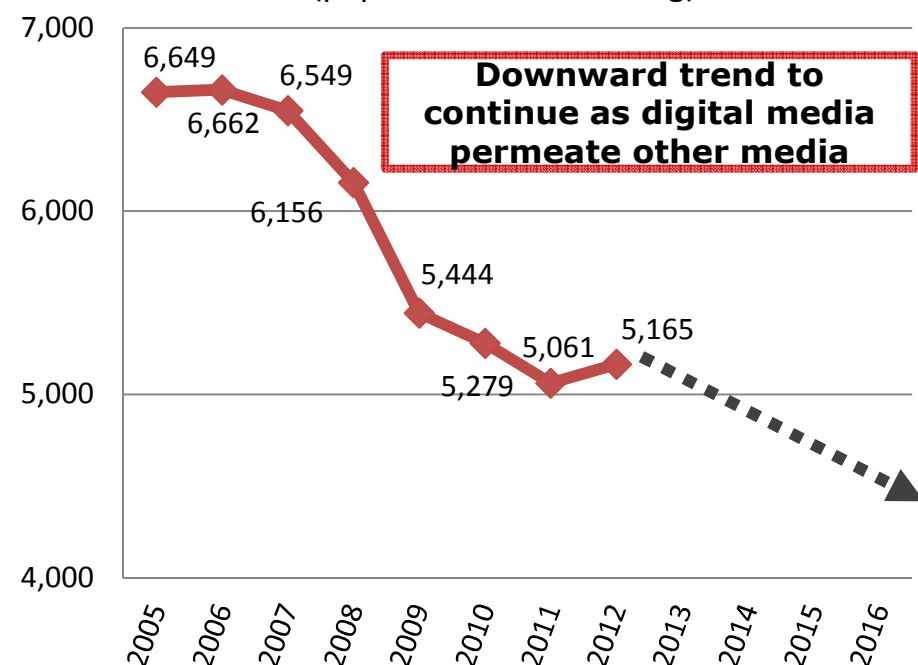
## 【Reference data】

Unit:100 million yen Expected size of O2O market in Japan(2012-2017)



Source: ROA Holdings

Unit:100 million yen Trends in advertising expenses (paper insert-advertising)



## ② Video-ad

- Set up professional project team providing one-stop advertising, production and consulting services, create supply framework to respond to future demand increases.
- Win important new clients, leading to strong order books
- Sales double from the same half of FY2012.

### Forecasts for the US video market and actual OPT earnings performance

Online video advertising fees are expected to rise to 8 billion dollars by 2016 (average growth rate 134%)

**US Digital Ad Spending, by Format, 2010-2016**  
billions

	2010	2011	2012	2013	2014	2015	2016
<b>Search</b>	\$12.00	\$15.10	\$17.58	\$19.76	\$21.73	\$23.32	\$24.45
<b>Display</b>	\$9.91	\$12.33	\$14.98	\$17.67	\$20.69	\$23.13	\$25.21
—Banner ads	\$6.23	\$7.55	\$8.68	\$9.60	\$10.27	\$10.87	\$11.29
—Video	\$1.42	\$2.00	\$2.93	\$4.14	\$5.75	\$6.99	\$8.04
—Rich media	\$1.54	\$1.65	\$1.82	\$2.03	\$2.38	\$2.69	\$3.03
—Sponsorships	\$0.72	\$1.12	\$1.56	\$1.90	\$2.28	\$2.59	\$2.86
<b>Classifieds and directories</b>	\$2.60	\$2.58	\$2.60	\$2.71	\$2.81	\$2.88	\$2.95
<b>Lead generation</b>	\$1.34	\$1.52	\$1.71	\$1.90	\$2.09	\$2.17	\$2.20
<b>Mobile messaging</b>	\$0.25	\$0.25	\$0.23	\$0.23	\$0.22	\$0.21	\$0.20
<b>Email</b>	\$0.20	\$0.21	\$0.22	\$0.23	\$0.24	\$0.24	\$0.24
<b>Total</b>	\$26.29	\$31.99	\$37.31	\$42.50	\$47.77	\$51.95	\$55.25

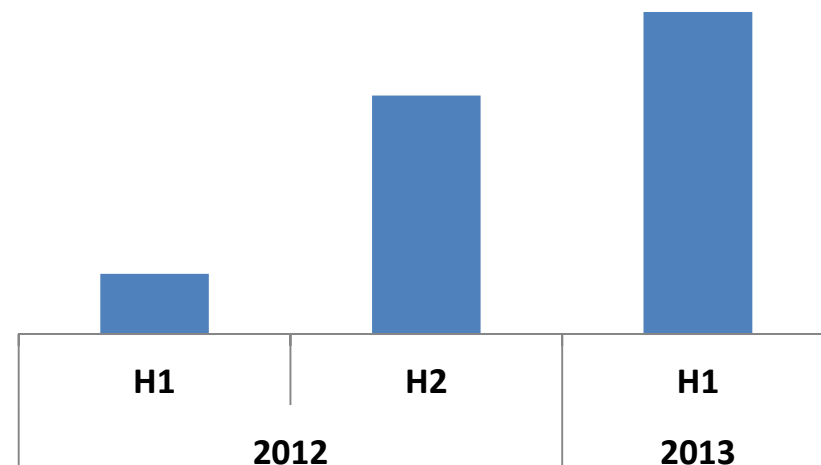
Note: includes advertising that appears on desktop and laptop computers as well as mobile phones and tablets on all formats mentioned; data through 2011 is derived from IAB/PwC data  
Source: eMarketer, Sep 2012

144427

www.eMarketer.com

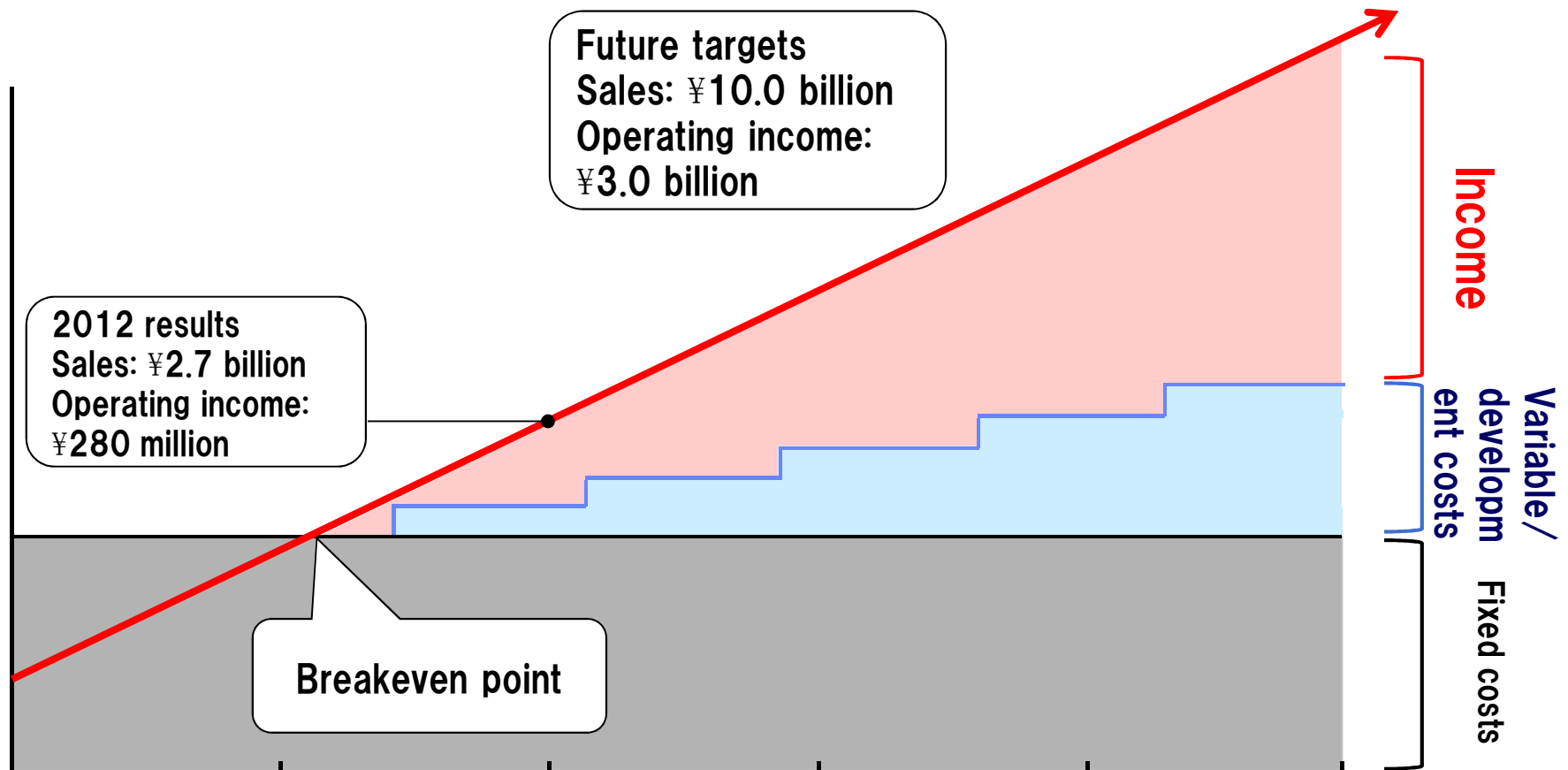
Strong sales performance of mainstream product Google TrueView (two times YoY)

### Google TrueView Sales trends



### ③ Advertising Technology

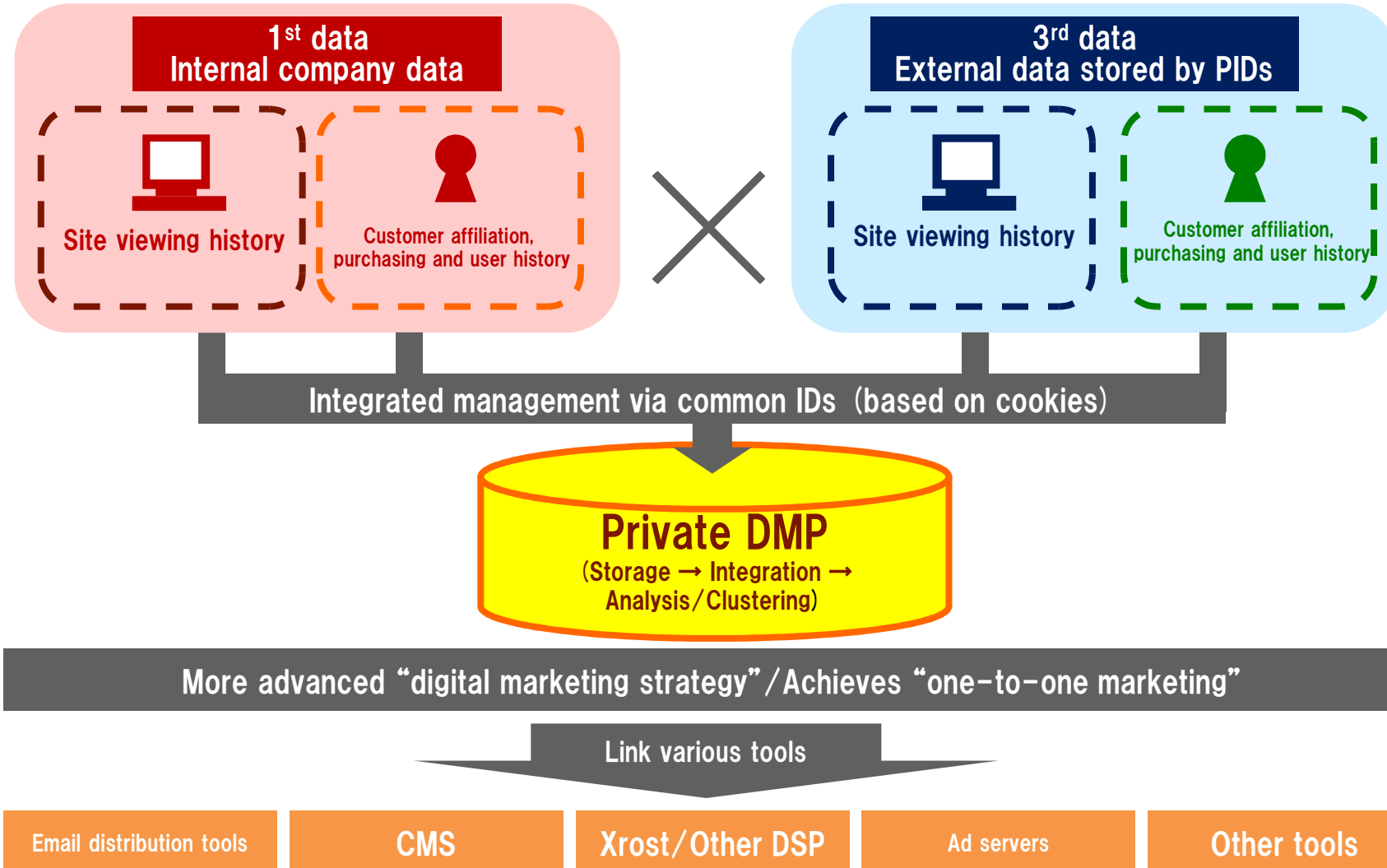
- Expansion of Xrost DSP with high rate of return (gross margin of 40–60%) .
- Strong sales growth in the Xrost series by Platform ID, Inc., a joint venture with CCC.





# ③ Ad-technology: DMP

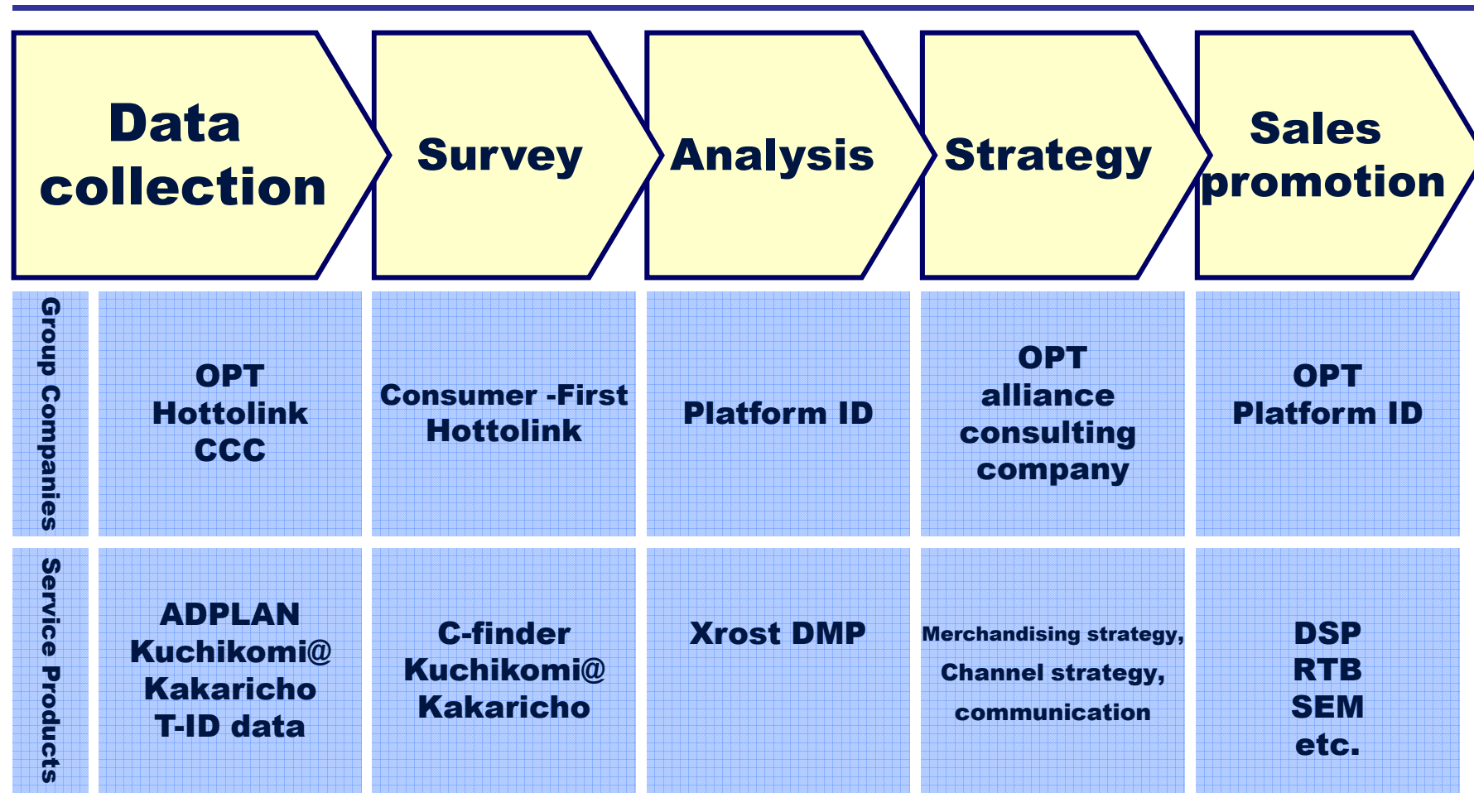
Data management platform integrate data stored by the company and PID-stored data (including off-line data) using common IDs. This increases the extraction of user site data, which is understood only through internal analysis and can be used in various types of advertising.



## ④ Big Data

- **Higher-earnings, higher-growth business model through providing a Big Data one-stop marketing value chain.**
- **Higher earnings: Shift from margin model to fee model.**
- **Growth potential: the Big Data market (software, services) is expected to grow to ¥50 billion by 2016.**

## ■ OPT group e-marketing value chain



# Revision of Earnings Forecasts of FY2013

# Earnings forecasts for FY2013



## Operating income forecast upwardly revised to 215 million.

- ✓ Tailwind from operational advertising and Abenomics.
- ✓ Launch of investment training business.

	<b>Jul.26 disclosure Revised earnings forecasts</b>	<b>Initial forecasts</b>	<b>Difference</b>
Net Sales	<b>75,000</b>	<b>74,000</b>	<b>+1,000</b>
Operating Income	<b>2,150</b>	<b>1,850</b>	<b>+300</b>
Ordinary Income	<b>2,050</b>	<b>1,850</b>	<b>+200</b>
Net Income	<b>900</b>	<b>850</b>	<b>+50</b>

# Earnings forecasts for FY2013



	Results for first half of FY2013	Jul.26 disclosure: Revised earnings forecast	Progress	Reference: First half of FY2012
Net Sales	38,244	75,000	51.0%	37,517
Operating Income	941	2,150	43.8%	502
Ordinary Income	888	2,050	43.4%	351
Net Income	312	900	34.7%	311

# References

# Sales Ratio



	FY2012				FY2013	
Segments	Q1	Q2	Q3	Q4	Q1	Q2
Financial	22%	20%	21%	29%	31%	31%
Real Estate	17%	14%	15%	15%	16%	13%
Human Resources & Education	13%	9%	9%	9%	10%	9%
Cosmetics	12%	26%	21%	17%	15%	21%
Information and E-Commerce	9%	6%	7%	7%	6%	5%
Others	27%	25%	27%	23%	22%	21%
Total	100%	100%	100%	100%	100%	100%



# Trends in Audience Targeting

Audience targeting is a next-generation advertising method that analyzes complex behavioral data from multiple sites (including content browsing, search, conversion and access histories, and demographic data). Such analysis creates data clusters that enable the targeted delivery of advertising.

## Ad placement (space)



Who views this site?

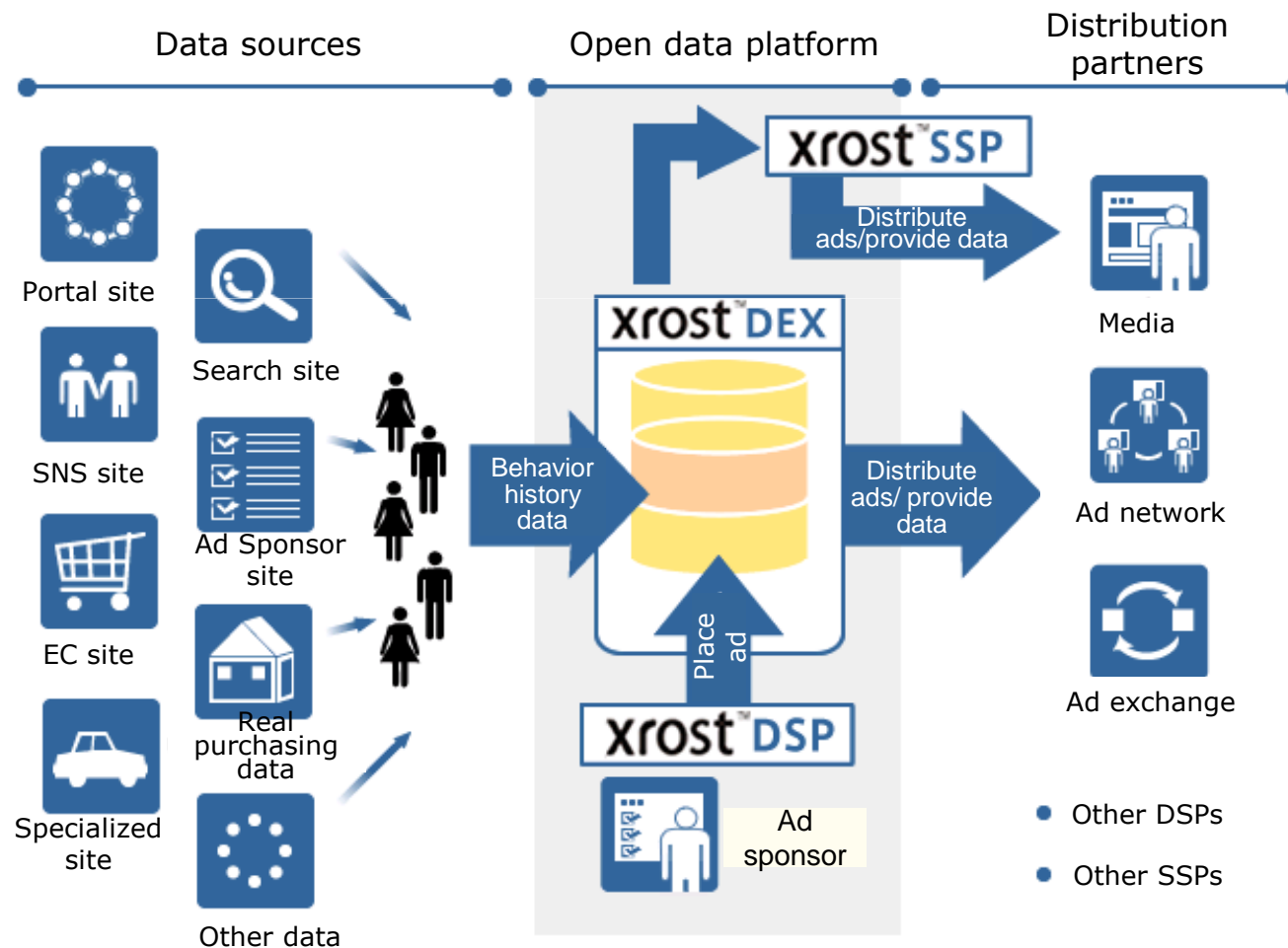
## Person (audience)
















Ad delivery based on behavior history data

# Xrost: Targeted Advertising Delivery Tool

Xrost is a new data exchange platform that enables audience targeting. Analyzing the behavior history of approx. 140 million unique browsers, Xrost provides high-precision, next-generation audience targeting ads.



# Major Group Companies (2013 Q2)

Name	Business	Ownership	Consolidation status
CLASSIFIED 	Planning and sales classifieds	66.01%	Consolidated subsidiary
Crossfinity 	SEO and media consulting business	66.67%	Consolidated subsidiary
SOLDOUT 	Advertising agency for mid-sized and venture companies	100.00%	Consolidated subsidiary
s1o interactive 	Trading desk business	100.00%	Consolidated subsidiary
Hottolink 	Social media solution business	65.58%	Consolidated subsidiary
Platform ID 	Database business	51.00%	Consolidated subsidiary
Consumer first 	Data analysis business utilizing C-Finder data analysis platform	100.00%	Consolidated subsidiary
Mobile Factory 	Mobile contents business	40.84%	Consolidated subsidiary
Contents One 	Development, consulting and training business for web applications	100.00%	Consolidated subsidiary
Multimedia School Wave 	School for IT and web engineers	(100.00%)	Consolidated subsidiary
eMFORCE 	Internet advertising agency in South Korea	88.50%	Consolidated subsidiary
Chai Communication 	Internet advertising agency in South Korea	40.00%	Consolidated subsidiary
OPT America, Inc 	Consulting, investment and alliance business in US.	100.00%	Consolidated subsidiary
Accounted for by the equity method	TAGGY, TradeSafe, MCN Asia Holdings,Pte.Ltd.		
Other Group companies	Catcha Digital Asia PTE, OPT Beijing Information Technology, Inc., etc.		

\*Parentheses represent the percentage of indirect ownership



*e-marketing company*

**OPT, Inc.**

**JQ2389**

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