

Translation

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**Summary of Consolidated Financial Results
for the Six Months Ended June 30, 2014
(Based on Japanese GAAP)**

July 31, 2014

Company name: Hotto Link Inc.
 Stock exchange listing: Tokyo
 Stock code: 3680 URL <http://www.hottolink.co.jp/>
 Representative: Founder, President and CEO Koki Uchiyama
 Inquiries: Director and CFO Hideshiro Takao TEL 03-5745-3900
 Scheduled date to file Quarterly Securities Report: August 14, 2014
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: No
 Holding of quarterly financial results meeting: Yes (for analysts and institutional investors)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended June 30, 2014 (from January 1, 2014 to June 30, 2014)

(1) Consolidated financial results (cumulative)

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended June 30, 2014	502	19.9	65	3.0	65	5.2	27	(9.3)
Six months ended June 30, 2013	418	–	63	–	61	–	30	–

	Net income per share		Diluted net income per share	
	Yen		Yen	
Six months ended June 30, 2014	2.87		2.74	
Six months ended June 30, 2013	6.02		–	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of June 30, 2014	1,451	1,304	89.9	133.99
As of December 31, 2013	1,467	1,268	86.5	131.20

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended December 31, 2013	–	0.00	–	0.00	0.00
Year ending December 31, 2014	–	0.00	–	–	–
Year ending December 31, 2014 (Forecast)	–	–	–	0.00	0.00

3. Forecast of consolidated financial results for the year ending December 31, 2014 (from January 1, 2014 to December 31, 2014)

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	1,261	33.7	270	71.1	270	84.6	130	88.1	13.45

4. Notes

- (1) Changes in significant subsidiaries during the six months ended June 30, 2014
 (changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: No
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements
- Changes in accounting policies due to revisions to accounting standards and other regulations: No
- Changes in accounting policies due to other reasons: No
- Changes in accounting estimates: No
- Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of June 30, 2014	9,735,500 shares	As of December 31, 2013	9,671,500 shares
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Number of treasury shares at the end of the period

As of June 30, 2014	– shares	As of December 31, 2013	– shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended June 30, 2014	9,720,357 shares	Six months ended June 30, 2013	5,105,000 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of December 31, 2013	As of June 30, 2014
Assets		
Current assets		
Cash and deposits	949,205	984,429
Accounts receivable - trade	132,880	107,706
Work in process	26	-
Supplies	-	5
Prepaid expenses	17,762	14,840
Deferred tax assets	15,881	10,069
Other	376	152
Allowance for doubtful accounts	(2,730)	(1,869)
Total current assets	1,113,403	1,115,334
Non-current assets		
Property, plant and equipment		
Facilities attached to buildings	1,840	1,840
Accumulated depreciation	(417)	(549)
Facilities attached to buildings, net	1,422	1,291
Tools, furniture and fixtures	142,554	159,864
Accumulated depreciation	(104,664)	(113,276)
Tools, furniture and fixtures, net	37,889	46,587
Leased assets	6,290	6,290
Accumulated depreciation	(1,677)	(2,306)
Leased assets, net	4,612	3,983
Total property, plant and equipment	43,925	51,862
Intangible assets		
Goodwill	197,959	168,989
Trademark right	252	228
Software	75,478	75,574
Software in progress	11,804	16,128
Other	66	66
Total intangible assets	285,561	260,987
Investments and other assets		
Investment securities	14,384	14,385
Shares of subsidiaries and associates	7,920	7,920
Investments in capital	0	0
Long-term prepaid expenses	124	62
Deferred tax assets	1,808	1,125
Total investments and other assets	24,237	23,492
Total non-current assets	353,724	336,343
Total assets	1,467,128	1,451,677

(Thousands of yen)

	As of December 31, 2013	As of June 30, 2014
Liabilities		
Current liabilities		
Lease obligations	1,301	1,318
Accounts payable - other	45,119	42,055
Accrued expenses	24,379	20,717
Income taxes payable	76,949	32,615
Accrued consumption taxes	9,327	10,836
Advances received	13,187	12,682
Deposits received	6,279	7,479
Provision for bonuses	18,015	16,559
Total current liabilities	194,560	144,265
Non-current liabilities		
Lease obligations	3,644	2,980
Total non-current liabilities	3,644	2,980
Total liabilities	198,205	147,246
Net assets		
Shareholders' equity		
Capital stock	552,801	557,488
Capital surplus	617,530	620,467
Retained earnings	98,591	126,475
Total shareholders' equity	1,268,923	1,304,431
Total net assets	1,268,923	1,304,431
Total liabilities and net assets	1,467,128	1,451,677

Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)

Consolidated statements of income (cumulative)

(Thousands of yen)

	Six months ended June 30, 2013	Six months ended June 30, 2014
Net sales	418,722	502,076
Cost of sales	156,391	194,931
Gross profit	262,331	307,144
Selling, general and administrative expenses	198,974	241,879
Operating income	63,356	65,264
Non-operating income		
Interest income	12	55
Foreign exchange gains	58	-
Commission fee	260	106
Gain on investments in partnership	-	1
Other	18	2
Total non-operating income	349	165
Non-operating expenses		
Interest expenses	1,156	133
Guarantee commission	611	-
Foreign exchange losses	-	265
Loss on investments in partnership	142	-
Total non-operating expenses	1,910	398
Ordinary income	61,795	65,031
Extraordinary losses		
Loss on retirement of non-current assets	-	34
Total extraordinary losses	-	34
Income before income taxes and minority interests	61,795	64,997
Income taxes - current	34,715	30,619
Income taxes - deferred	(3,672)	6,495
Total income taxes	31,042	37,114
Income before minority interests	30,752	27,883
Net income	30,752	27,883

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Six months ended June 30, 2013	Six months ended June 30, 2014
Income before minority interests	30,752	27,883
Comprehensive income	30,752	27,883
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	30,752	27,883
Comprehensive income attributable to minority interests	-	-

Consolidated statements of cash flows

(Thousands of yen)

	Six months ended June 30, 2013	Six months ended June 30, 2014
Cash flows from operating activities		
Income before income taxes and minority interests	61,795	64,997
Depreciation	28,227	29,875
Amortization of goodwill	28,969	28,969
Increase (decrease) in allowance for doubtful accounts	(85)	(860)
Increase (decrease) in provision for bonuses	4,907	(1,455)
Interest and dividend income	(12)	(55)
Interest expenses	1,156	133
Loss on retirement of property, plant and equipment	-	34
Loss (gain) on investments in partnership	142	(1)
Decrease (increase) in notes and accounts receivable - trade	(16,843)	25,176
Decrease (increase) in inventories	-	21
Increase (decrease) in accounts payable - other	(2,067)	(1,754)
Increase (decrease) in accrued consumption taxes	(425)	1,508
Other, net	7,054	(3,232)
Subtotal	112,818	143,355
Interest and dividend income received	12	55
Interest expenses paid	(1,076)	(133)
Income taxes paid	(5,966)	(72,747)
Net cash provided by (used in) operating activities	105,788	70,530
Cash flows from investing activities		
Purchase of property, plant and equipment	(30,476)	(17,909)
Purchase of intangible assets	(17,085)	(24,107)
Payments for investments in capital	(1,000)	-
Net cash provided by (used in) investing activities	(48,561)	(42,017)
Cash flows from financing activities		
Increase in short-term loans payable	80,000	-
Decrease in short-term loans payable	(162,000)	-
Repayments of long-term loans payable	(38,774)	-
Repayments of lease obligations	(629)	(646)
Proceeds from exercise of share options	-	7,625
Net cash provided by (used in) financing activities	(121,403)	6,978
Effect of exchange rate change on cash and cash equivalents	-	(268)
Net increase (decrease) in cash and cash equivalents	(64,176)	35,224
Cash and cash equivalents at beginning of period	226,101	949,205
Cash and cash equivalents at end of period	161,925	984,429