

Translation

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**Summary of Consolidated Financial Results
for the Six Months Ended June 30, 2015
(Based on Japanese GAAP)**

August 12, 2015

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 13, 2015
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes
 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, 2015 (from January 1, 2015 to June 30, 2015)

(1) Consolidated operating results (cumulative)

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended June 30, 2015	1,216	142.3	(132)	–	(182)	–	(162)	–
Six months ended June 30, 2014	502	19.9	65	3.0	65	5.2	27	(9.3)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended June 30, 2015	(16.60)		–	
Six months ended June 30, 2014	2.87		2.74	

(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, 2015	4,566	1,285	27.9	129.58
As of December 31, 2014	3,244	1,350	41.6	138.75

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen				
Year ended December 31, 2014	–	0.00	–	0.00	0.00
Year ending December 31, 2015	–	–	–	–	–
Year ending December 31, 2015 (Forecast)	–	–	–	0.00	0.00

3. Forecast of consolidated financial results for the year ending December 31, 2015 (from January 1, 2015 to December 31, 2015)

Percentages indicate year-on-year changes

	Net sales		Operating income		Profit		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	2,423	135.7	208	41.9	106	42.8	10.89

4. Notes

- (1) Changes in significant subsidiaries during the six months ended June 30, 2015
 (changes in specified subsidiaries resulting in the change in scope of consolidation): Yes
- (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, 2015	9,841,500 shares	As of December 31, 2014	9,735,500 shares
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Number of treasury shares at the end of the period

As of June 30, 2015	– shares	As of December 31, 2014	– 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, 2015	9,763,230 shares	Six months ended June 30, 2014	9,720,357 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of December 31, 2014	As of June 30, 2015
Assets		
Current assets		
Cash and deposits	2,772,545	744,820
Accounts receivable - trade	126,703	265,666
Work in process	–	510
Prepaid expenses	25,017	77,646
Deferred tax assets	11,867	7,337
Other	1,066	1,032
Allowance for doubtful accounts	(2,202)	(4,033)
Total current assets	2,934,998	1,092,980
Non-current assets		
Property, plant and equipment		
Facilities attached to buildings	1,840	1,840
Accumulated depreciation	(681)	(787)
Facilities attached to buildings, net	1,159	1,053
Tools, furniture and fixtures	155,832	196,760
Accumulated depreciation	(115,494)	(139,002)
Tools, furniture and fixtures, net	40,338	57,757
Leased assets	6,290	11,268
Accumulated depreciation	(2,935)	(4,631)
Leased assets, net	3,354	6,637
Total property, plant and equipment	44,852	65,449
Intangible assets		
Goodwill	140,019	3,180,878
Software	73,995	208,139
Software in progress	23,743	6,251
Other	66	66
Total intangible assets	237,825	3,395,336
Investments and other assets		
Investment securities	14,387	–
Shares of subsidiaries and associates	7,920	7,920
Investments in capital	0	0
Long-term prepaid expenses	–	1,234
Deferred tax assets	4,313	3,881
Total investments and other assets	26,620	13,036
Total non-current assets	309,298	3,473,821
Total assets	3,244,296	4,566,802

(Thousands of yen)

	As of December 31, 2014	As of June 30, 2015
Liabilities		
Current liabilities		
Short-term loans payable	1,700,000	2,301,573
Current portion of long-term loans payable	–	144,710
Lease obligations	1,336	2,759
Accounts payable - other	64,775	240,466
Accrued expenses	25,033	24,284
Income taxes payable	42,583	2,810
Accrued consumption taxes	19,919	7,178
Advances received	12,189	101,469
Deposits received	8,148	7,721
Provision for bonuses	17,114	12,943
Other	86	–
Total current liabilities	1,891,187	2,845,919
Non-current liabilities		
Long-term loans payable	–	433,424
Lease obligations	2,308	1,626
Total non-current liabilities	2,308	435,050
Total liabilities	1,893,495	3,280,970
Net assets		
Shareholders' equity		
Capital stock	557,488	568,588
Capital surplus	620,467	629,067
Retained earnings	172,844	10,746
Total shareholders' equity	1,350,801	1,208,403
Accumulated other comprehensive income		
Foreign currency translation adjustment	–	66,827
Total accumulated other comprehensive income	–	66,827
Subscription rights to shares	–	10,601
Total net assets	1,350,801	1,285,832
Total liabilities and net assets	3,244,296	4,566,802

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, 2014	Six months ended June 30, 2015
Net sales	502,076	1,216,779
Cost of sales	194,931	737,446
Gross profit	307,144	479,333
Selling, general and administrative expenses	241,879	611,446
Operating income (loss)	65,264	(132,113)
Non-operating income		
Interest income	55	360
Commission fee	106	7
Other	3	14
Total non-operating income	165	381
Non-operating expenses		
Interest expenses	133	17,173
Foreign exchange losses	265	33,084
Other	–	167
Total non-operating expenses	398	50,425
Ordinary income (loss)	65,031	(182,156)
Extraordinary income		
Gain on sales of non-current assets	–	71
Total extraordinary income	–	71
Extraordinary losses		
Loss on retirement of non-current assets	34	0
Loss on valuation of investments in capital	–	1,300
Total extraordinary losses	34	1,300
Income (loss) before income taxes and minority interests	64,997	(183,385)
Income taxes - current	30,619	1,026
Income taxes - deferred	6,495	(22,314)
Total income taxes	37,114	(21,287)
Income (loss) before minority interests	27,883	(162,098)
Net income (loss)	27,883	(162,098)

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Six months ended June 30, 2014	Six months ended June 30, 2015
Income (loss) before minority interests	27,883	(162,098)
Other comprehensive income		
Foreign currency translation adjustment	–	66,827
Total other comprehensive income	–	66,827
Comprehensive income	27,883	(95,270)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	27,883	(95,270)
Comprehensive income attributable to minority interests	–	–

Consolidated statements of cash flows

(Thousands of yen)

	Six months ended June 30, 2014	Six months ended June 30, 2015
Cash flows from operating activities		
Income (loss) before income taxes and minority interests	64,997	(183,385)
Depreciation	29,875	56,038
Amortization of goodwill	28,969	132,967
Increase (decrease) in allowance for doubtful accounts	(860)	(630)
Increase (decrease) in provision for bonuses	(1,455)	(4,171)
Interest and dividend income	(55)	(360)
Interest expenses	133	17,173
Loss on retirement of property, plant and equipment	34	0
Loss (gain) on sales of property, plant and equipment	–	(71)
Loss (gain) on investments in partnership	(1)	–
Foreign exchange losses (gains)	–	29,653
Decrease (increase) in notes and accounts receivable - trade	25,176	69,237
Decrease (increase) in inventories	21	(510)
Increase (decrease) in accounts payable - other	(1,754)	71,756
Increase (decrease) in advances received	(505)	(176,600)
Increase (decrease) in accrued consumption taxes	1,508	(12,740)
Other, net	(2,727)	(9,477)
Subtotal	143,355	(11,122)
Interest and dividend income received	55	360
Interest expenses paid	(133)	(17,647)
Income taxes paid	(72,747)	(38,821)
Net cash provided by (used in) operating activities	70,530	(67,230)
Cash flows from investing activities		
Purchase of property, plant and equipment	(17,909)	484
Proceeds from sales of property, plant and equipment	–	71
Purchase of intangible assets	(24,107)	(41,722)
Proceeds from redemption of investment securities	–	14,388
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(2,747,108)
Net cash provided by (used in) investing activities	(42,017)	(2,773,886)
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	–	400,042
Proceeds from long-term loans payable	–	559,227
Repayments of long-term loans payable	–	(161,418)
Repayments of lease obligations	(646)	(363)
Proceeds from exercise of share options	7,625	19,700
Proceeds from issuance of subscription rights to shares	–	10,601
Net cash provided by (used in) financing activities	6,978	827,789
Effect of exchange rate change on cash and cash equivalents	(268)	(14,397)
Net increase (decrease) in cash and cash equivalents	35,224	(2,027,724)
Cash and cash equivalents at beginning of period	949,205	2,772,545
Cash and cash equivalents at end of period	984,429	744,820