

November 11, 2015

For the Nine Months of FY12/2015

# Presentation Materials

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# TOPICS



Consolidated Results for 9M FY12/15



Guidance Revision for FY12/15

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# Consolidated Financial Results

For the Nine-Month period of Fiscal Year 2015(Jan.-Sept.)

# Executive Summary (For the 9M of FY12/15)

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- Sales: ¥1,829 million (250% growth yoy for the 9M of FY12/15)
  - ✓ Strong performance of China Trend Express, a visualization-based ( in graphs) tool which turns data to insights into spending of Chinese tourists visiting Japan
  - ✓ Global expansion

(Japanese GAAP)

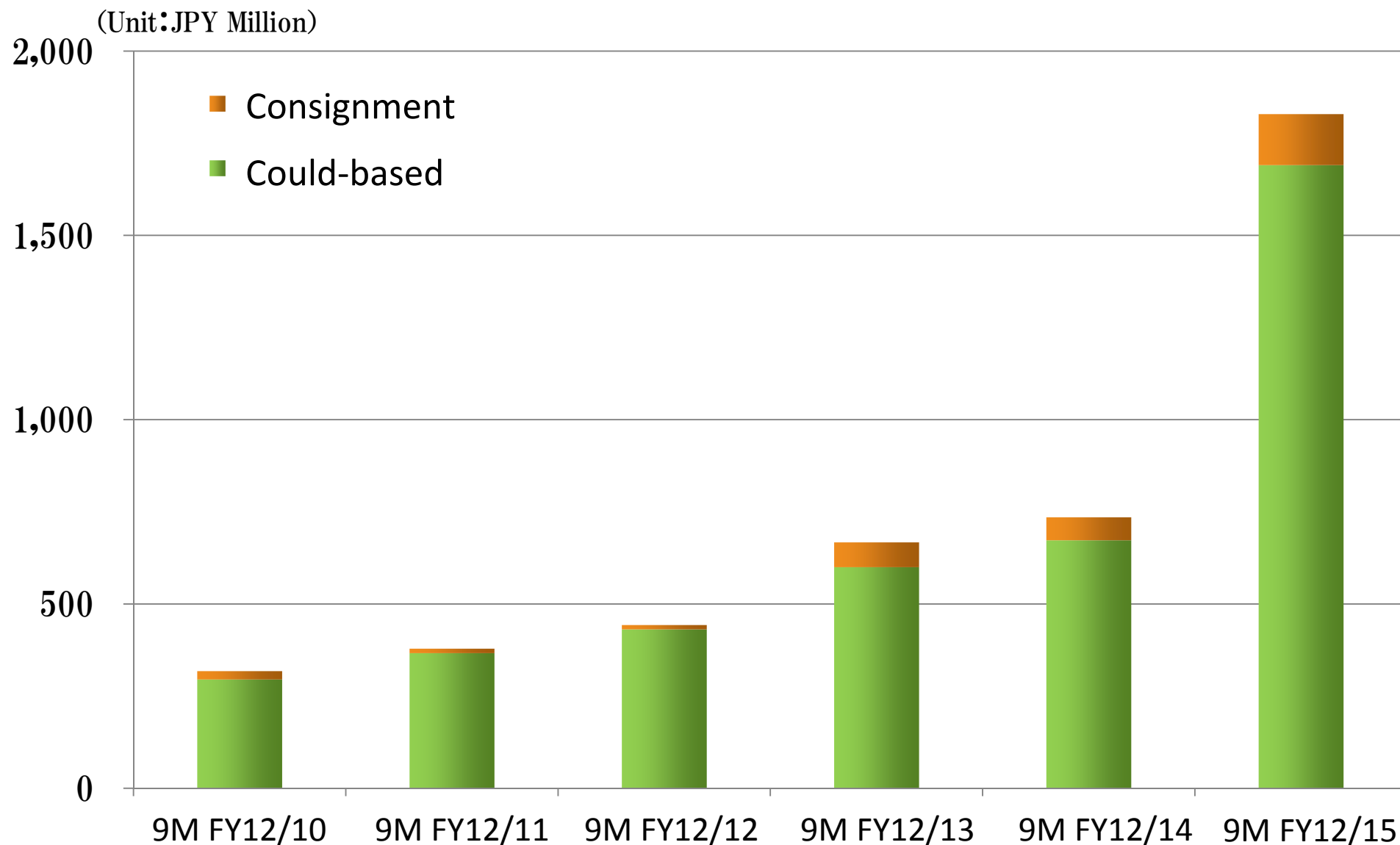
- Operating profit: Loss of ¥ 106 million  
( compared to ¥ 93 million profit for the 9M of FY12/14)
  - ✓ ¥ 200 million increase in goodwill amortization as a result of acquisition
  - ✓ ¥ 93 million operating profit before goodwill amortization

# Summary of Consolidated Results (Japanese GAAP)

(Unit: Millions of yen)

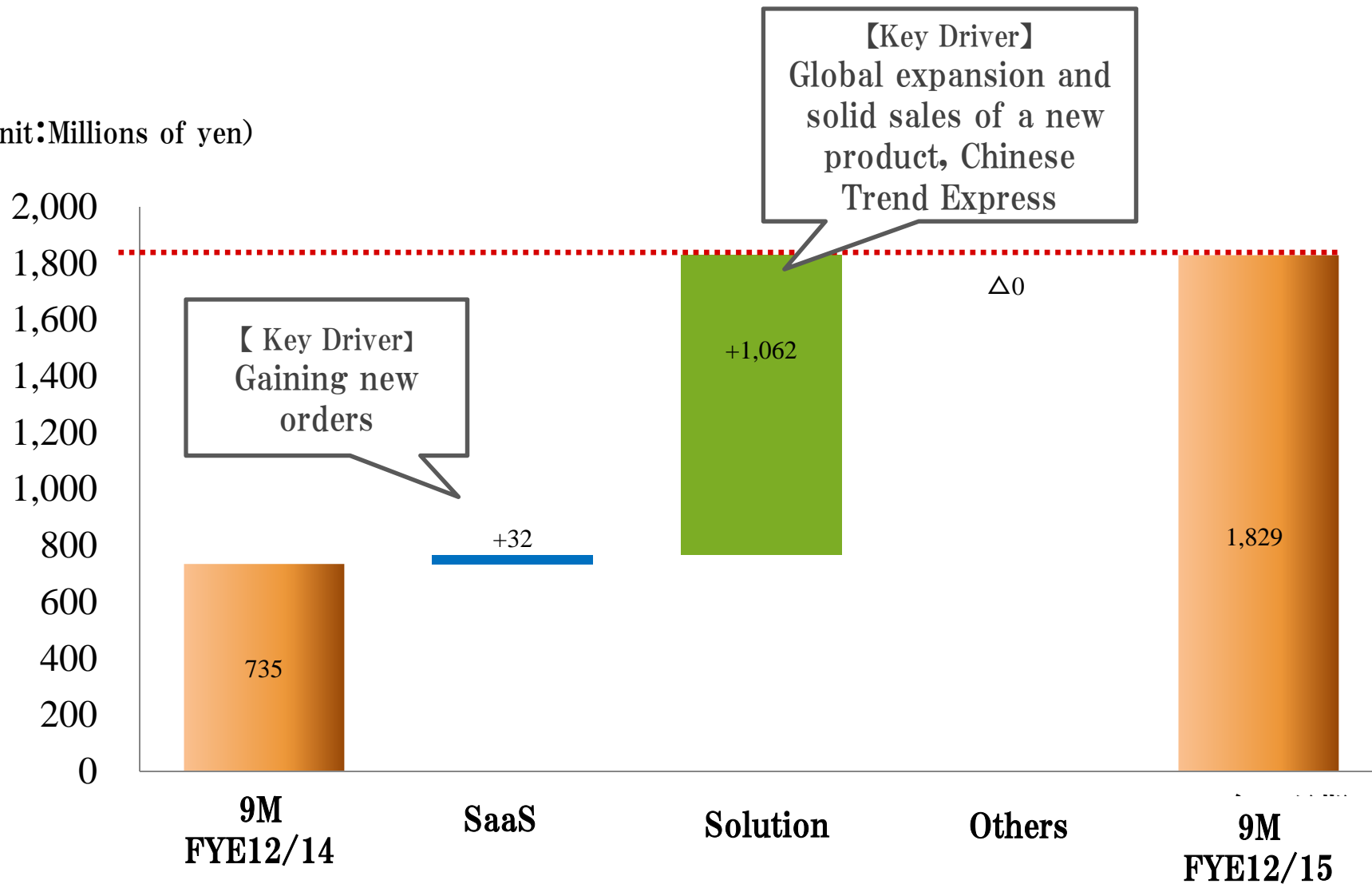
	9M FY12/15	9M FY12/14	Yoy change
Sales	1,829	735	248.8%
Operating income	△106	93	—
Operating margin	△5.8%	12.9%	—
Ordinary income	△164	93	—
Net income	△179	40	—
Operating income before goodwill amortization	93	138	67.5%

# Consolidated Sales (Nine-month accumulated)

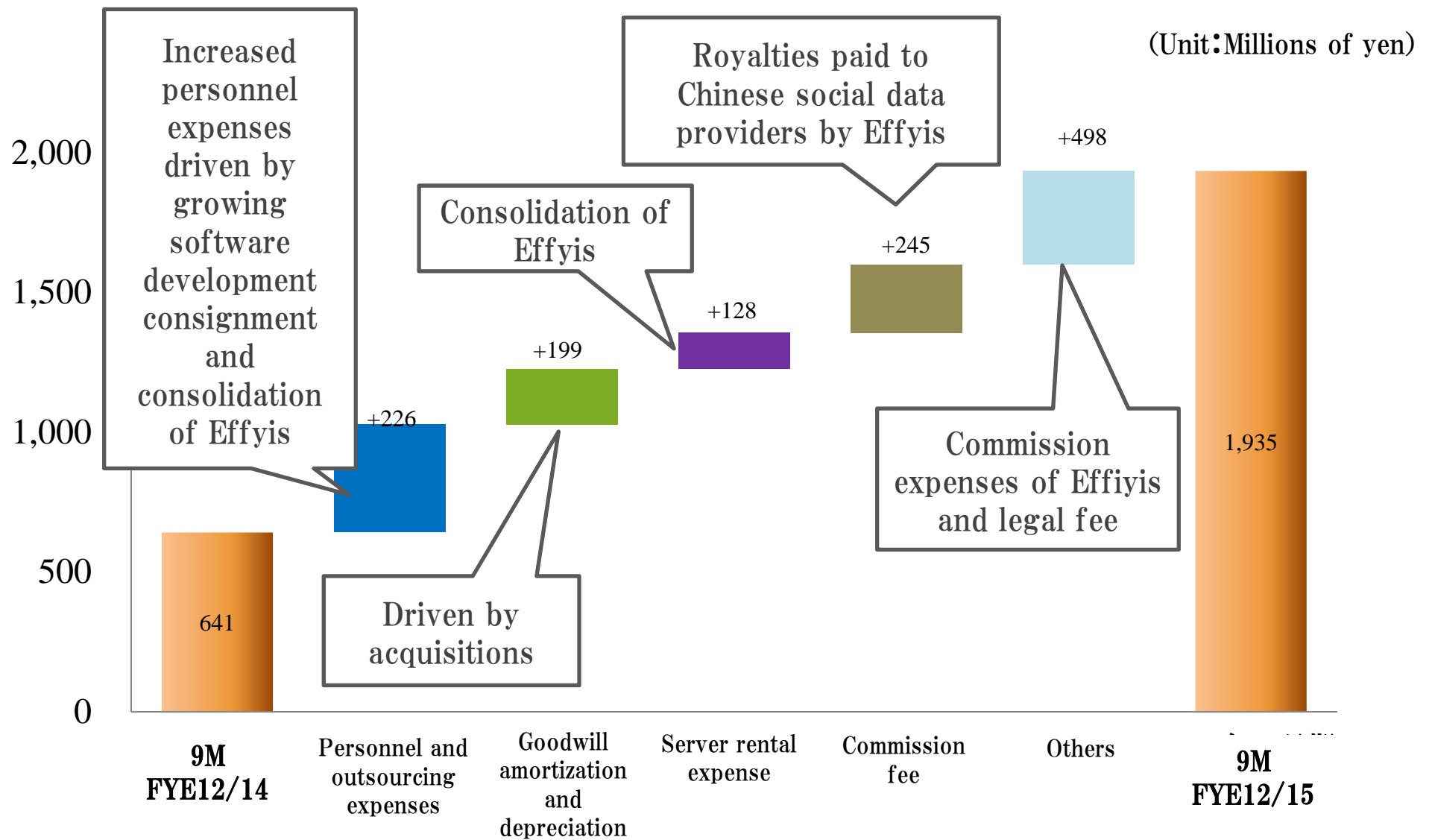


# Changes in Sales (yoy)

(unit:Millions of yen)



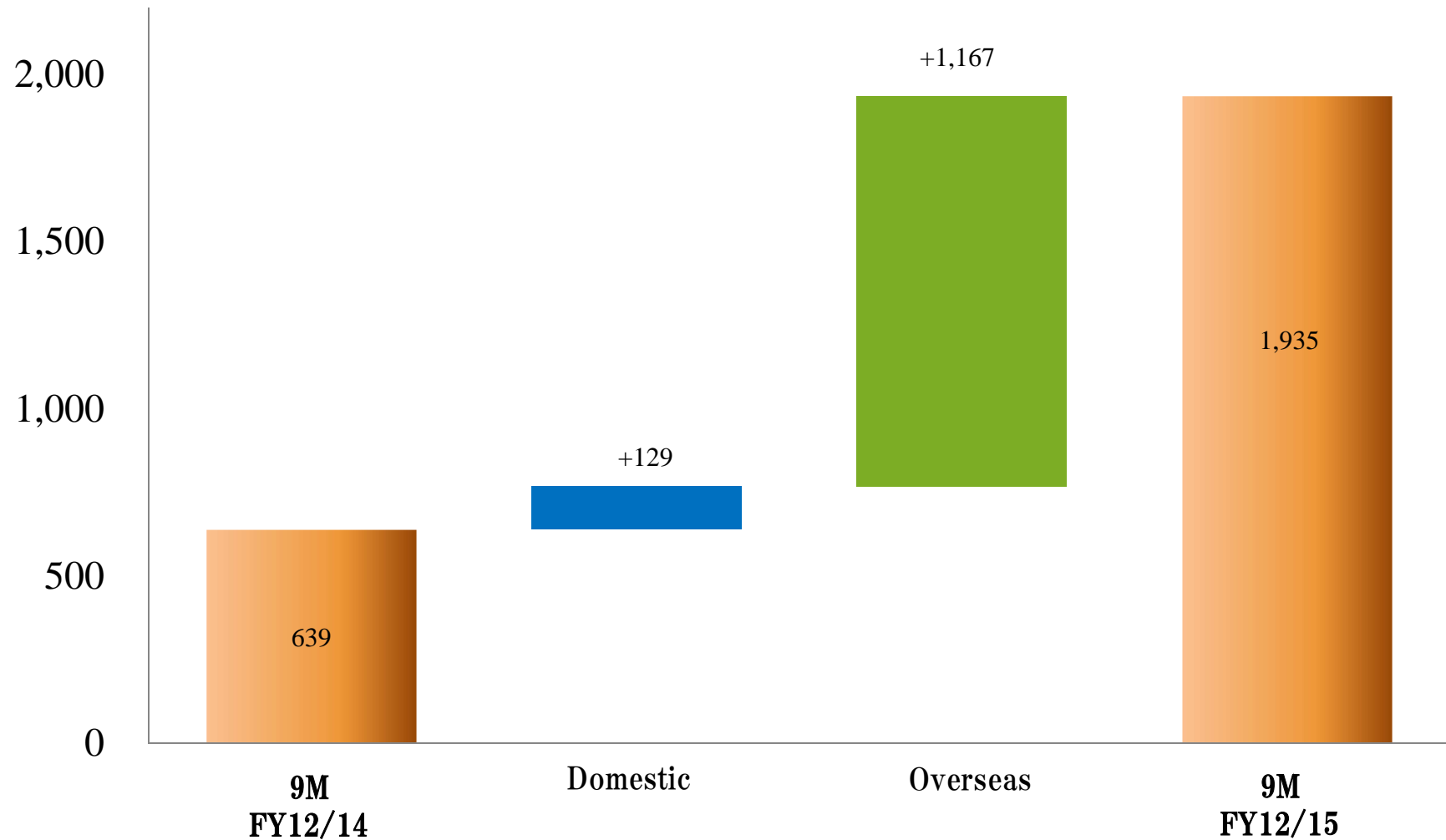
# Costs (COS+SG&A) analysis (yoy change) by cost account





# Costs (COS+SG&A) analysis (yoy change) by geography

(Unit:Millions of yen)



# Change of accounting reporting standard

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## ※Note

While the accounting reporting standards for FY12/15 full-year results will be under IFRS, the reporting standards for the nine months remain under Japanese GAAP.

# Consolidated Balance Sheet

Unit: Millions of Yen

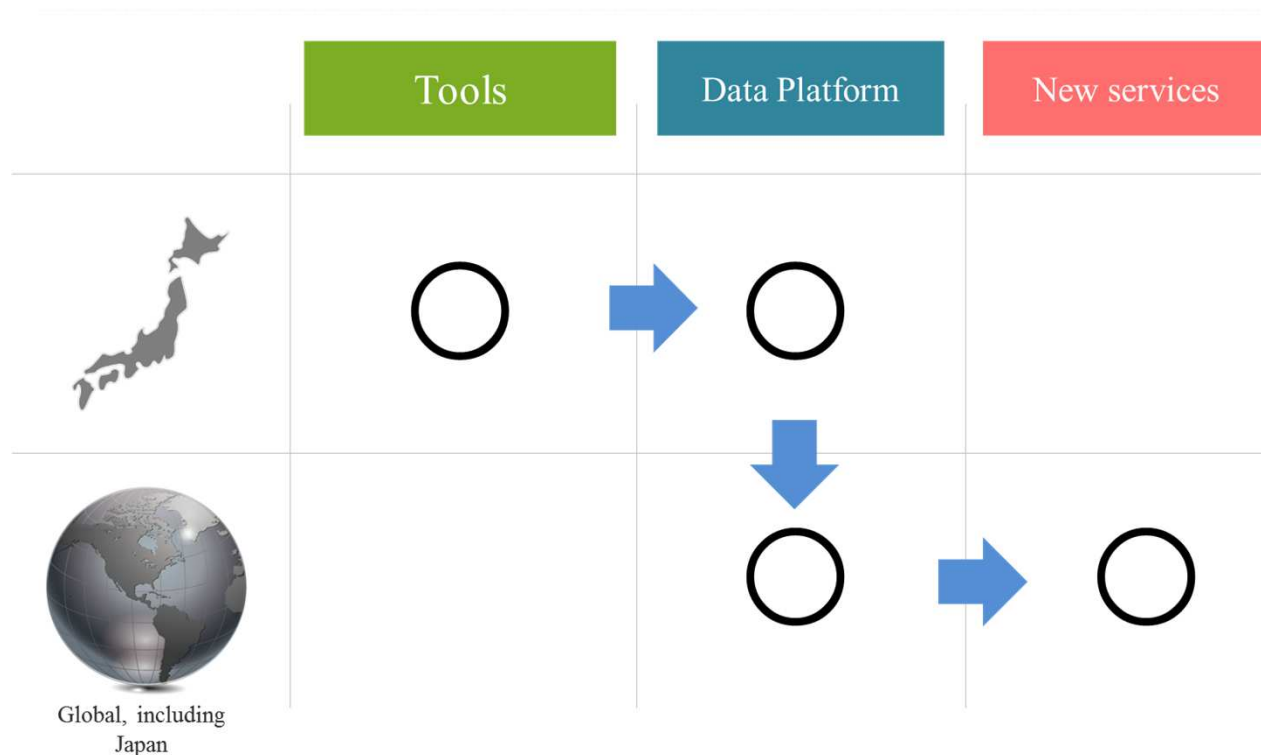
【Major changes】  
Increased debt due to borrowing for  
acquisition financing

	FY12/14	1HFY12/15	Difference
Current Assets	2,934	971	△1,963
Fixed Assets	309	3,328	3,019
<b>Total Assets</b>	<b>3,244</b>	<b>4,300</b>	<b>1,055</b>
Current Liabilities	1,891	2,685	794
Long-term Liabilities	2	399	397
<b>Total Liabilities</b>	<b>1,893</b>	<b>3,084</b>	<b>1,191</b>
Net Assets	1,350	1,215	△135
<b>Total Liabilities and Equity</b>	<b>3,244</b>	<b>4,300</b>	<b>1,055</b>

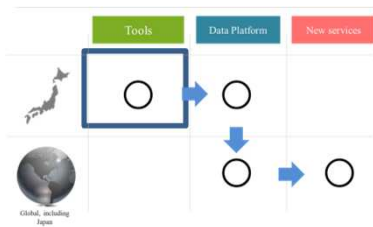
# Business development and strategic initiatives

Hotto Link launched its business in the domestic market with two marketing analytics tools, *Kuchikomi@kakarichol* and *E-mining*, which utilize social big data. It is expanding its overseas presence by forming alliances with global social big data owners and promoting its data platform services.

Additionally, it intends to offer value-added analytics tools, such as Chinese Trend Express, which extract useful information from big data. Such data-discovery tools provide its clients business insights which allow them to foresee new demands and take actions.



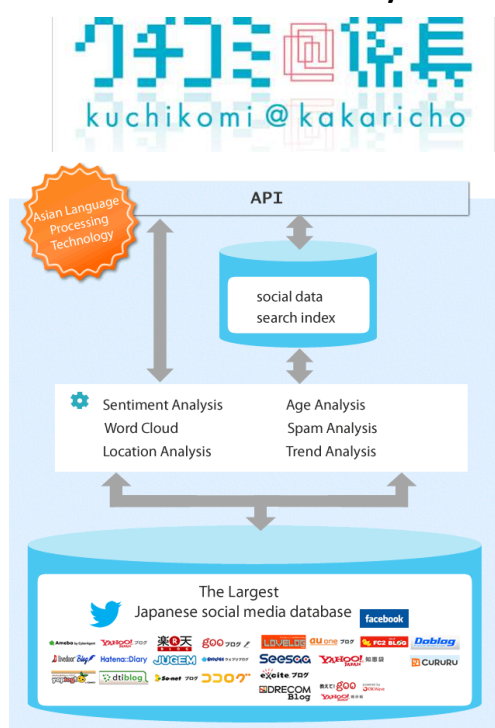
# Quarterly update on analytics tool business



Kuchikomi@kakaricho won the grand prix for business support services in ASP • SaaS category at the 9<sup>th</sup> ASPIC Could Awards 2015

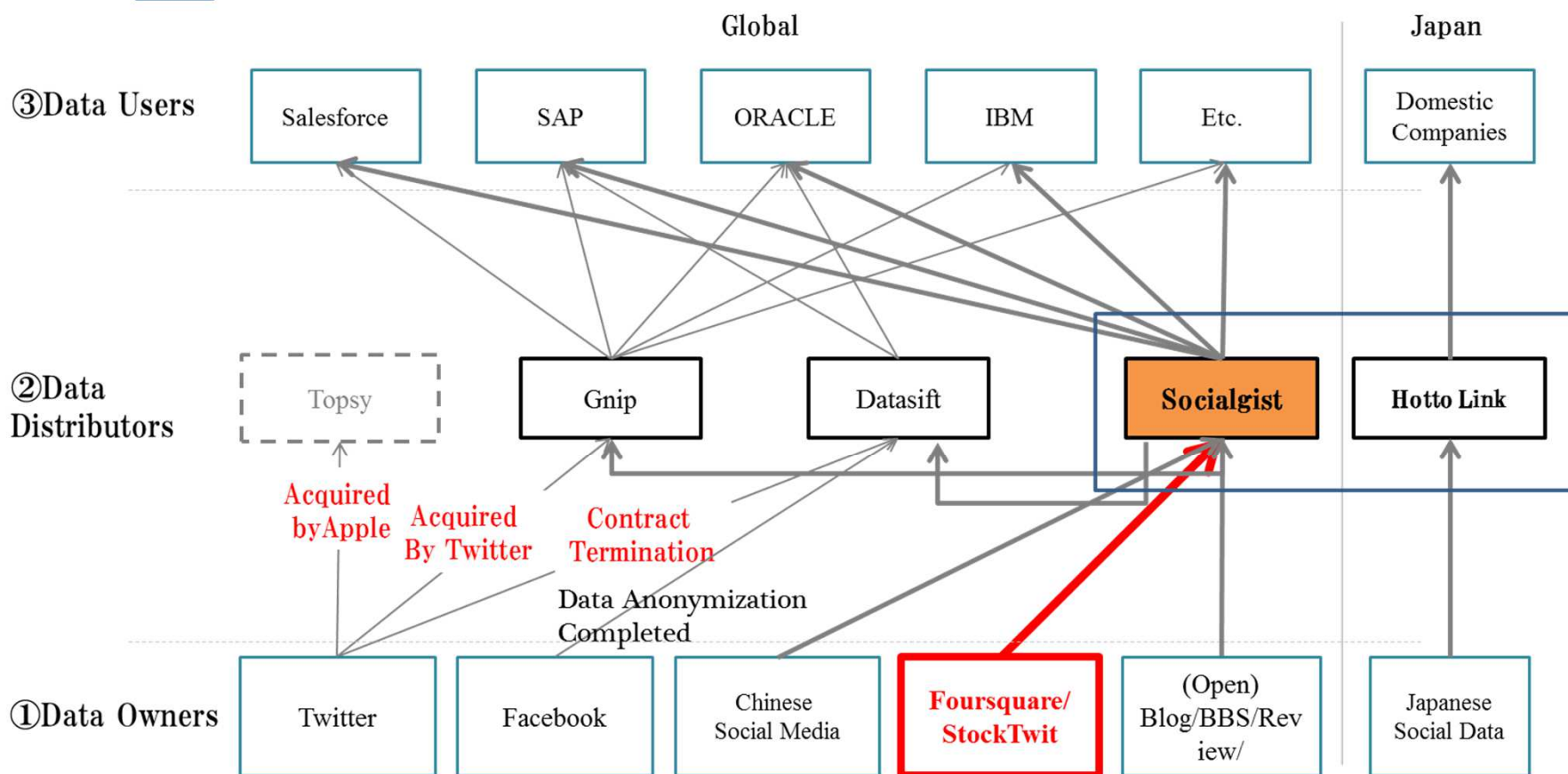
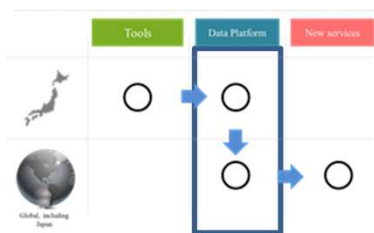
ASPIC is a nonprofit organization set up in 1999 with a mission to promote SaaS • Cloud services

## Social Media Analysis Tool



# Quarterly update on data platform services

Business tie-up with Foursquare <sup>®</sup> contributed to roll-out of users' review data with location information of users, the first in the world.





# II Revision of FY12/15 Consolidated Forecasts

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## Revision of Consolidated Forecasts for the Fiscal Year 2015



# Executive Summary (guidance revision)

Downward- revision of FY12/15 guidance based on accounting standards under IFSR.

(単位:百万円)

	Revised Forecast	Original Forecast	Differences	% change
Sales	2,409	2,423	△14	△0.6%
Operating income	△31	208	△239	—
Net income	△124	106	△230	—

Main reasons for downward-revision,

- ①Changes in accounting reporting due to migration of reporting standards to IFRS from Japanese GAAP.
- ②Increased expenses resulting from business expansion.
- ③Bad debt write-off given changes in business of acquired company.
- ④Foreign exchange loss associated with fund transfer for acquisition.

【IFRS (International Financial Reporting Standards are a set of international accounting standards issued by the International Accounting Standards Board (IASB)

# ① Changes in Accounting Reporting after migrating to IFRS

(Unit: Millions of yen)

Expense item	Difference between new and old forecasts	Details
<b>【Overseas】</b>		
Depreciation expense	+46	A change in depreciation methods from double-declining balance, a common method in the US, to straight line required by IFRS. As a result, depreciation expenses will increase.
Personnel expense	+60	Revision of Effyis' employment cash incentive schemes from 2015 and forward
Total	+106	

## ② Upfront investment and increased operating costs related to business expansion

(Unit: Millions of yen)

Expense item	Difference between New and Old forecasts	Details
<b>【Overseas】</b>		
Personnel, Marketing, and fee changes etc.	+ 77	Costs for creating a portal site for customer support, increased hiring of sales force and management, as well as spending on consulting and auditing services
<b>【Domestic】</b>		
Rental	+ 30	An increase in rental expenses of cloud servers resulting from business expansion
Total	+ 107	

## ③、④ Increases in other expenses

(Unit: Millions of yen)

Expense item	Difference between New and Old estimates	Details
<b>【Overseas】</b>		
Provisions of allowance for	+30	Losses in bad debt write-off after changes in business condition after acquisition
Foreign exchange loss	+33	Foreign exchange loss associated with fund transfer for Effyis acquisition
Corporate tax etc.	△46	Decreased in corporate taxes
Total	+17	

# Future plans/strategic initiatives

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## 1. Rigorous control over budgeting and increased efforts on sales growth of the overseas subsidiary

The company has placed an emphasis on management restructuring of the overseas subsidiary after Effyis acquisition. Despite unexpected expenses and bad debt, restructuring efforts will lead to improvement in cost control and expansion in sales growth from FY12/16 and onward. Current sales progress is in line with expectation.

## 2. Cost reductions

Among increased expenses, ¥30mn losses on write-off of bad debt and ¥33mn losses on foreign exchange are one-off for FY12/15. Moreover, ¥38mn costs associated with acquisition and ¥12mn PMI consulting fee along with another ¥12mn costs related to introduction of IFRS are also one-off for FY12/15.

The company is aiming at generating profits in FY12/16 given its initiatives on cost reduction and sales expansion.

## < Presentation Disclaimer >

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We caution you that the actual future performance may differ from the statements in the presentation. Management of Hotto Link intends to provide accurate and useful information to explain its business operating environment. Supplementary information may vary depending on the methodologies and timing of surveys.

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# Make the World “Hotto”

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Thank you for reading to the end

