

Translation

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Summary of Consolidated Financial Results for the Nine Months Ended September 30, 2014 (Based on Japanese GAAP)

November 7, 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: November 13, 2014
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: No
 Holding of quarterly financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the nine months ended September 30, 2014 (from January 1, 2014 to September 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	%
Nine months ended September 30, 2014	735	10.2	93	(17.0)	93	(15.3)	40	(26.0)
Nine months ended September 30, 2013	667	–	112	–	110	–	54	–

	Net income per share		Diluted net income per share	
	Yen		Yen	
Nine months ended September 30, 2014	4.17		3.99	
Nine months ended September 30, 2013	10.51		–	

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio		Net assets per share	
	Millions of yen		Millions of yen		%		Yen	
As of September 30, 2014	2,128		1,317		61.9		135.29	
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				
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	1,019	8.1	147	(7.0)	134	(8.2)	58	(15.9)	5.96	

4. Notes

- (1) Changes in significant subsidiaries during the nine months ended September 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 September 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 September 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)

Nine months ended September 30, 2014	9,725,459 shares	Nine months ended September 30, 2013	5,217,000 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of December 31, 2013	As of September 30, 2014
Assets		
Current assets		
Cash and deposits	949,205	1,677,745
Accounts receivable - trade	132,880	107,270
Work in process	26	5,389
Supplies	–	5
Prepaid expenses	17,762	12,861
Deferred tax assets	15,881	4,726
Other	376	1,748
Allowance for doubtful accounts	(2,730)	(1,837)
Total current assets	1,113,403	1,807,909
Non-current assets		
Property, plant and equipment		
Facilities attached to buildings	1,840	1,840
Accumulated depreciation	(417)	(615)
Facilities attached to buildings, net	1,422	1,225
Tools, furniture and fixtures	142,554	159,592
Accumulated depreciation	(104,664)	(118,649)
Tools, furniture and fixtures, net	37,889	40,942
Leased assets	6,290	6,290
Accumulated depreciation	(1,677)	(2,620)
Leased assets, net	4,612	3,669
Total property, plant and equipment	43,925	45,837
Intangible assets		
Goodwill	197,959	154,504
Trademark right	252	216
Software	75,478	74,254
Software in progress	11,804	22,149
Other	66	66
Total intangible assets	285,561	251,192
Investments and other assets		
Investment securities	14,384	14,387
Shares of subsidiaries and associates	7,920	7,920
Investments in capital	0	0
Long-term prepaid expenses	124	31
Deferred tax assets	1,808	728
Total investments and other assets	24,237	23,067
Total non-current assets	353,724	320,096
Total assets	1,467,128	2,128,006

(Thousands of yen)

	As of December 31, 2013	As of September 30, 2014
Liabilities		
Current liabilities		
Short-term loans payable	–	700,000
Lease obligations	1,301	1,327
Accounts payable - other	45,119	39,957
Accrued expenses	24,379	20,669
Income taxes payable	76,949	4,626
Accrued consumption taxes	9,327	13,826
Advances received	13,187	12,550
Deposits received	6,279	7,774
Provision for bonuses	18,015	7,496
Total current liabilities	194,560	808,229
Non-current liabilities		
Lease obligations	3,644	2,645
Total non-current liabilities	3,644	2,645
Total liabilities	198,205	810,874
Net assets		
Shareholders' equity		
Capital stock	552,801	557,488
Capital surplus	617,530	620,467
Retained earnings	98,591	139,175
Total shareholders' equity	1,268,923	1,317,132
Total net assets	1,268,923	1,317,132
Total liabilities and net assets	1,467,128	2,128,006

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

Consolidated statements of income (cumulative)

(Thousands of yen)

	Nine months ended September 30, 2013	Nine months ended September 30, 2014
Net sales	667,090	735,149
Cost of sales	246,689	286,682
Gross profit	420,401	448,466
Selling, general and administrative expenses	307,759	354,941
Operating income	112,641	93,525
Non-operating income		
Interest income	36	150
Commission fee	399	106
Gain on investments in partnership	-	2
Foreign exchange gains	-	344
Other	135	2
Total non-operating income	570	607
Non-operating expenses		
Interest expenses	1,456	173
Guarantee commission	652	-
Foreign exchange losses	63	-
Loss on investments in partnership	170	-
Total non-operating expenses	2,343	173
Ordinary income	110,868	93,959
Extraordinary losses		
Loss on sales of non-current assets	496	-
Loss on retirement of non-current assets	-	40
Total extraordinary losses	496	40
Income before income taxes and minority interests	110,372	93,919
Income taxes - current	57,990	41,099
Income taxes - deferred	(2,450)	12,235
Total income taxes	55,540	53,335
Income before minority interests	54,832	40,583
Net income	54,832	40,583

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Nine months ended September 30, 2013	Nine months ended September 30, 2014
Income before minority interests	54,832	40,583
Comprehensive income	54,832	40,583
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	54,832	40,583
Comprehensive income attributable to minority interests	—	—