

Translation

Notice: This document is an excerpt translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

## Summary of Consolidated Financial Results for the Year Ended December 31, 2014 (Based on Japanese GAAP)

February 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 of ordinary general meeting of shareholders: March 26, 2015  
 Scheduled date to file Securities Report: March 27, 2015  
 Scheduled date to commence dividend payments: –  
 Preparation of supplementary material on financial results: No  
 Holding of financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

### 1. Consolidated financial results for the year ended December 31, 2014 (from January 1, 2014 to December 31, 2014)

#### (1) Consolidated financial results

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	%
Year ended December 31, 2014	1,028	8.9	146	(7.3)	163	11.7	74	7.2
Year ended December 31, 2013	943	–	158	–	146	–	69	–

	Net income per share	Diluted net income per share	Net income/equity	Ordinary income/total assets	Operating income/net sales
	Yen	Yen	%	%	%
Year ended December 31, 2014	7.63	7.30	5.7	6.9	14.3
Year ended December 31, 2013	11.74	11.67	8.4	13.4	16.7

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of December 31, 2014	3,244	1,350	41.6	138.75
As of December 31, 2013	1,467	1,268	86.5	131.20

#### (3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended December 31, 2014	167	(78)	1,706	2,772
Year ended December 31, 2013	208	(63)	577	949

### 2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended December 31, 2013	–	0.00	–	0.00	0.00	–	–	–
Year ended December 31, 2014	–	0.00	–	0.00	0.00	–	–	–
Year ending December 31, 2015 (Forecast)	–	0.00	–	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 year ended December 31, 2014

(changes in specified subsidiaries resulting in the change in scope of consolidation):

No

(2) 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 after error corrections:

No

(3) Number of issued shares (common shares)

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

As of December 31, 2014	9,735,500 shares	As of December 31, 2013	9,671,500 shares
-------------------------	------------------	-------------------------	------------------

Number of treasury shares at the end of the period

As of December 31, 2014	– shares	As of December 31, 2013	– shares
-------------------------	----------	-------------------------	----------

Average number of shares during the period

Year ended December 31, 2014	9,727,991 shares	Year ended December 31, 2013	5,899,140 shares
------------------------------	------------------	------------------------------	------------------

**Consolidated financial statements**  
**Consolidated balance sheets**

(Thousands of yen)

	As of December 31, 2013	As of December 31, 2014
Assets		
Current assets		
Cash and deposits	949,205	2,772,545
Accounts receivable - trade	132,880	126,703
Work in process	26	–
Prepaid expenses	17,762	25,017
Deferred tax assets	15,881	11,867
Other	376	1,066
Allowance for doubtful accounts	(2,730)	(2,202)
Total current assets	1,113,403	2,934,998
Non-current assets		
Property, plant and equipment		
Facilities attached to buildings	1,840	1,840
Accumulated depreciation	(417)	(681)
Facilities attached to buildings, net	1,422	1,159
Tools, furniture and fixtures	142,554	155,832
Accumulated depreciation	(104,664)	(115,494)
Tools, furniture and fixtures, net	37,889	40,338
Leased assets	6,290	6,290
Accumulated depreciation	(1,677)	(2,935)
Leased assets, net	4,612	3,354
Total property, plant and equipment	43,925	44,852
Intangible assets		
Goodwill	197,959	140,019
Trademark right	252	–
Software	75,478	73,995
Software in progress	11,804	23,743
Other	66	66
Total intangible assets	285,561	237,825
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	–
Deferred tax assets	1,808	4,313
Total investments and other assets	24,237	26,620
Total non-current assets	353,724	309,298
Total assets	1,467,128	3,244,296

(Thousands of yen)

	As of December 31, 2013	As of December 31, 2014
<b>Liabilities</b>		
Current liabilities		
Short-term loans payable	–	1,700,000
Lease obligations	1,301	1,336
Accounts payable - other	45,119	64,775
Accrued expenses	24,379	25,033
Income taxes payable	76,949	42,583
Accrued consumption taxes	9,327	19,919
Advances received	13,187	12,189
Deposits received	6,279	8,148
Provision for bonuses	18,015	17,114
Other	–	86
Total current liabilities	194,560	1,891,187
Non-current liabilities		
Lease obligations	3,644	2,308
Total non-current liabilities	3,644	2,308
Total liabilities	198,205	1,893,495
<b>Net assets</b>		
Shareholders' equity		
Capital stock	552,801	557,488
Capital surplus	617,530	620,467
Retained earnings	98,591	172,844
Total shareholders' equity	1,268,923	1,350,801
Total net assets	1,268,923	1,350,801
Total liabilities and net assets	1,467,128	3,244,296

**Consolidated statements of income and consolidated statements of comprehensive income**  
**Consolidated statements of income**

(Thousands of yen)

	Fiscal year ended December 31, 2013	Fiscal year ended December 31, 2014
Net sales	943,781	1,028,177
Cost of sales	348,516	395,149
Gross profit	595,264	633,027
Selling, general and administrative expenses		
Advertising expenses	23,188	20,376
Directors' compensations	79,943	93,166
Employees' salaries and allowances	91,097	103,851
Provision for bonuses	20,502	18,080
Legal welfare expenses	22,209	25,281
Business consignment expenses	7,101	8,568
Compensations	11,600	12,000
Research and development expenses	18,385	17,210
Rents	21,485	22,368
Depreciation	3,019	4,525
Amortization of goodwill	57,939	57,939
Provision of allowance for doubtful accounts	810	(528)
Other	79,948	103,621
Total selling, general and administrative expenses	437,230	486,462
Operating income	158,034	146,564
Non-operating income		
Interest income	36	176
Foreign exchange gains	436	28,593
Commission fee	1,518	197
Other	78	5
Total non-operating income	2,069	28,973
Non-operating expenses		
Interest expenses	1,717	1,778
Guarantee commission	881	–
Loss on investments in partnership	170	–
Share issuance cost	10,844	10,165
Total non-operating expenses	13,613	11,943
Ordinary income	146,489	163,595
Extraordinary income		
Gain on sales of non-current assets	–	83
Total extraordinary income	–	83
Extraordinary losses		
Loss on sales of non-current assets	496	–
Loss on retirement of non-current assets	–	40
Impairment loss	–	9,433
Loss on valuation of investments in capital	1,999	–
Total extraordinary losses	2,496	9,473
Income before income taxes and minority interests	143,993	154,205
Income taxes - current	83,930	78,442
Income taxes - deferred	(9,192)	1,509
Total income taxes	74,737	79,952
Income before minority interests	69,255	74,252
Net income	69,255	74,252

## Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended December 31, 2013	Fiscal year ended December 31, 2014
Income before minority interests	69,255	74,252
Comprehensive income	69,255	74,252
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	69,255	74,252
Comprehensive income attributable to minority interests	—	—

## Consolidated statements of changes in net assets

Fiscal year ended December 31, 2013

(Thousands of yen)

	Shareholders' equity					Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	
Balance at beginning of current period	203,496	174,742	29,336	(23,561)	384,013	384,013
Changes of items during period						
Issuance of new shares	261,192	261,192			522,385	522,385
Exercise of subscription rights to shares	88,112	27,937			116,050	116,050
Net income			69,255		69,255	69,255
Disposal of treasury shares		153,658		23,561	177,219	177,219
Net changes of items other than shareholders' equity						–
Total changes of items during period	349,305	442,788	69,255	23,561	884,909	884,909
Balance at end of current period	552,801	617,530	98,591	–	1,268,923	1,268,923

Fiscal year ended December 31, 2014

(Thousands of yen)

	Shareholders' equity					Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	
Balance at beginning of current period	552,801	617,530	98,591	–	1,268,923	1,268,923
Changes of items during period						
Issuance of new shares						
Exercise of subscription rights to shares	4,687	2,937			7,625	7,625
Net income			74,252		74,252	74,252
Disposal of treasury shares						
Net changes of items other than shareholders' equity						
Total changes of items during period	4,687	2,937	74,252	–	81,877	81,877
Balance at end of current period	557,488	620,467	172,844	–	1,350,801	1,350,801

## Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended December 31, 2013	Fiscal year ended December 31, 2014
Cash flows from operating activities		
Income before income taxes and minority interests	143,993	154,205
Depreciation	58,400	60,994
Impairment loss	–	9,433
Amortization of goodwill	57,939	57,939
Increase (decrease) in allowance for doubtful accounts	810	(528)
Increase (decrease) in provision for bonuses	9,206	(900)
Interest and dividend income	(36)	(176)
Interest expenses	1,717	1,778
Foreign exchange losses (gains)	–	(28,272)
Loss (gain) on sales of property, plant and equipment	496	(83)
Loss on retirement of non-current assets	–	40
Loss on valuation of investments in capital	1,999	–
Decrease (increase) in notes and accounts receivable - trade	(61,788)	6,177
Decrease (increase) in inventories	(26)	26
Increase (decrease) in accounts payable - other	9,130	11,477
Increase (decrease) in accrued consumption taxes	4,315	10,591
Other, net	(67)	(796)
Subtotal	226,090	281,905
Interest and dividend income received	36	176
Interest expenses paid	(1,551)	(1,688)
Income taxes paid	(16,191)	(113,347)
Net cash provided by (used in) operating activities	208,382	167,046
Cash flows from investing activities		
Purchase of property, plant and equipment	(30,476)	(23,980)
Proceeds from sales of property, plant and equipment	23	84
Purchase of intangible assets	(31,709)	(54,406)
Payments for investments in capital	(1,000)	–
Net cash provided by (used in) investing activities	(63,161)	(78,302)
Cash flows from financing activities		
Increase in short-term loans payable	–	1,700,000
Decrease in short-term loans payable	(159,000)	–
Repayments of long-term loans payable	(77,945)	–
Repayments of lease obligations	(1,267)	(1,301)
Proceeds from issuance of common shares	522,385	–
Proceeds from exercise of share options	116,050	7,625
Proceeds from disposal of treasury shares	177,219	–
Net cash provided by (used in) financing activities	577,442	1,706,323
Effect of exchange rate change on cash and cash equivalents	440	28,272
Net increase (decrease) in cash and cash equivalents	723,103	1,823,340
Cash and cash equivalents at beginning of period	226,101	949,205
Cash and cash equivalents at end of period	949,205	2,772,545