

Translation

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Summary of Consolidated Financial Results for the Three Months Ended March 31, 2015 (Based on Japanese GAAP)

May 13, 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: May 15, 2015
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the three months ended March 31, 2015 (from January 1, 2015 to March 31, 2015)

(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	%
Three months ended March 31, 2015	628	140.8	(37)	–	(73)	–	(75)	–
Three months ended March 31, 2014	260	–	45	–	45	–	22	–

	Net income per share		Diluted net income per share	
	Yen		Yen	
Three months ended March 31, 2015	(7.71)		–	
Three months ended March 31, 2014	2.27		2.17	

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio		Net assets per share	
	Millions of yen		Millions of yen		%		Yen	
As of March 31, 2015	4,587		1,304		28.2		132.95	
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	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 three months ended March 31, 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 March 31, 2015	9,735,500 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 March 31, 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)

Three months ended March 31, 2015	9,735,500 shares	Three months ended March 31, 2014	9,705,044 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of December 31, 2014	As of March 31, 2015
Assets		
Current assets		
Cash and deposits	2,772,545	790,452
Accounts receivable - trade	126,703	266,617
Prepaid expenses	25,017	47,183
Deferred tax assets	11,867	12,023
Other	1,066	1,140
Allowance for doubtful accounts	(2,202)	(3,652)
Total current assets	2,934,998	1,113,764
Non-current assets		
Property, plant and equipment		
Facilities attached to buildings	1,840	1,840
Accumulated depreciation	(681)	(734)
Facilities attached to buildings, net	1,159	1,106
Tools, furniture and fixtures	155,832	178,953
Accumulated depreciation	(115,494)	(132,028)
Tools, furniture and fixtures, net	40,338	46,925
Leased assets	6,290	11,179
Accumulated depreciation	(2,935)	(4,122)
Leased assets, net	3,354	7,056
Total property, plant and equipment	44,852	55,088
Intangible assets		
Goodwill	140,019	3,193,310
Software	73,995	176,293
Software in progress	23,743	39,964
Other	66	66
Total intangible assets	237,825	3,409,634
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	–	1,431
Deferred tax assets	4,313	–
Total investments and other assets	26,620	9,351
Total non-current assets	309,298	3,474,073
Total assets	3,244,296	4,587,838

(Thousands of yen)

	As of December 31, 2014	As of March 31, 2015
Liabilities		
Current liabilities		
Short-term loans payable	1,700,000	2,248,204
Current portion of long-term loans payable	–	142,099
Lease obligations	1,336	2,545
Accounts payable - other	64,775	213,599
Accrued expenses	25,033	23,488
Income taxes payable	42,583	870
Accrued consumption taxes	19,919	6,873
Advances received	12,189	134,543
Deposits received	8,148	9,913
Provision for bonuses	17,114	6,078
Other	86	2,231
Total current liabilities	1,891,187	2,790,447
Non-current liabilities		
Long-term loans payable	–	467,630
Lease obligations	2,308	1,968
Deferred tax liabilities	–	22,807
Total non-current liabilities	2,308	492,406
Total liabilities	1,893,495	3,282,853
Net assets		
Shareholders' equity		
Capital stock	557,488	557,488
Capital surplus	620,467	620,467
Retained earnings	172,844	97,757
Total shareholders' equity	1,350,801	1,275,714
Accumulated other comprehensive income		
Foreign currency translation adjustment	–	18,668
Total accumulated other comprehensive income	–	18,668
Subscription rights to shares	–	10,601
Total net assets	1,350,801	1,304,984
Total liabilities and net assets	3,244,296	4,587,838

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

Consolidated statements of income (cumulative)

(Thousands of yen)

	Three months ended March 31, 2014	Three months ended March 31, 2015
Net sales	260,859	628,253
Cost of sales	98,517	373,989
Gross profit	162,342	254,264
Selling, general and administrative expenses	116,777	291,921
Operating income (loss)	45,564	(37,657)
Non-operating income		
Interest income	55	119
Commission fee	42	150
Other	38	1
Total non-operating income	135	271
Non-operating expenses		
Interest expenses	80	8,561
Foreign exchange losses	169	27,702
Other	-	167
Total non-operating expenses	249	36,431
Ordinary income (loss)	45,451	(73,817)
Extraordinary income		
Gain on sales of non-current assets	-	71
Total extraordinary income	-	71
Extraordinary losses		
Loss on sales of non-current assets	34	-
Loss on retirement of non-current assets	-	0
Loss on valuation of investments in capital	-	1,300
Total extraordinary losses	34	1,300
Income (loss) before income taxes and minority interests	45,417	(75,046)
Income taxes - current	12,723	90
Income taxes - deferred	10,634	(49)
Total income taxes	23,358	40
Income (loss) before minority interests	22,059	(75,086)
Net income (loss)	22,059	(75,086)

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Three months ended March 31, 2014	Three months ended March 31, 2015
Income (loss) before minority interests	22,059	(75,086)
Other comprehensive income		
Foreign currency translation adjustment	–	18,668
Total other comprehensive income	–	18,668
Comprehensive income	22,059	(56,418)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	22,059	(56,418)
Comprehensive income attributable to minority interests	–	–