

Translation

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## Summary of Consolidated Financial Results for the Three Months Ended June 30, 2016 (IFRS)

Aug 12 2016

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: CFO Masumi Yamada TEL 03-5745-3900  
 Scheduled date to file Quarterly Securities Report: Aug 12, 2016  
 Scheduled date to commence dividend payments: –  
 Preparation of supplementary material on quarterly financial results: Yes  
 Holding of quarterly financial results meeting: Yes

(Amounts less than one million yen are rounded down)

### 1. Consolidated financial results for the three months ended June 30, 2016 (from January 1, 2016 to June 30, 2016)

#### (1) Consolidated financial results (cumulative)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Profit before tax		Profit for the period	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2015	1,132	(6.9)	(582)	–	(616)	–	(603)	–
Three months ended June 30, 2014	1,216	–	11	–	(38)	–	(51)	–

	Profit for the period attributable to owners of the parent		Total comprehensive income for the period		Basic earnings per share	Diluted earnings per share
	Millions of yen	%	Millions of yen	%	Yen	Yen
Three months ended June 30, 2015	(603)	–	(974)	–	(53.78)	–
Three months ended June 30, 2014	(51)	–	(120)	–	(5.25)	–

#### (2) Consolidated financial position

	Total assets	Total equity	Total equity attributable to owners of the parent	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of June 30, 2016	3,907	1,754	44.9	142.72
As of December 31, 2015	4,745	1,461	30.0	147.86

### 2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended December 31, 2015	–	0.00	–	0.00	0.00
Year ending December 31, 2016	–	0.00	–	–	–
Year ending December 31, 2016 (Forecast)	–	–	–	0.00	0.00

### 3. Forecast of consolidated financial results for the year ending December 31, 2016 (from January 1, 2016 to December 31, 2016)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Profit		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	2,342	(4.0)	(645)	–	(667)	–	(53.81)

4. Notes

- (1) Changes in significant subsidiaries during the three months ended June 30, 2016  
 (changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Changes in Accounting Policies and Changes in Accounting Estimates
- Changes in accounting policies required by IFRS: No
- Changes in accounting policies other than 1) above: No
- Changes in accounting estimates: No

(3) Number of issued shares (common shares)

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

As of June 30, 2016	12,292,000 shares	As of June 30, 2015	9,841,500 shares
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Number of treasury shares at the end of the period

As of June 31, 2016	– shares	As of June 31, 2015	– shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

As of June 31, 2016	11,227,655 shares	As of June 31, 2015	9,763,230 shares
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**Quarterly consolidated financial statements**  
**Condensed Consolidated Statement of**  
**Financial Position**

(Thousands of yen)

	As of December 31, 2015	As of June 30, 2016
Assets		
Current assets		
Cash and cash equivalents	611,611	885,066
Trade and other current receivables	271,223	271,428
Other current assets	66,914	34,572
Total current assets	949,748	1,191,067
Non-current assets		
Property and equipment	67,934	61,454
Goodwill	2,891,439	1,933,894
Intangible assets	797,253	689,542
Other non-current financial assets	21,882	13,186
Deferred tax assets	17,608	18,168
Other non-current assets	—	297
Total non-current assets	3,796,117	2,716,545
Total assets	4,745,866	3,907,612
Liabilities and equity		
Liabilities		
Current liabilities		
Loan payable	2,388,512	1,328,358
Trade and other current payables	258,958	184,632
Income taxes payable	—	11,160
Other current financial liabilities	3,116	3,672
Other current liabilities	65,892	82,407
Total current liabilities	2,716,479	1,610,232
Non-current liabilities		
Loan payable	342,317	367,755
Deferred tax liabilities	224,319	174,633
Other non-current financial liabilities	935	707
Total non-current liabilities	567,572	543,096
Total liabilities	3,284,052	2,153,328
Equity		
Common stock	573,088	1,212,508
Capital surplus	689,404	1,317,072
Retained earnings	175,363	(428,866)
Other components of equity	23,957	(346,431)
Total equity attributable to owners of the parent	1,461,814	1,754,283
Total equity	1,461,814	1,754,283
Total liabilities and equity	4,745,866	3,907,612

## Condensed Consolidated Income Statement

(Thousands of yen)

	Six months ended June 30, 2015	Six months ended June 30, 2016
Net sales	1,216,779	1,132,328
Cost of sales	(650,906)	(570,587)
Gross profit	565,873	561,741
Selling, general and administrative expenses	(554,280)	(551,556)
Other income	83	647
Other expenses	(167)	(593,183)
Operating profit	11,509	(582,351)
Finance income	369	506
Finance costs	(50,257)	(34,528)
Profit before tax	(38,378)	(616,373)
Income tax expense	(12,899)	12,540
Profit for the period	(51,278)	(603,832)
Attributable to:		
Owners of the parent	(51,278)	(603,832)
Non-controlling interests	—	—
Profit for the period	(51,278)	(603,832)
Earning per share		
Basic earnings per share (Yen)	(5.25)	(53.78)
Diluted earnings per share (yen)	—	—

## Condensed Consolidated Statement of Comprehensive Income

(Thousands of yen)

	Six months ended June 30, 2015	Six months ended June 30, 2016
Profit for the period	(51,278)	(603,832)
Other comprehensive income		
Translation adjustments of foreign operations	(69,495)	(370,389)
Other comprehensive income	(69,495)	(370,389)
Total comprehensive income for the period	(120,774)	(974,221)
Attributable to:		
Owners of the parent	(120,774)	(974,221)

## Condensed Consolidated Statement of Changes in Equity

(Thousands of yen)

	Equity attributable to owners of the parent				Total	Total equity
	Common stock	Capital surplus	Retained earnings	Other Components of equity		
As of January 1, 2015	557,488	667,729	157,755	—	1,382,973	1,382,973
Profit for the period	—	—	(51,278)	—	(51,278)	(51,278)
Other comprehensive income	—	—	—	69,495	69,495	69,495
Total comprehensive income for the period	—	—	(51,278)	69,495	18,217	18,217
Issuance of new shares	11,100	—	—	—	11,100	11,100
Issuance of subscription rights to shares	—	9,160	—	—	9,160	9,160
Share-based payment transactions	—	8,015	—	—	8,015	8,015
Other	—	—	(1,300)	—	(1,300)	(1,300)
Total transactions with owners and other transactions	11,100	17,175	(1,300)	—	26,975	26,975
As of June 30, 2015	568,588	684,904	105,177	69,495	1,428,166	1,428,166

(Thousands of yen)

	Equity attributable to owners of the parent				Total	Total equity
	Common stock	Capital surplus	Retained earnings	Other Components of equity		
As of January 1, 2016	573,088	689,404	175,363	23,957	1,461,814	1,461,814
Profit for the period	—	—	(603,832)	—	(603,832)	(603,832)
Other comprehensive income	—	—	—	(370,389)	(370,389)	(370,389)
Total comprehensive income for the period	—	—	(603,832)	(370,389)	(974,221)	(974,221)
Issuance of new shares	298,932	287,777	—	—	586,710	586,710
Exercise of subscription rights to shares	340,487	333,779	—	—	674,267	674,267
Issuance of subscription rights to shares	—	6,110	—	—	6,110	6,110
Change of scope of consolidation	—	—	(396)	—	(396)	(396)
Total transactions with owners and other transactions	639,419	627,668	(396)	—	1,266,690	1,266,690
As of June 30, 2016	1,212,508	1,317,072	(428,866)	(346,431)	1,754,283	1,745,283

## Condensed Consolidated Statement of Cash Flows

(Thousands of yen)

	Six months ended June 30, 2015	Six months ended June 30, 2016
Operating activities		
Profit before tax	(38,378)	(616,373)
Depreciation and amortization	156,897	181,803
Impairment loss	—	593,183
Finance income	(121)	(44)
Finance costs	46,826	33,829
Stock based compensation expense	8,015	—
Loss (gain) on sales of noncurrent assets	(71)	—
Decrease (increase) in trade and other receivables	68,926	(19,654)
Decrease (increase) in trade and other payables	78,564	(10,993)
Decrease (increase) in other current assets	(19,315)	16,770
Increase (decrease) in other current liabilities	(181,846)	(35,617)
Subtotal	119,497	142,905
Interest and dividends income received	119	44
Interest paid	(17,647)	(11,887)
Income tax paid	(38,289)	(822)
Income taxes refund	—	21,011
Net cash flows from (used in) operating activities	63,680	151,251
Investing activities		
Proceeds from sales of property, plant and equipment	244	—
Acquisition of intangible assets	(212,802)	(160,555)
Proceeds from redemption of investment securities	14,388	—
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(2,695,569)	—
Other, net	(801)	(10)
Net cash flows from (used in) investing activities	(2,894,539)	(160,565)
Financing activities		
Net increase (decrease) in short-term loans payable	400,070	(1,019,751)
Proceeds from long-term loans payable	559,227	250,000
Repayment of long-term loans payable	(161,447)	(85,416)
Repayments of lease obligations	(363)	(681)
Proceeds from exercise of stock option	19,700	672,084
Proceeds from issuance of common stock	—	496,079
Proceeds from issuance of subscription rights to shares	560	6,110
Other, net	—	196
Net cash flows from (used in) financing activities	817,748	318,621
Effect of exchange rate changes on cash and cash equivalents	(14,614)	(43,444)
Net increase (decrease) in cash and cash equivalents	(2,027,724)	265,862
Cash and cash equivalents at beginning of period	2,772,545	611,611
Increase in cash and cash equivalents from newly consolidated subsidiary	—	7,593
Cash and cash equivalents at end of period	744,820	885,066