

**Non-Consolidated Financial Results for the Second Quarter of the Fiscal Year  
Ending March 31, 2018 (Japanese GAAP)**

November 14, 2017

Listed exchange: Tokyo Stock Exchange, first section

Company Name: OPTiM Corporation

Stock code: 3694 URL: <http://en.optim.co.jp/>

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Financial results submission date: November 14, 2017

Scheduled dividend payment date: --

Supplementary financial result explanatory materials: yes

Quarterly financial report meeting: yes (For analysts and institutional investors)

(Amounts less than one million yen are rounded down)

1. Performance for the second quarter of fiscal year ending March 2018 (April 1, 2017 - September 30, 2017)

(1) Financial results (cumulative) (% represents change from same period of the previous year)

	Net Sales		Operating Income		Ordinary Income		Net income attributable to the company	
	(in million yen)	%	(in million yen)	%	(in million yen)	%	(in million yen)	%
FY 2018 Q2	1,792	13.6	260	Δ29.5	258	Δ29.5	150	-14.5
FY 2017 Q2	1,577	28.3	370	34.0	367	32.8	175	2.0

	Basic Earnings per Share		Diluted Earnings per Share	
	yen (with fractions)		yen (with fractions)	
FY 2018 Q2	11.30		10.86	
FY 2017 Q2	13.30		12.71	

(Notes) 1. On April 1, 2017, the number of shares of the company was doubled due to a 2-to-1 split. So the basic earnings per share and the diluted earnings per share are calculated assuming that the split occurred in the beginning of the previous fiscal year.

(2) Financial Position

	Total Assets		Net Assets		Equity Ratio	
	(in million yen)		(in million yen)		%	
FY 2018 Q2	3,308		2,568		77.6	
FY 2017	3,331		2,417		72.6	

(Reference) Equity FY 2018 Q2: 2,568 million yen FY 2017: 2,417 million yen

2. Dividends

	Dividends per Share				
	First Quarter	Second Quarter	Third Quarter	End of Year	Annual Total
	yen (with fractions)				
FY 2017	--	0.00	--	0.00	0.00
FY 2018	--	0.00			
FY 2018 (projected)			--	--	--

(Note) Revisions to the latest dividend forecast: none

(Note) The FY 2018 dividend forecast is currently pending.

3. Earnings forecasts for fiscal year 2018 (April 1, 2017 - March 31, 2018)

(% represents change from same period of the previous year)

	Net Sales		Operating Income		Ordinary Income		Net income attributable to the company		Earnings per Share
	(in million yen)	%	(in million yen)	%	(in million yen)	%	(in million yen)	%	(in fractions of yen)
FY 2018	4,000	20.7	1	-99.9	1	-99.9	0	-99.8	0.05
			~800	~16.8	~800	~17.3	~496	~24.7	~37.19

(Note) Revisions to the latest consolidated earnings forecast: none

※ Notes

(1) Use of special accounting for preparing quarterly financial statements: none

(2) Changes in accounting policies, changes in accounting estimates and restatement

① Changes in accounting policies due to revisions to accounting standards and other regulations: none

② Changes in accounting policies other than ①: none

③ Changes in accounting estimates: none

④ Restatements: none

(3) Number of issued shares (common shares)

1 Total number of issued shares at end of period (including treasury shares)	FY 2018 Q2	13,330,016 shares	FY 2017	13,327,336 shares
2 Number of treasury shares at end of period	FY 2018 Q2	160 shares	FY 2017	160 shares
3 Average number of shares (cumulative from the beginning of the year)	FY 2018 Q2	13,328,507 shares	FY 2017 Q2	13,228,778 shares

(Note) On April 1, 2017, number of shares of the company was doubled. So the number of shares is calculated assuming that the split occurred in the beginning of the previous fiscal year.

※ Quarterly financial results not covered by quarterly review

※ Explanation of appropriate use of the earnings forecast and other issues (Notes on future concerns, etc.)

The forward-looking statements in this document concerning forecasts of performance and other results are based on information held by the company and assumptions that were considered reasonable at the time of drafting this document. As such, actual figures may vary greatly from these estimates.

## Supplementary Materials Table of Contents

1. Qualitative data relevant to this financial report .....	2
(1) Explanation of financial results .....	2
(2) Explanation of financial position .....	3
(3) Explanation of earnings forecasts and other forecasts .....	4
2. Quarterly financial statements .....	5
(1) Balance sheet .....	5
(2) Statement of income .....	6
Second quarter, fiscal year 2018 .....	6
(3) Cash flow statement .....	7
(4) Notes on quarterly financial statements .....	8
(Notes on assumptions of going concerns) .....	8
(Notes on significant changes in the amount of shareholder's equity) .....	8

## 1. Qualitative data relevant to this financial report

### (1) Explanation of Financial Results

The Japanese economy saw continued steady improvement in employment and earnings due to the Japanese government's economic policies. However, there are still concerns about the fragility of this recovery and the effect of overseas market uncertainties and financial capital market fluctuations.

In such a market environment, the company has prioritized becoming a leader in the Fourth Industrial Revolution. In the coming year, the company is aggressively developing new business and investing in R&D in the AI/IoT/robot fields.

With bold investments, existing services continue to see strong growth. The company has upgraded the IoT platform service "Optimal Biz" to have a more user-friendly AI and improve the administrator experience.

In addition, the company has acquired a patent for the corporate marketplace OPTiM Store. This patent for the basic concept of an app marketplace; distributing the appropriate app version automatically through the marketplace based on the target device OS. This makes it possible for administrators of the store to automatically distribute apps without having to check the OS of each target device.

The company is also actively investing in AI/IoT/robotics, and has entered a multi-party agreement to jointly plan and operate a new platform called "LANDLOG," which connects the entire construction and production process. This is centered on the efforts of Komatsu Ltd. In addition to Komatsu Ltd., the company will also develop this business with NTT DOCOMO, Inc. and SAP Japan Co., Ltd. For agriculture, the company has expanded beyond current efforts in Saga Prefecture to also undertake precision agriculture initiatives using AI/IoT technology. In other fields, the company has prepared solutions for various industries such as railways, commercial facilities, call centers, factories, and more. The company is currently working on finding sales partners for each industry.

The number of licenses for currently existing remote management services is growing. In the medical field, the introduction of "Remote Medical Consultation Pocket Doctor" has continued to be sold to medical institutions. In addition, in individual cases of Remote Action and Optimal Second Sight, the number of trial accounts converting to paid accounts is increasing, and user needs are growing. The company will continue to improve functions of those services and promote sales.

In addition to ordinary sales of Unlimited Tablet and Unlimited Smartphone services, the company has been pushing the use of the apps as a marketing tool. Two examples are providing the app free to both UNIQLO App users, as well as passengers of the Thunderbird express train of the West Japan Railway Company.

As a result of all these successes, OPTiM's sales in the second quarter were 1,792,774,000 yen, an increase of 13.6% from the first quarter of the previous year. However, the operating income was 260,981,000 yen, a 29.5% decrease, ordinary income was 258,932,000 yen, a 29.5% decrease, and quarterly net income was 150,558,000 yen, a 14.5% decrease.

Finally, as OPTiM focuses on a single segment for license sales and maintenance support service (Optimal), segmentation was omitted from this explanation, however, service classifications will follow.

#### ① IoT Platform Service

With the steady growth of corporate-use smart devices, Optimal Biz license sales continue to increase. The company has actively invested in OPTiM Cloud IoT OS, an OS optimized for the IoT era. It is working to expand services into more industries including railways, commercial facilities, call centers, and factories, and the company is working on expanding those services to provide solutions for every industry's individual needs.

In collaboration with Komatsu Ltd., NTT DOCOMO, Inc., and SAP Japan, Ltd, the company has decided to plan and operate a new platform called "LANDLOG" that connects the entire construction process. The companies will jointly develop it as an AI/IoT platform for construction.

## ② Remote Management Service

The sales of licenses for current services is growing steadily, and the company is working on promoting new services. The company has been able to readily increase the number of medical institutions participating in its Remote Medical Consultation Pocket Doctor. For remote work support services Remote Action and Optimal Second Sight, the number of trial accounts being converted to paid accounts has increased, and the company is promoting improved features and working on sales.

## ③ Support Service

As the PC market is shrinking, OPTiM's sales figures in this area are decreasing. However, in the newly-developed MVNO market, automation and support efficiency is in demand, and the company will continue to expand its services in this area.

## ④ Other Services

Unlimited Software and Unlimited Biz Software (corporate-use version of Unlimited Software) business has been growing. Unlimited Tablet and Unlimited Smartphone partner sales are increasing, as well as the number of license sales. The company has been pushing the use of the apps as a marketing tool, including providing the app free to both UNIQLO App users as well as passengers of the Thunderbird express train of the West Japan Railway Company.

## (2) Explanation of Financial Position

### ① Assets, liabilities, and net assets

#### (Current assets)

The total of the current assets at the end of the second quarter of this fiscal year is 2,456,381,000 yen, a decrease of 259,024,000 yen from the end of the previous fiscal year. The reason for this decrease is due to an increase in notes and accounts receivable (trade) were 155,726,000 yen, while cash and deposits decreased to 99,225,000 yen.

#### (Fixed Assets)

The total for current assets at the end of this year's second quarter is 852,433,000 yen, an increase of 236,815,000 yen from the end of the previous fiscal year. The reasons for this change are chiefly due to an increase of 126,504,000 yen in investments and other assets and another increase of 93,182,000 in tangible fixed assets.

#### (Liabilities)

At the end of the second quarter of this fiscal year, the total liabilities totaled 740,607,000 yen, a 173,155,000 yen decrease from the total at the end of the previous fiscal year. This is mainly a result from a decrease in the values of income tax payable by 136,000,000 yen and one of 42,115,000 yen in provisions for bonuses.

#### (Net Assets)

The total net assets at the end of this fiscal year's second quarter is 2,568,207,000 yen, an increase of 150,946,000 yen from the end of the previous fiscal year. This is due to an increase of 150,558,000 yen in retained earnings from quarterly profits.

### ② Cash flow analysis

Cash and cash equivalents (here forth referred to as "capital") for the total second quarter of this fiscal year has decreased by 99,225,000 yen from the previous year to 1,939,434,000 yen.

The reasons for the state of the cash flow are as follows.

(Cash flow from operating activities)

This quarter, 97,777,000 yen in capital was spent for operating activities, while 245,977,000 yen was used in the same quarter of the previous year. The main reasons for this were the profit before taxes being 258,932,000 yen, accounts receivable decreasing by 155,726,000 yen, and corporate tax being 274,034,000 yen.

(Cash flow of investing activities)

This quarter, 197,391,000 yen in capital was used for investing activities, while 106,705,000 was used in the same quarter of the previous year. The reasons for this are chiefly due an expenditure of 106,983,000 yen in tangible fixed assets and of 60,000,000 yen for purchase of investment securities.

(Cash flow from financial activities)

This quarter, 388,000 yen in capital was acquired for financial activities, while 3,379,000 was acquired in the same quarter of the previous year. This was due to the proceeds of 388,000 yen from issuance of shares through stock acquisition rights.

(3) Explanation of earnings forecasts and other forecasts

The achievement forecasts for fiscal year 2018 have not differed from the forecasts officially announced on May 12, 2017 in the Non-Consolidated Financial Statement for Fiscal Year 2017.

2. Quarterly Financial Statements and Notes  
 (1) Balance sheet

(in thousand yen)

	FY 2017 (FY ending March 31, 2017)	FY 2018 Q2 (Quarter ending Sept 30, 2017)
<b>Assets</b>		
Current Assets		
Cash and deposits	2,038,659	1,939,434
Notes and accounts receivable - trade	582,144	426,417
Work in process	814	17,639
Other	93,786	72,890
<b>Total current assets</b>	<b>2,715,405</b>	<b>2,456,381</b>
Fixed assets		
Tangible fixed assets	131,847	225,029
Intangible fixed assets	62,752	79,881
Investments and other assets	421,018	547,522
<b>Total non-current assets</b>	<b>615,618</b>	<b>852,433</b>
<b>Total assets</b>	<b>3,331,024</b>	<b>3,308,814</b>
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	183,250	175,480
Income taxes payable	294,798	158,797
Provision for bonuses	72,000	29,884
Provision for directors' bonuses	39,900	10,450
Other	291,218	333,364
<b>Total current liabilities</b>	<b>881,167</b>	<b>707,977</b>
Non-current liabilities		
Asset retirement obligation	32,595	32,629
<b>Total non-current liabilities</b>	<b>32,595</b>	<b>32,629</b>
<b>Total liabilities</b>	<b>913,763</b>	<b>740,607</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	417,664	417,858
Capital surplus	701,795	701,989
Retained earnings	1,298,015	1,448,573
Treasury shares	-213	-213
<b>Total shareholders' equity</b>	<b>2,417,260</b>	<b>2,568,207</b>
<b>Total net assets</b>	<b>2,417,260</b>	<b>2,568,207</b>
<b>Total liabilities and net assets</b>	<b>3,331,024</b>	<b>3,308,814</b>

(2) Statement of Income  
(FY 2018 Q2)

(in thousand yen)

	FY 2017 Q2 (April 1, 2016 to September 30, 2016)	FY 2018 Q2 (April 1, 2017 to September 30, 2017)
Net Sales	1,577,646	1,792,774
Cost of sales	288,771	447,544
Gross income	1,288,874	1,345,230
Selling, general and administrative expenses	918,815	1,084,249
Operating Income	370,059	260,981
Non-operating income		
Interest Income	3	3
Currency exchange profit	107	--
Subsidy income	100	250
Miscellaneous income	248	994
Total non-operating income	459	1,247
Non-operating expenses		
Currency exchange loss	--	81
Losses on investment partnership management	3,313	3,215
Miscellaneous losses	0	--
Total non-operating expenses	3,313	3,296
Ordinary Income	367,204	258,932
Income before taxes and minority interests	367,204	258,932
Income taxes - current	164,382	145,161
Previous year corporate income tax	146,666	--
Income taxes - deferred	-119,834	-36,786
Total income taxes	191,214	108,374
Net income	175,990	150,558



(3) Cash Flow Statement  
(in thousand yen)

	FY 2017 Q2 (April 1, 2016 to September 30, 2016)	FY 2018 Q2 (April 1, 2017 to September 30, 2017)
<b>Cash flows from operating activities</b>		
Income before taxes and minority interests	367,204	258,932
Depreciation	18,188	27,620
Provision for directors' bonuses	-21,450	-29,449
Provision for bonuses	-20,000	-42,115
Provision for interest income and receipt	-3	-3
Gains from investment partnership management	3,313	3,215
Notes and accounts receivable - trade	-31,732	155,726
Inventory assets	-14,766	-16,824
Notes and accounts payable - trade	20,597	-7,769
Accounts payable - other	-58,796	-25,439
Accrued expenses	-1,321	22,740
Unearned revenue	88,910	71,021
Other	11,491	-45,847
Subtotal	361,635	371,808
Interest and dividend income received	3	3
Income taxes paid	-115,662	-274,034
Cash flows from operating activities	245,977	97,777
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	-70,953	-106,983
Purchase of intangible assets	-20,919	-30,407
Purchase of investment securities	-80,000	-60,000
Payments for lease and guarantee deposits	-11,184	--
Proceeds from collection of lease and guarantee deposits	76,353	--
Cash flows from investing activities	-106,705	-197,391
<b>Cash flows from financial activities</b>		
Proceeds from issuance of shares resulting from exercise of subscription rights to shares	3,579	388
Purchase of treasury shares	-199	--
Cash flows from financing activities	3,379	388
Net change in cash and cash equivalents	142,651	-99,225
Cash and cash equivalents at beginning of period	1,816,999	2,038,659
Cash and cash equivalents at end of period	1,959,651	1,939,434

(4) Notes on quarterly financial statements

(Notes on assumptions of going concerns)

None to report.

(Notes on significant changes in the amount of shareholder's equity)

None to report.

\* This English translation is for reference purposes only. The original Japanese version will prevail as the official authoritative version.

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