

Adways Inc. (Tokyo Stock Exchange Mothers: 2489)  
**Financial Results Presentation  
for 1Q FY2013**

**(from April 2013 to June 2013)**

July 31, 2013

President and CEO, Haruhisa Okamura

# 目次

<b>1</b>	Business Overview	.....	P.2
<b>2</b>	1Q FY2013 Performance	.....	P.12
<b>3</b>	Future Initiatives	.....	P.21
<b>4</b>	FY2013 Guidance	.....	P.28
<b>5</b>	Supplementary Materials	.....	P.33

# 1 Business Overview

# 1. Business Overview:

Reinforcing Smartphone Advertising Business with Partnership and Others

March 26, 2012



Strategic partnership with “Mobage” of DeNA Co., Ltd. in the advertising and the social game businesses

July 4, 2013



Reward advertisement service “AppDriver offerwall” launched on Japan’s largest SNS “GREE”

April 9, 2013



Adways Interactive certified as a Facebook® official partner “Mobile Measurement Partners”

July 31, 2013



Adways enters an agency agreement with Twitter Inc. and launches “Twitter Promotional Advertising”

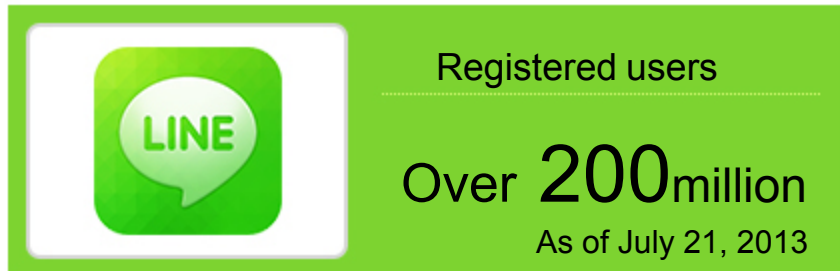
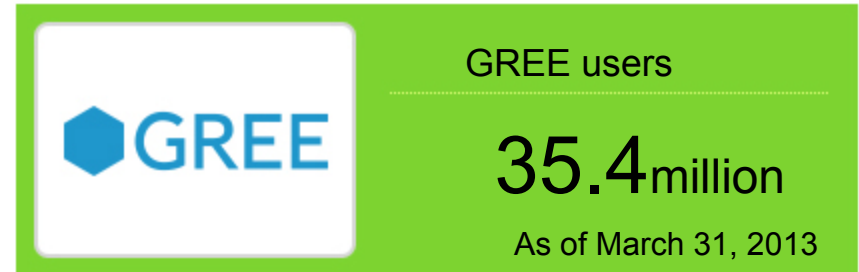
July 10, 2013



Adways enters an agency agreement with “LINE,” free email app for smartphones

- Launches “LINE Free Coins” -

# 1. Business Overview: Size at Each Social Media



**Total: approx. 1.6 billion**

# 1. Business Overview: Social Media Network



# 1. Business Overview: LINE

**Enters an agency agreement with “LINE,” free call and email app  
- Launches “Line Free Coins” -**



The above partnership enables advertising on “LINE free coins” by app developers who place ads on “AppDriver.”

Going forward, with an eye on partnership with “PartyTrack,” a global app tracking tool for smartphone apps, aim to expand share in smartphone ads market.

# 1. Business Overview: LINE





# 1. Business Overview: Twitter

- Enters into an agency agreement with Twitter Inc.**
- Start to distribute “Twitter Promotional Advertising”-**



Twitter Promotional Advertising is an advertising product that is posted on social media, Twitter, with more than 200 million monthly active users worldwide. It can target users in many ways such as keywords contained in real-time tweets and Twitter account information. This agreement enables Adways to propose to advertisers efficient promotions for approaching target users.

# 1. Business Overview: Facebook®

**U.S. subsidiary certified as a Facebook® official partner**  
- Providing “PartyTrack,” a global app tracking tool for smartphone apps -



Realizing innovative uniform management of ads

- Can be used globally
- Optimization of ads management
- Measurement utilizing a single SDK
- Integrated with “AppDriver”

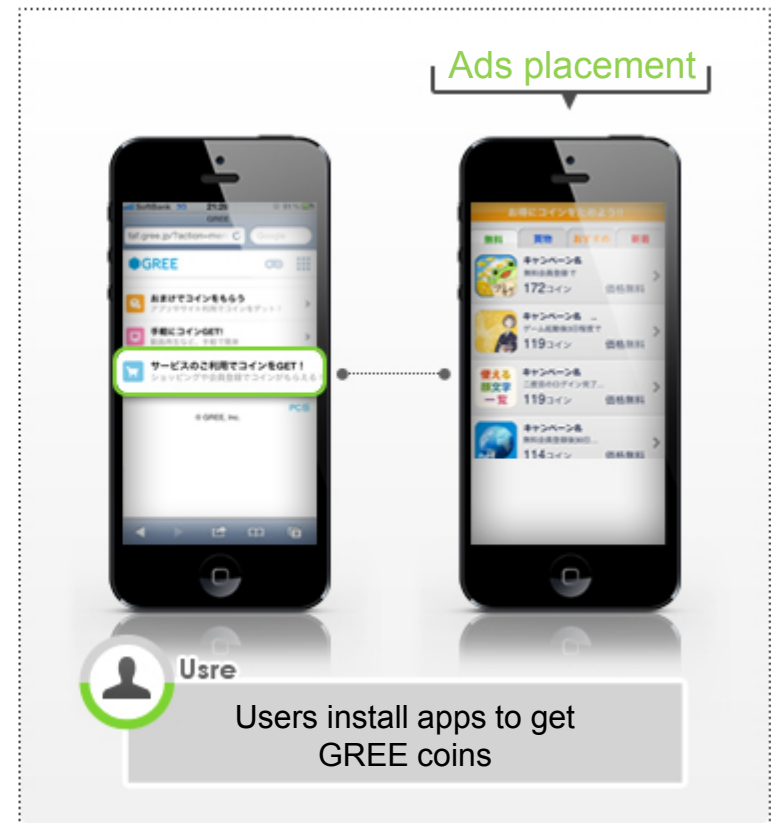


# 1. Business Overview: GREE

## Reward advertisement “AppDriver offerwall” launched on Japan’s largest SNS “GREE”



Launch of “AppDriver offerwall” on Gree leads to strengthening of partnership media, and thus enables Adways to propose to advertisers a wider range of advertisements.



# 1. Business Overview: Future networks

Strive to gain more advertisers in order to  
strengthening networks



**2**

# 1Q FY2013 Performance

# 2. 1Q FY2013 Performance

## Quarterly Results (QoQ, YoY)

(¥mn)

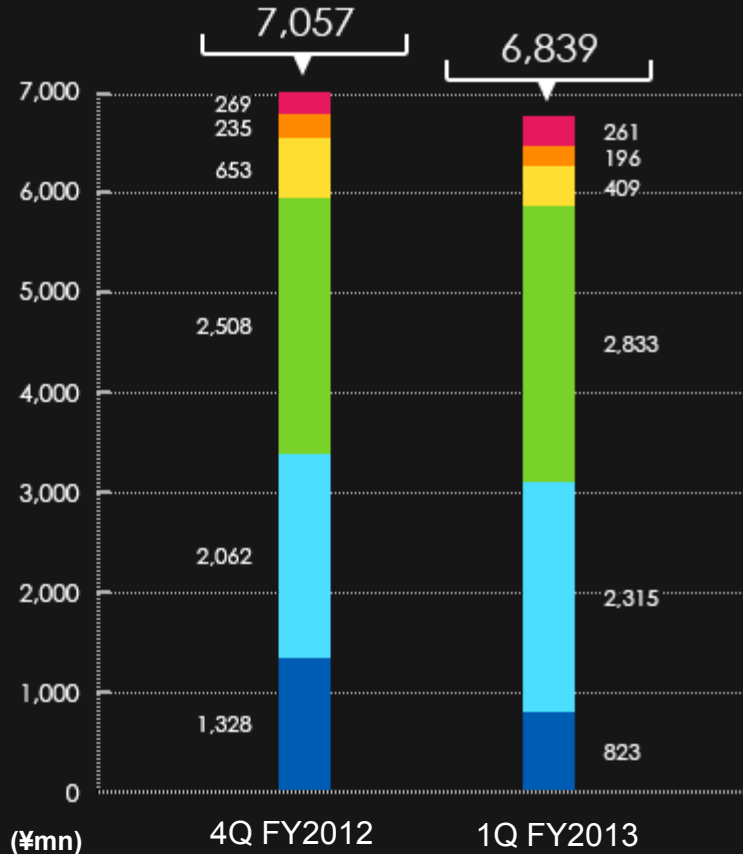
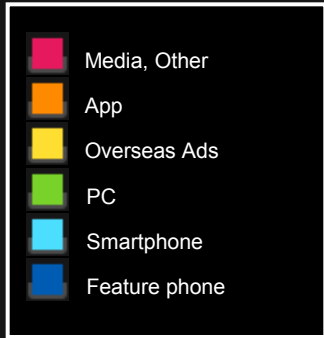
	1Q FY2013	QoQ 4Q FY2012			YoY 1Q FY2012		
		Results	Change (¥mn)	Change (%)	Results	Change (¥mn)	Change (%)
Net Sales	6,839	7,057	-218	-3.1%	4,476	+2,362	+52.8%
Gross Profit	1,182	1,289	-107	-8.3%	842	+339	+40.4%
SG&A Expenses	1,143	1,133	+9	+0.9%	793	+349	+44.1%
Operating Profit	39	156	-117	-74.9%	49	-9	-19.9%
Recurring Profit	-8	116	-125	-107.5%	84	-93	-110.2%
Net Profit	-18	29	-47	-162.2%	20	-38	-190.7%

Net Sales  
Decreased ¥218mn QoQ (-3.1%)

Operating Profit  
Decreased ¥117mn QoQ (-74.9%)

# 2. 1Q FY2013 Performance: Sales

QoQ



**Domestic Advertising : ¥5,971mn**

QoQ: +¥73mn(+1.2%)

- Smartphone: ¥2,315mn  
→+¥253mn(+12.3%)
- PC: ¥2,833mn  
→+¥324mn(+13.0%)
- Feature phone: ¥823mn  
→-¥504mn(-38.0%)

**App: ¥196mn**

QoQ : -¥38mn (-16.3%)

**Overseas Advertising: ¥409mn**

QoQ: -¥244mn (-37.4%)

\*The accounting periods of our overseas subsidiaries end in December, so their 1Q FY2013 (January-March) figures are consolidated with the Adways Group's 1Q FY2013 (April-June) figures.

## 2. 1Q FY2013 Performance: Sales

### QoQ

Domestic advertising – Increased 1.2% QoQ

- Internet (+13.0% QoQ)
- Smartphone (+12.3% QoQ)
- Feature phone (-38.0% QoQ)

App business – Decreased 16.3% QoQ

Overseas business – Decreased 37.4% QoQ

### Overview

Smartphone ads and Internet ads net sales steadily increased due to focusing on smartphone ads. Feature phone ads net sales decreased due to focusing on smartphones and contraction of the market.

Net sales decreased due to lack of hit products in 1Q. Income continues to be generated from existing apps.

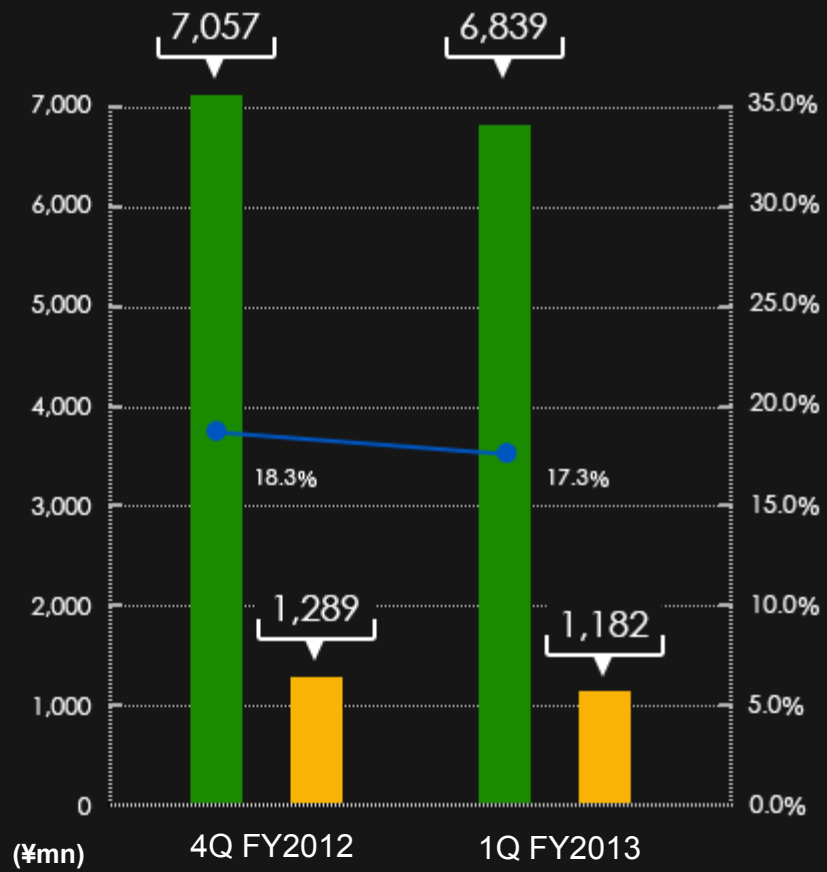
Net sales decreased due to seasonal factors (Chinese New Year, etc.)

\*The accounting periods of our overseas subsidiaries end in December, so their 1Q FY2014 (January-March) figures are consolidated with the Adways Group's 1Q FY2014 (April-June) figures.



## 2. 1Q FY2013 Performance: Gross Profit

QoQ



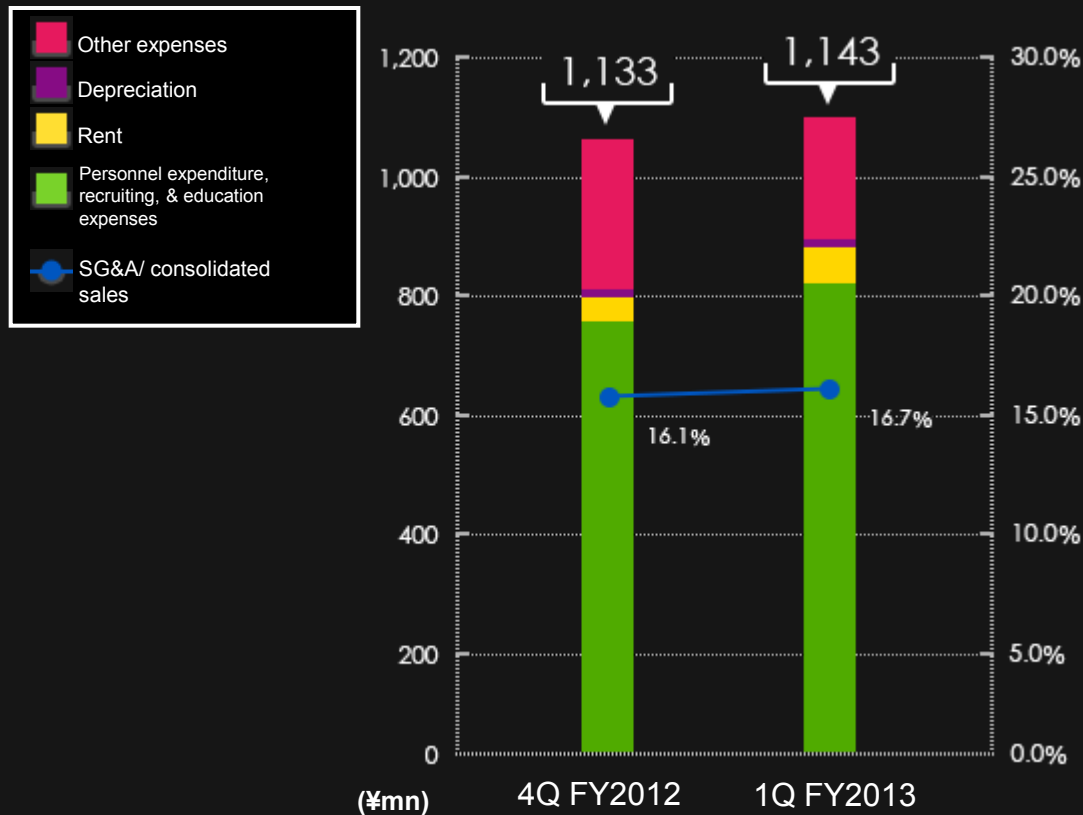
1Q Gross Profit: ¥1,182mn  
 QoQ: -¥107mn (-8.3%)  
 Gross margin: -1.0%

- Gross profit decreased in line with decrease in net sales

- Slight increase in cost rate due to retention of good-standing clients resulted in decrease in gross margin

## 2. 1Q FY2013 Performance: SG&A Expenses

QoQ



1Q SG&A Expenses: ¥1,143mn

QoQ: +¥9mn (+0.9%)

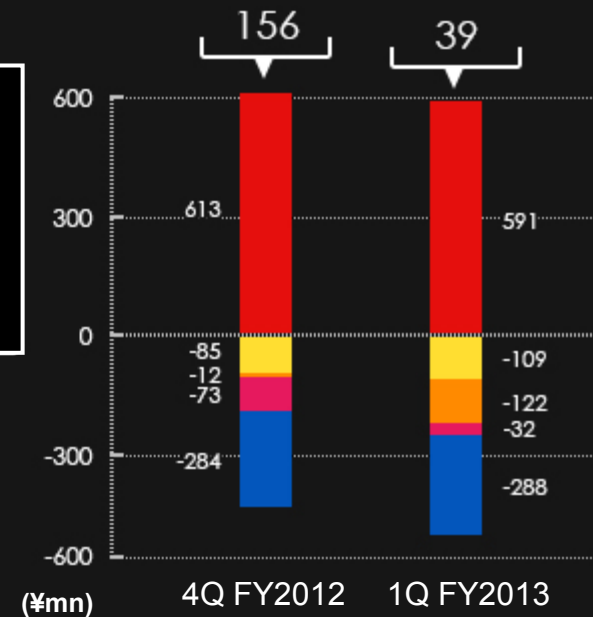
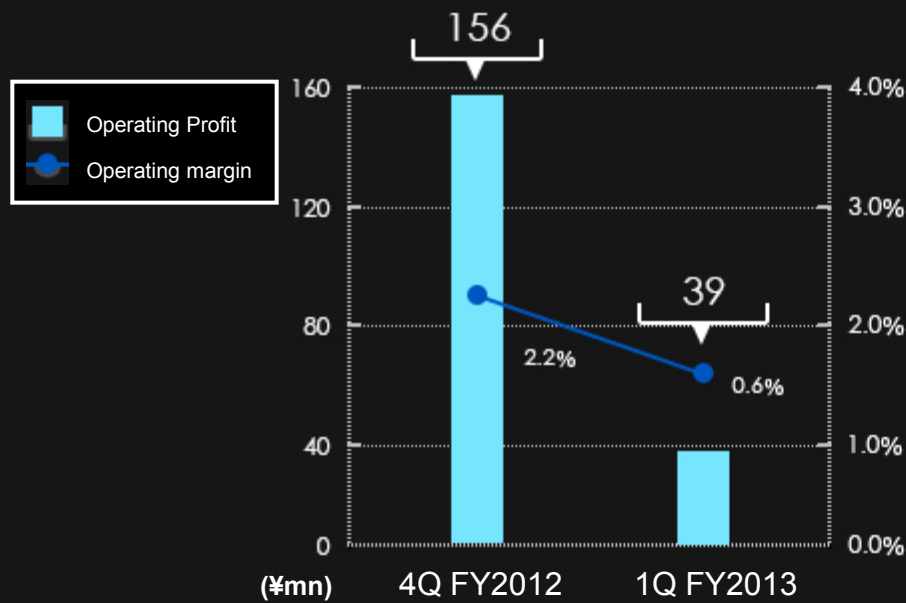
SG&A to Sales ratio: +0.6%mn (+0.9%)

-Increase of ¥61mn due to employment of new graduates.

-Decrease of ¥51mn due to reviewing of other SG&A expenses.

# 2. 1Q FY2013 Performance: Operating Profit

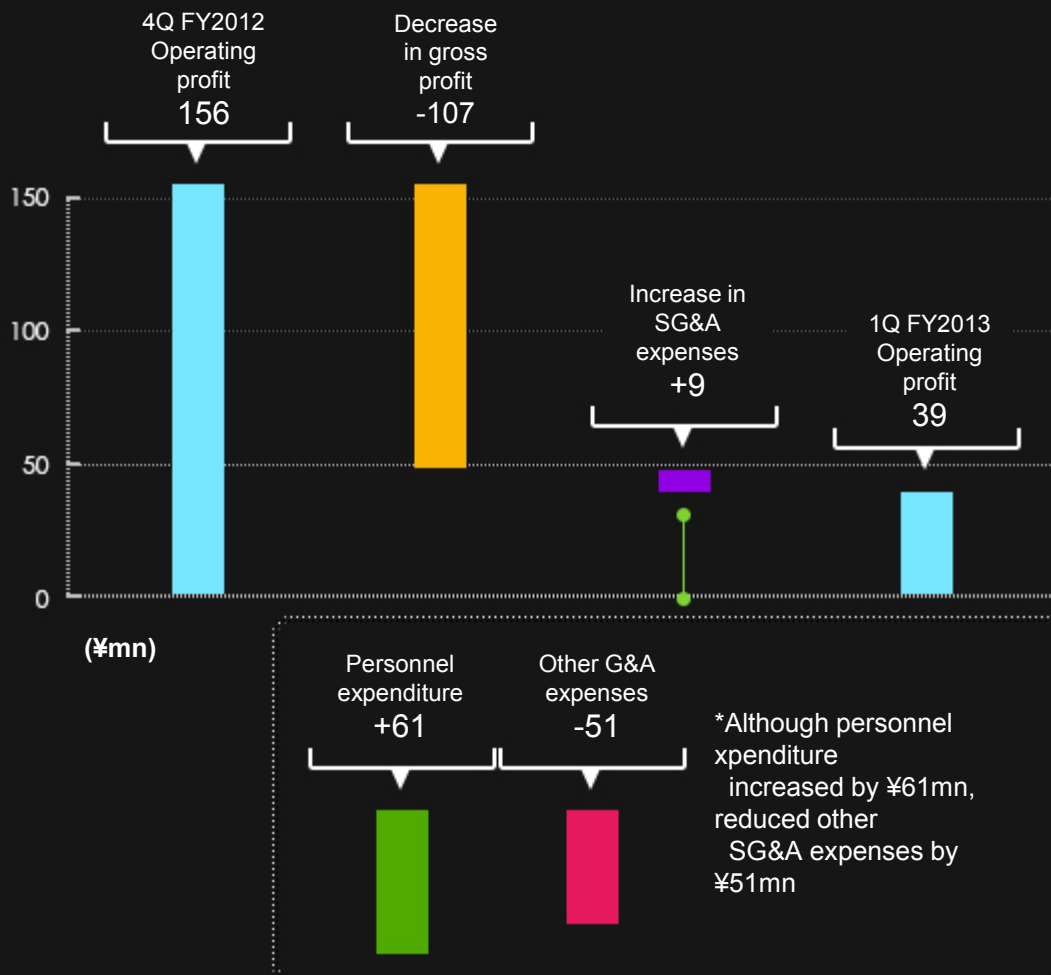
QoQ



1Q Operating profit: ¥39mn  
 QoQ: -¥117mn (-74.9%)  
 Operating margin: -1.6%

Advertising: ¥591mn (QoQ: -¥21mn)  
 Overseas advertising: -¥109mn (QoQ: -¥23mn)  
 App: -¥122mn (QoQ: -¥109mn)

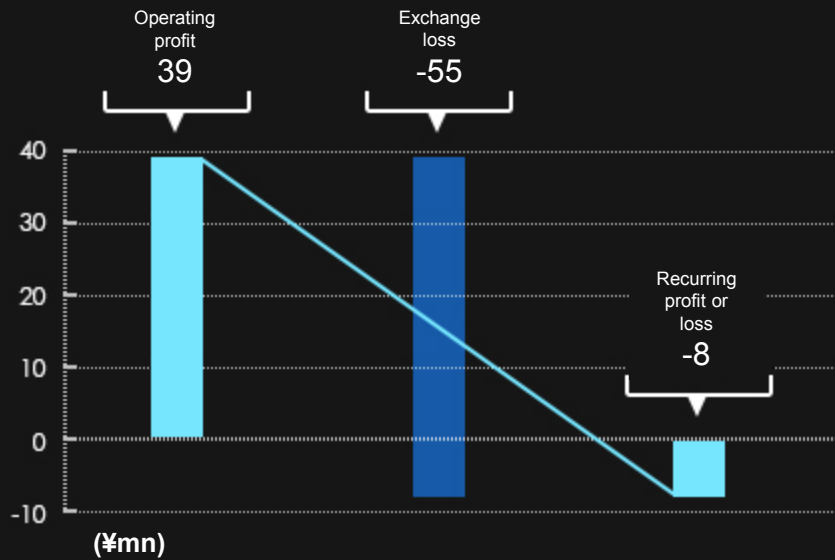
## 2. 1Q FY2013 Performance: Operating Profit



1Q Operating Profit: -¥117mn QoQ

Main factors for the decrease are  
 -decrease of ¥107mn in gross profit  
 -increase of ¥9mn in SG&A expenses

# 2. 1Q FY2013 Performance: Recurring Profit or Loss Net Profit or Loss



1Q Recurring Profit or Loss: -¥8mn  
QoQ: -¥125mn

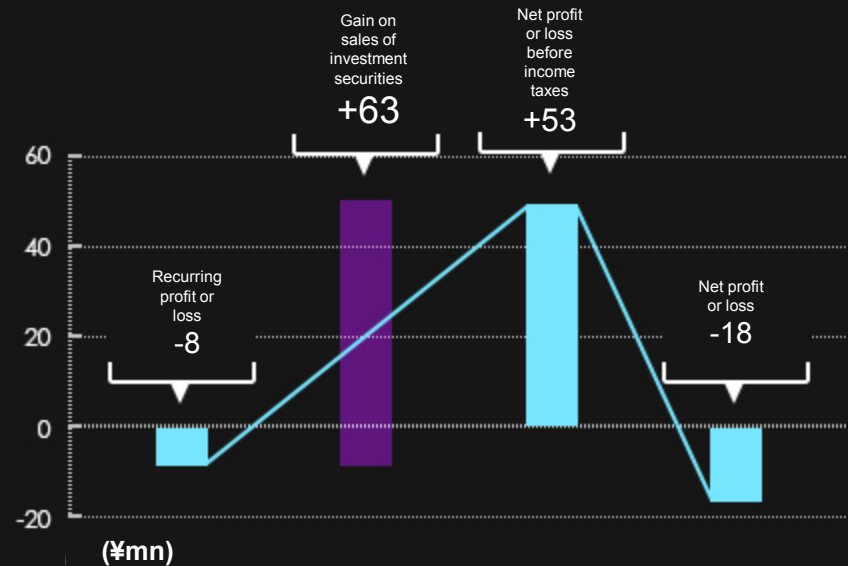
Non-operating income: ¥10mn  
Non-operating expenses: ¥58mn

Main factor for the above is  
- non-operating expenses due to exchange loss of ¥55mn  
→ Handle exchange risks by advance securement of currency, adjustment of payment cycle, etc. in the future

1Q Net Profit or Loss: -¥18mn  
QoQ: -¥47mn

Extraordinary income: ¥63mn  
Extraordinary loss: ¥0.6mn

Main factor for the above is  
- extraordinary income of ¥63mn due to gain on sales of investment securities



# 3 Future Initiatives

# 3. Future Initiatives

Invest



**Commercialize**



Monetize



**Investment phase:  
Sowing the seeds**

**Growth phase:  
Investments  
start to bud**

**Earning phase:  
Investments  
blossom**

### 3. Future Initiatives: Advertising Business

Further expand domestic smartphone ads business





# 3. Future Initiatives: Overseas Business


Further expand network in East Asia that are currently expanding

 April 2, 2013

Strategic partnership with one of South Korea's largest ad networks, "Cauly"

 April 12, 2013

Strategic partnership with one of South Korea's largest reward advertisement networks, "TnK Ad Platform"

 June 26, 2013

Strategic partnership with one of South Korea's largest reward apps, "Cash Slide"

 April 18, 2013


Business partnership with the owner of Taiwan's largest PC reward network, Offerme2

 May 9, 2013

Business partnership with one of China's largest mobile advertising networks, "YouMi Mobile"

 May 16, 2013

Business partnership with one of China's largest mobile advertising networks, Zhixiao Affiliate Platform

 May 27, 2013

Business partnership with Sony Digital Entertainment Services Inc. -To become an advertising agent partner of an app for China "Dayima" in China -



### 3. Future Initiatives: Overseas Business

To become No.1 in smartphone ads business in Asia



Plan to make subsidiaries by the end of 2013  
Aim for business expansion in Indian market

Aim to make profit at early stage in Southeast Asia through network cooperation

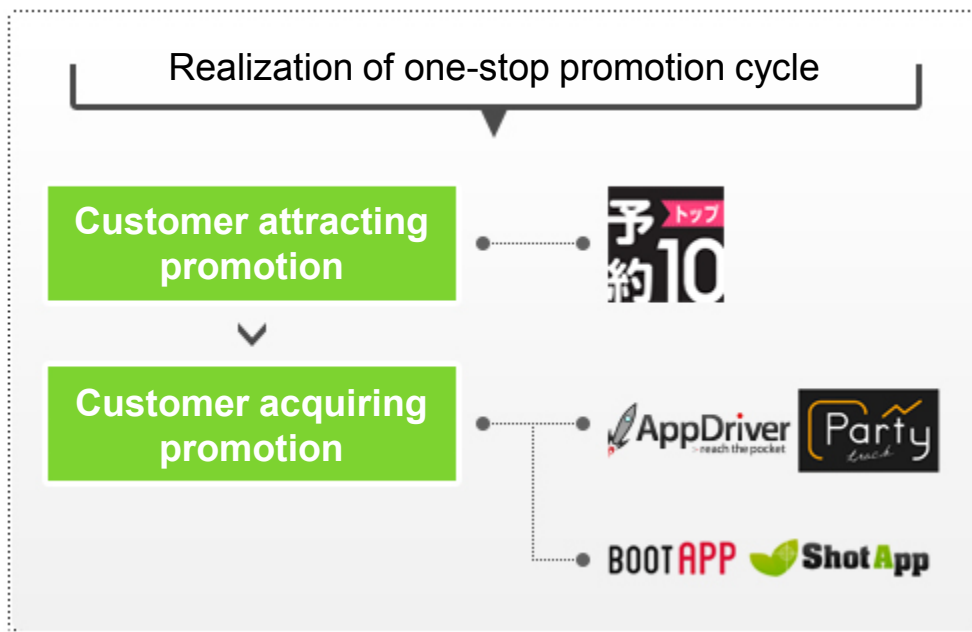


### 3. Future Initiatives: New Services

## Enhance income from existing advertising businesses with launch of new services



Launch of “Free pre-registration for new apps - Yoyaku Top 10-,” a pre-registration service for new apps before their releases, through Android app and website



Approximately **50** other services are under preparation

# 3. Future Initiatives

## To make a profit

### advertising

**Continuously aim to expand domestic advertising business centering on smartphone ads**

### overseas

**For overseas advertising business, lay the groundwork of each branch in Asia and establish an advertisement network across Asia**

### a new service

**Commercialize as many as possible of new services which will be released in the future**

# 4

# FY2013 Guidance

# 4. FY2013 Guidance

## FY2013 Consolidated Guidance (April 1, 2013–March 31, 2014)

(¥mn)

	Net Sales	Operating Profit	Recurring Profit	Net Profit
FY2013 Forecast	28,500	450	400	240
1Q Cumulative Performance	6,839	39	-8	-18
Progress *	24.0%	8.7%	—	—
Reference) FY2012 Cumulative Results	22,639	413	429	304

\*Round off the figures below the second decimal place.

# 4. FY2014 Guidance

## Stock split and unit share system

1. We conduct a 500 for 1 stock split of common stocks owned by shareholders listed on the final shareholder registry as of September 30, 2013 (record date).

(unit: shares)

Total Number of Shares Outstanding Before Split	Number of Shares Increased Through Split	Total Number of Shares Outstanding After Split	Total Number of Authorized Shares After Split
80,915	40,376,585	40,457,500	153,150,000

(Note) The above total number of shares outstanding may increase by the record date of the stock split due to exercising of share acquisition rights.

2. Adways adopts a unit share system which sets a share-trading unit as 100 shares per unit as of October 1, 2013.

## Thank you very much for attending our presentation today.

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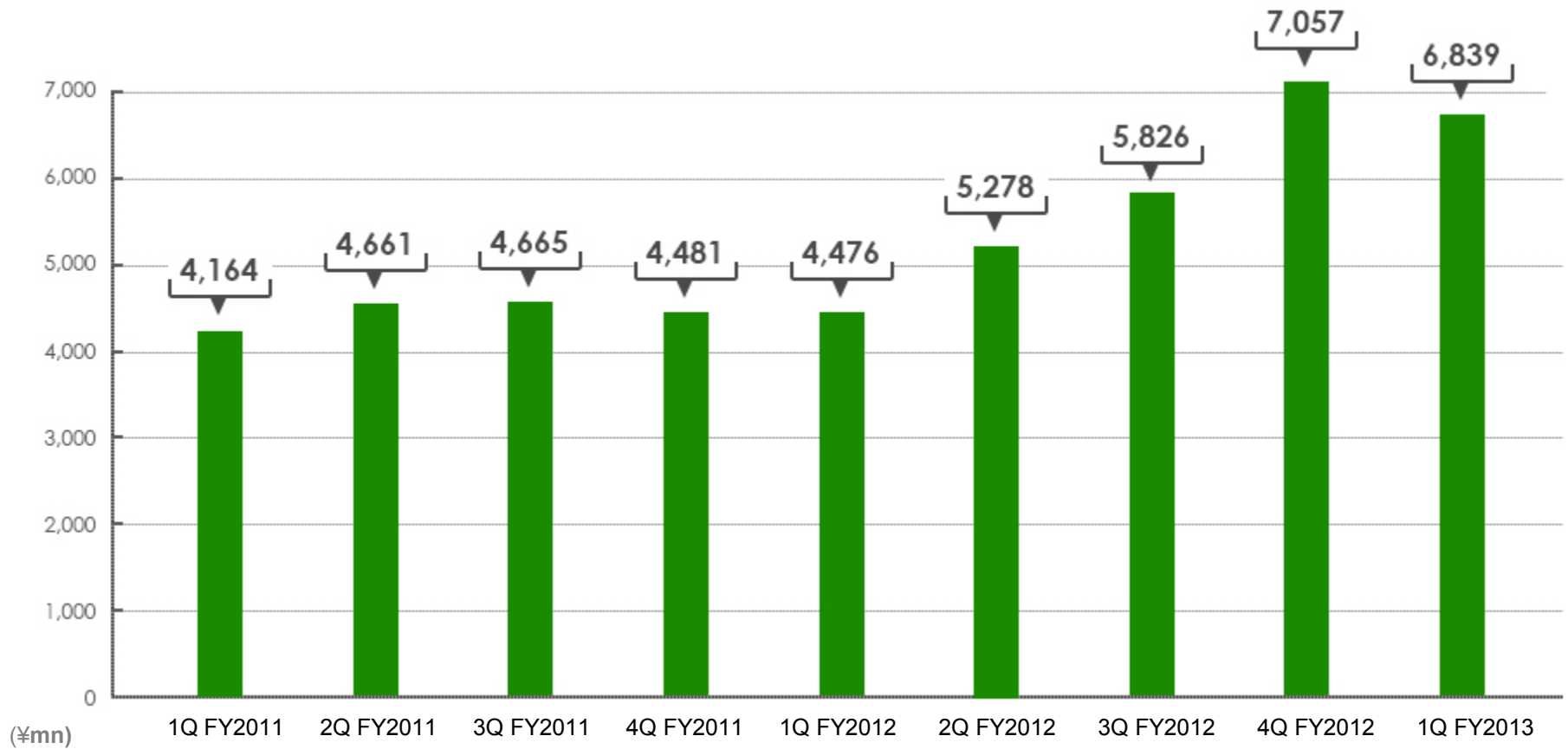
Information provided in this presentation contains forward-looking statements including Adways Inc.'s current plans, outlook and estimates related to its business and industry trends. Such statements are inevitably subject to certain risks and uncertainties. Actual results may differ from the outlook and estimates expressed herein due to risks which may or may not be known at present, uncertainties and various other factors. Adways Inc. makes no warranty that its future outlook and estimates are accurate, and actual results may differ materially from company estimates and may be worse than those expressed. Statements made herein are based on information available as of July 31, 2013 and a variety of factors – many of which are beyond Adways Inc.'s control – may cause the expressed outlook and estimates to differ from actual results.



# 5 Supplementary materials

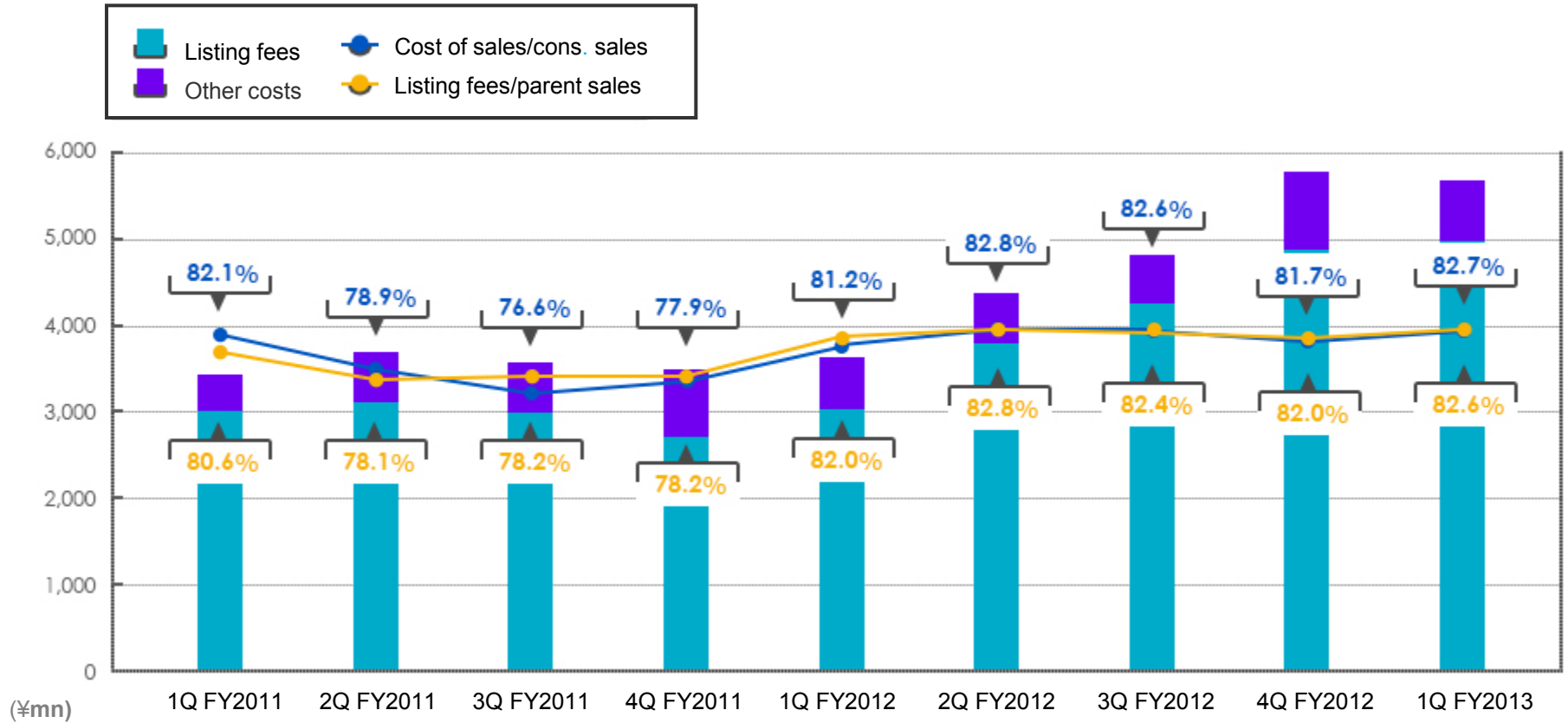
# 5. Supplementary materials

## Consolidated sales (Quarterly)



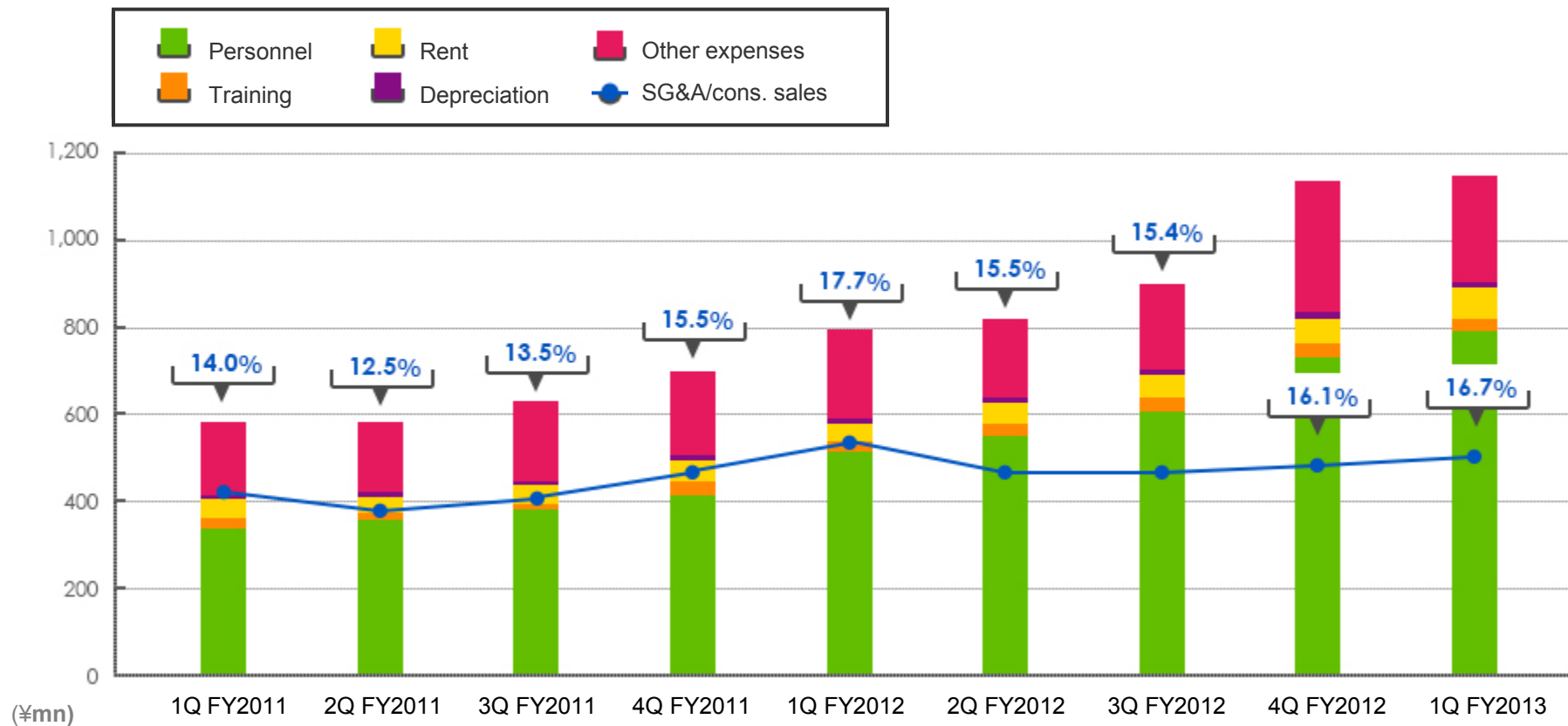
# 5. Supplementary materials

## Consolidated Cost of Sales (Quarterly)



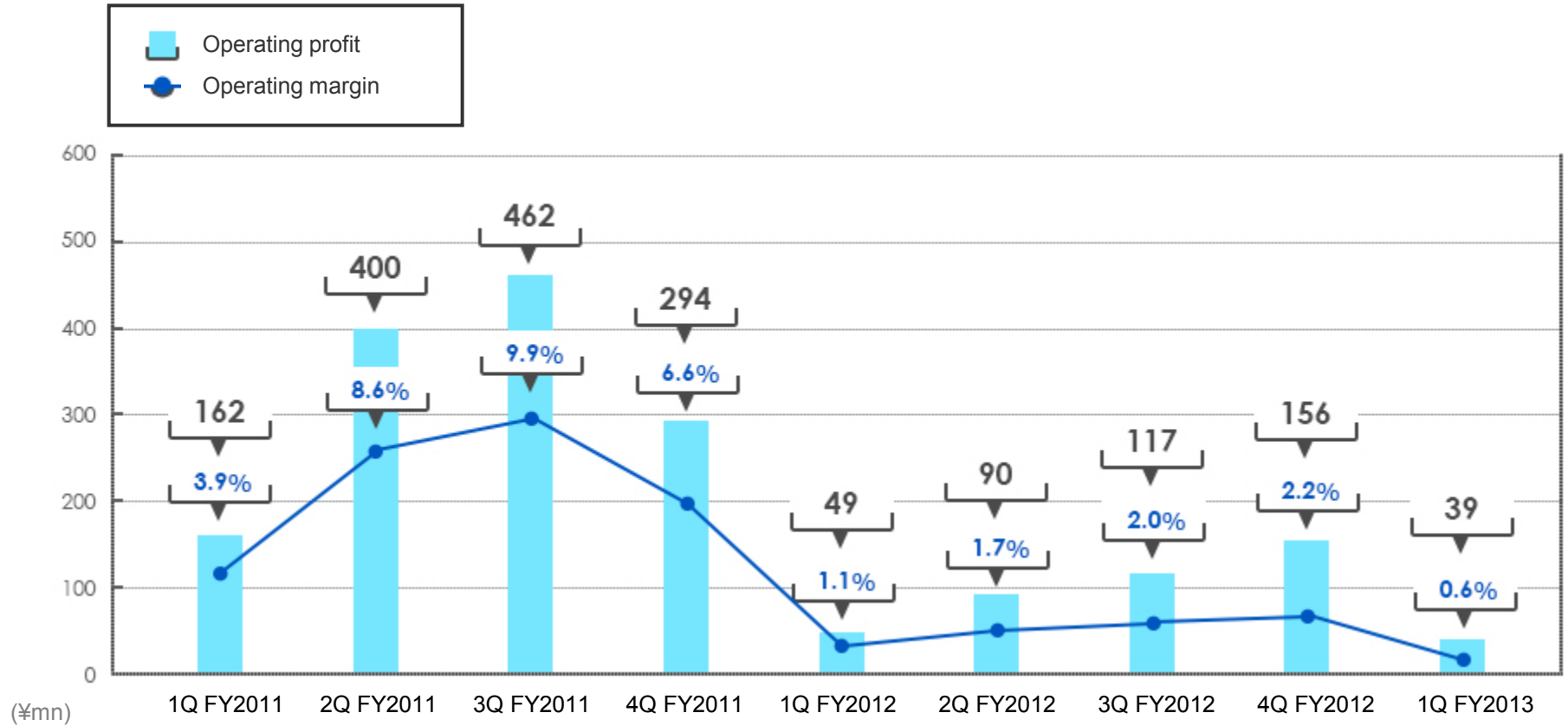
# 5. Supplementary materials

## Consolidated SG&A Expenses (Quarterly)



# 5. Supplementary materials

## Consolidated Operating Profit (Quarterly)



# 5. Supplementary materials

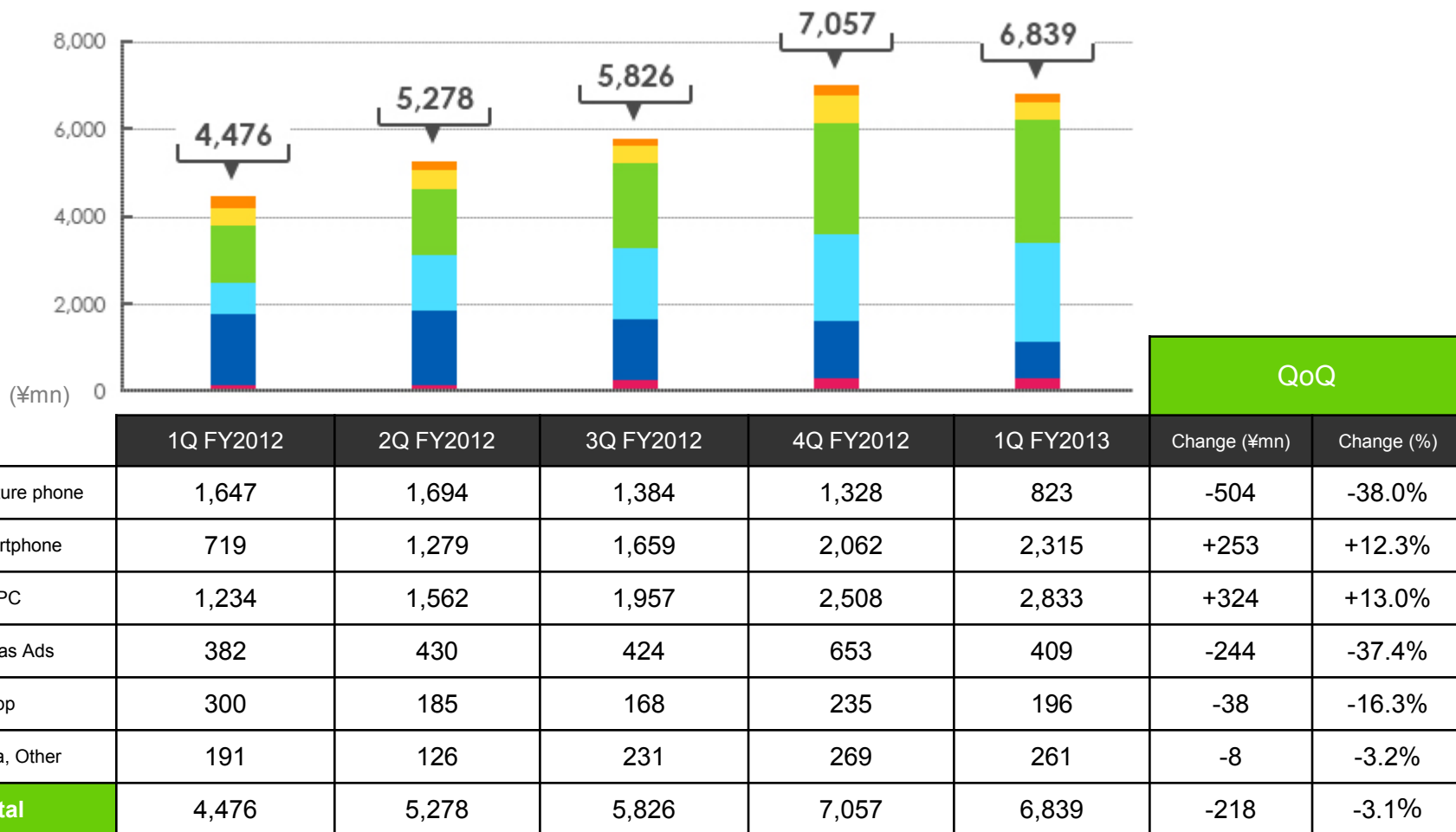
## Consolidated Balance Sheet (QoQ)

(¥mn)

	1Q FY2013	4Q FY2012	Change	Change (%)
Current Assets	7,680	7,809	-129	-1.7%
(Cash and Deposits)	3,912	3,982	-69	-1.7%
Fixed Assets	1,282	1,215	+66	+5.5%
Total Assets	8,962	9,024	-62	-0.7%
Current Liabilities	3,974	4,137	-162	-3.9%
(Long-term Borrowings within One Year)	-	-	-	-
Fixed Liabilities	50	43	+7	+17.4%
Total Liabilities	4,025	4,180	-155	-3.7%
Net Assets	4,936	4,843	+92	+1.9%

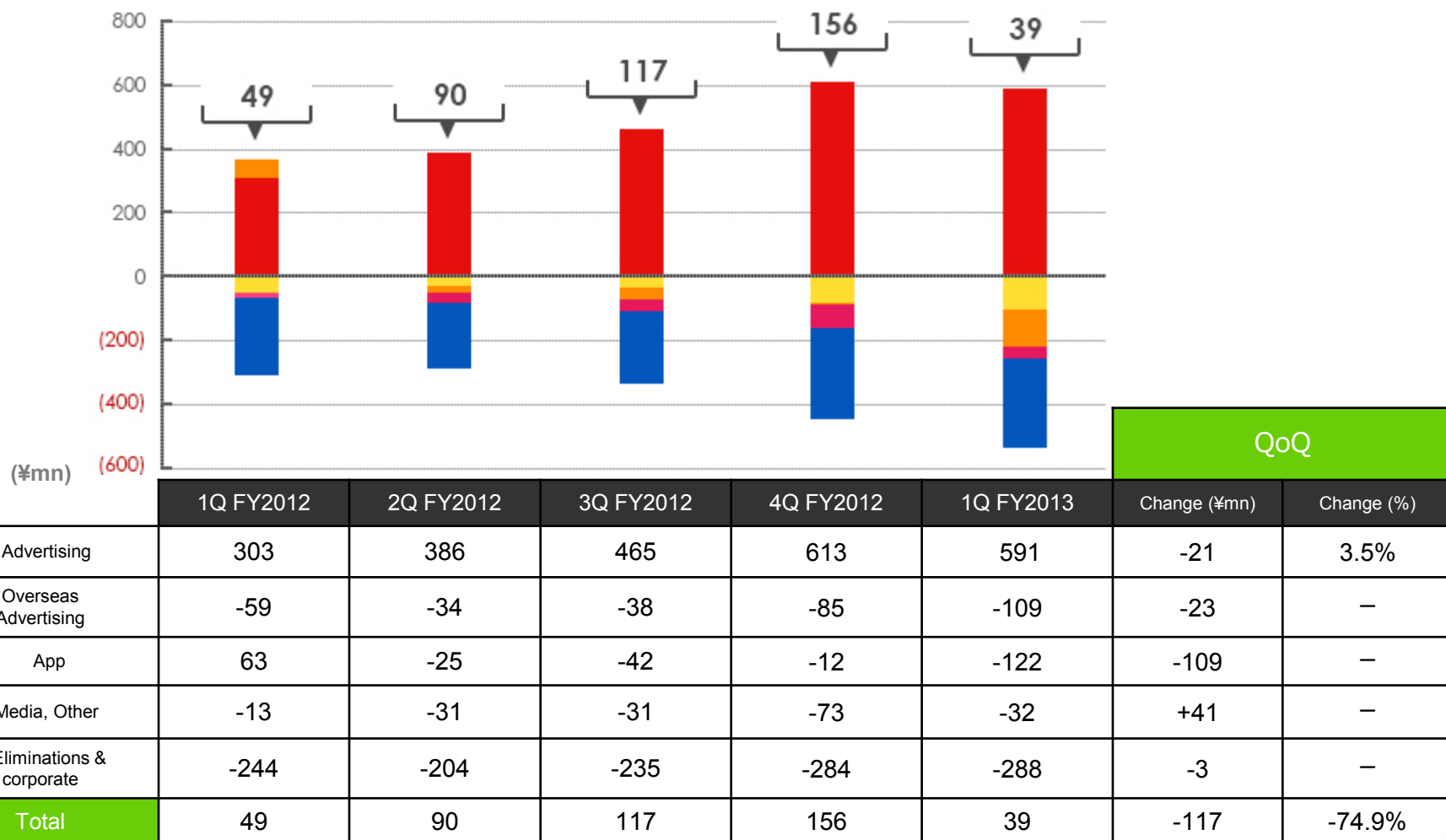
# 5. Supplementary materials

## Breakdown of Consolidated Sales by Segment (Quarterly)



# 5. Supplementary materials

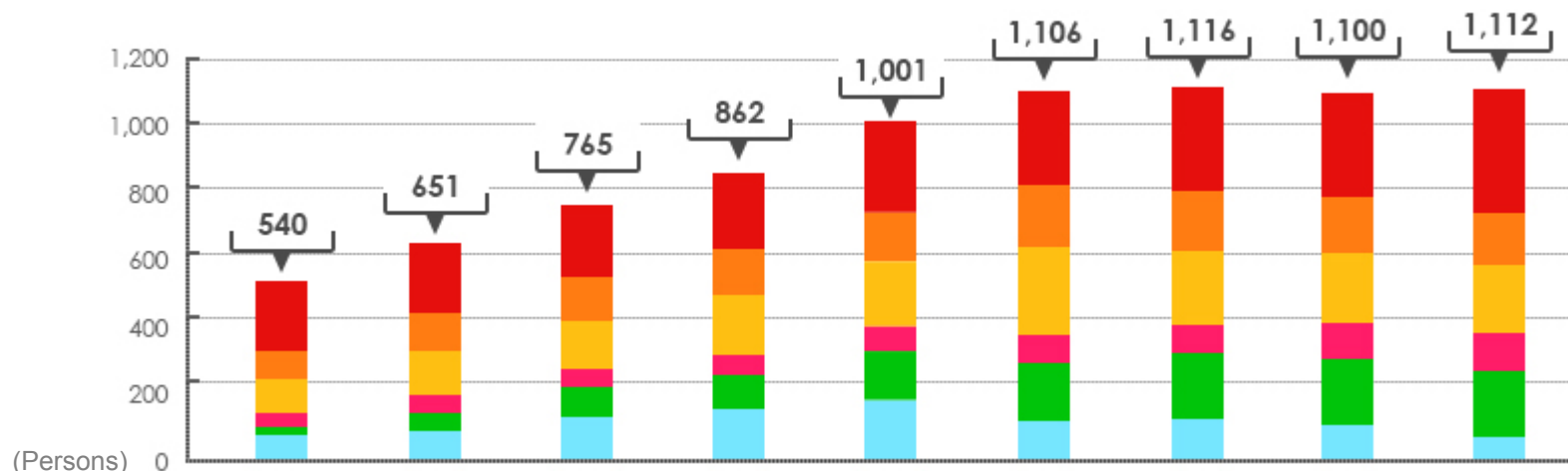
## Breakdown of Consolidated Operating Profit by Segment (Quarterly)





# 5. Supplementary materials

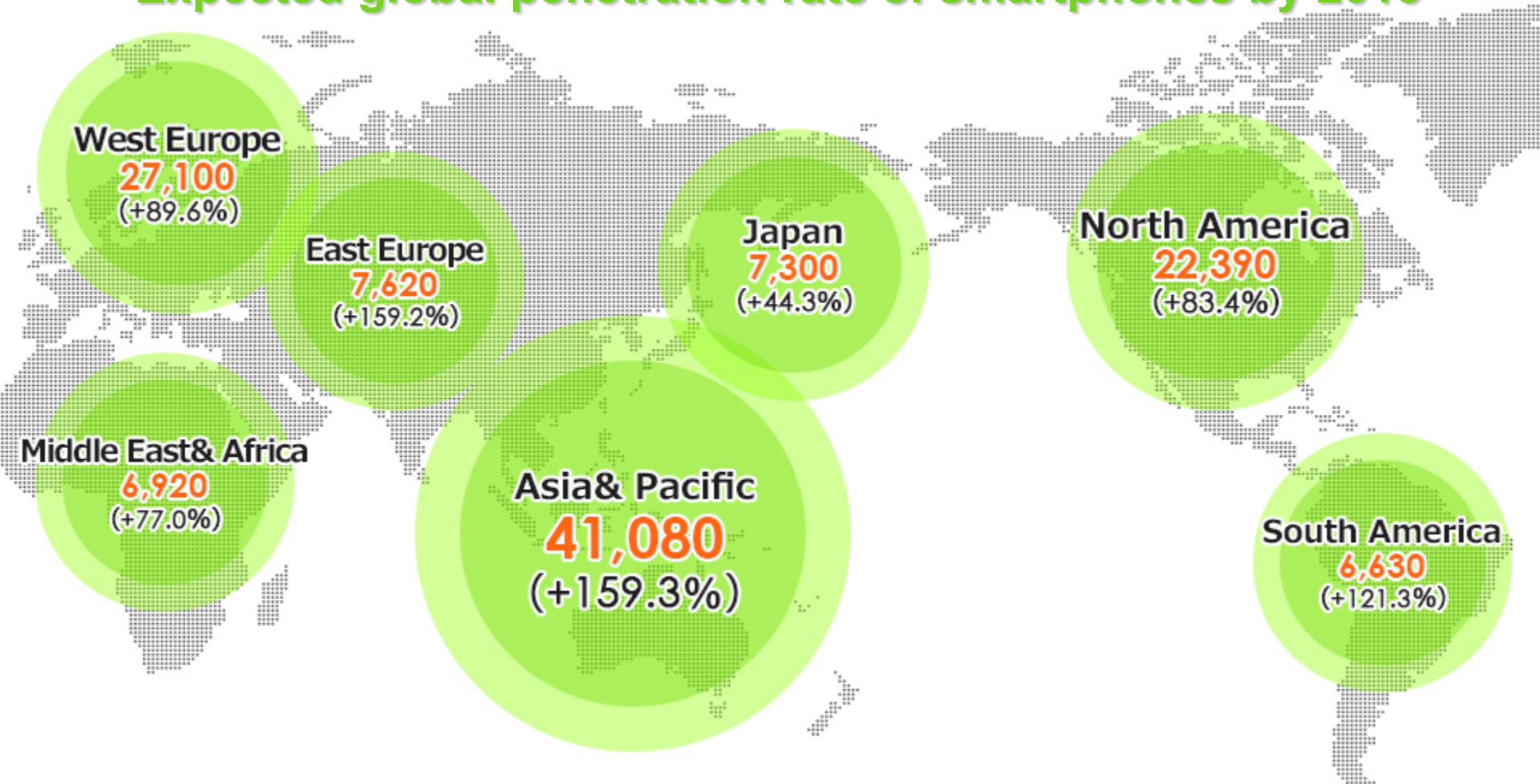
## Group Employees (Quarterly)



	1Q FY2011	2QFY2011	3Q FY2011	4Q FY2011	1Q FY2012	2Q FY2012	3Q FY2012	4Q FY2012	1Q FY2013
ADW Japan	207	208	213	231	272	282	305	309	368
ADW China	89	115	133	138	142	185	181	169	154
ADW Shanghai (R&D center)	96	131	139	174	189	256	219	210	206
Domestic subs	40	51	56	56	70	88	89	102	111
Overseas subs (ex. China)	24	52	84	100	149	171	190	195	192
Temps, part-timers	84	94	140	163	179	124	132	115	81
<b>Total</b>	540	651	765	862	1,001	1,106	1,116	1,100	1,112

# 5. Supplementary materials

## Expected global penetration rate of smartphones by 2015



Reference: eMarketer  
Compared to 2011

(Number of smartphones: hundred)

# 5. Supplementary materials

## Company Overview

Company name	Adways Inc.
Stock Code	Tokyo Stock Exchange Mothers: 2489
Founded	February 28, 2001
Representative Director	Haruhisa Okamura
Capital	¥1,487mn (end-September 2013)
Employee	1,049 including temporary workers (end-September, 2013)
Business overview	Internet advertising business (domestic and overseas) App and media business