

Adways Inc. (Tokyo Stock Exchange Mothers: 2489)

**Financial Results Presentation
for Full Year FY2013**
(from April 2013 to March 2014)

May 14, 2014

President and CEO, Haruhisa Okamura

Topics

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Full Year FY2013 Performance

1. Full Year FY2013 Performance

YoY Change

(¥mn)

	FY2013	YoY FY2012		
		Results	Change (¥mn)	Change (%)
Net Sales	31,521	22,639	+8,881	+39.2%
Gross Profit	5,603	4,055	+1,547	+38.1%
SG&A Expenses	4,755	3,642	+1,113	+30.6%
Operating Profit	847	413	+434	+104.9%
Recurring Profit	840	429	+411	+95.7%
Net Profit	551	304	+247	+81.4%

Net Sales
Increased ¥8,881mn YoY (+39.2%)

Operating Profit
Increased ¥434mn YoY (+104.9%)

1. Full Year FY2013 Performance

Full Year FY2013 Guidance and Results

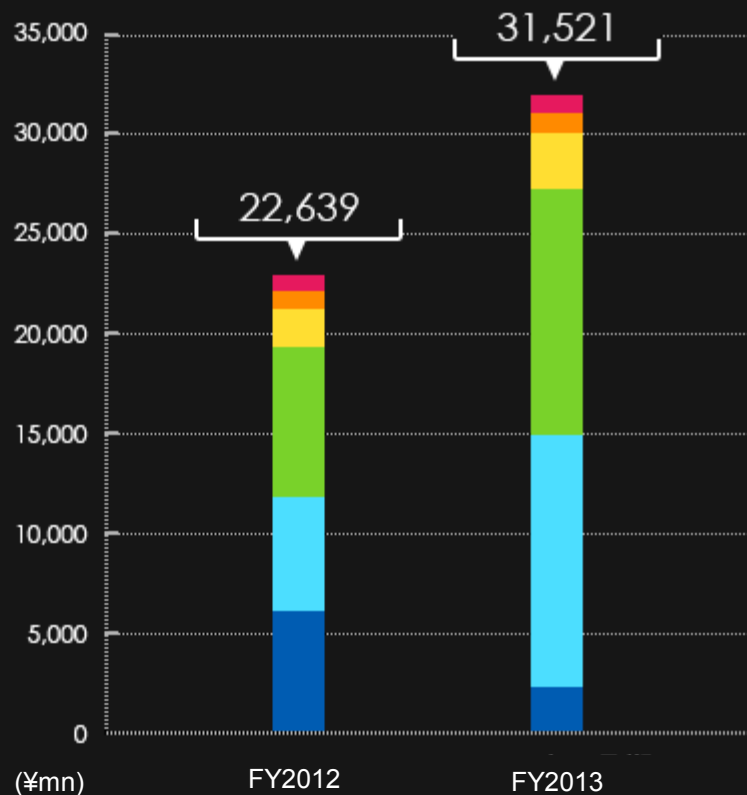
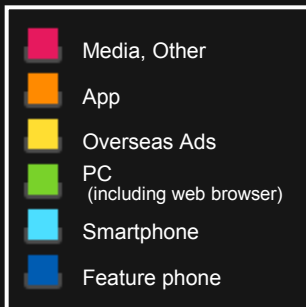
(¥mn)

	Net Sales	Operating Profit	Recurring Profit	Net Profit
Previous Guidance	30,000	790	770	500
Results	31,521	847	840	551
Progress ※	105.0%	107.3%	109.2%	110.3%

※Figures below second decimal place rounded off.

1. Full Year FY2013 Performance: Net Sales

YoY Change



Domestic Advertising: ¥26,929mn
YoY : +¥7,759mn (+40.5%)

Overseas Advertising : ¥2,895mn
YoY : +¥1,003mn (+53.0%)

App: ¥845mn
YoY: -¥103mn (-10.9%)

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

1. Full Year FY2013 Performance: Net Sales

YoY

Domestic Ads **¥26,929mn**

+ ¥7,759mn (+40.5%)

Smartphone : ¥12,239mn

+¥6,518mn (YoY **+113.9%**)

PC : ¥12,301mn

+¥4,908mn (YoY **+66.4%**)

Feature phone : ¥2,387mn

-¥3,667mn (YoY -60.6%)

Overseas Ads **¥2,895mn**

+ 1,003mn (+53.0%)

Overview

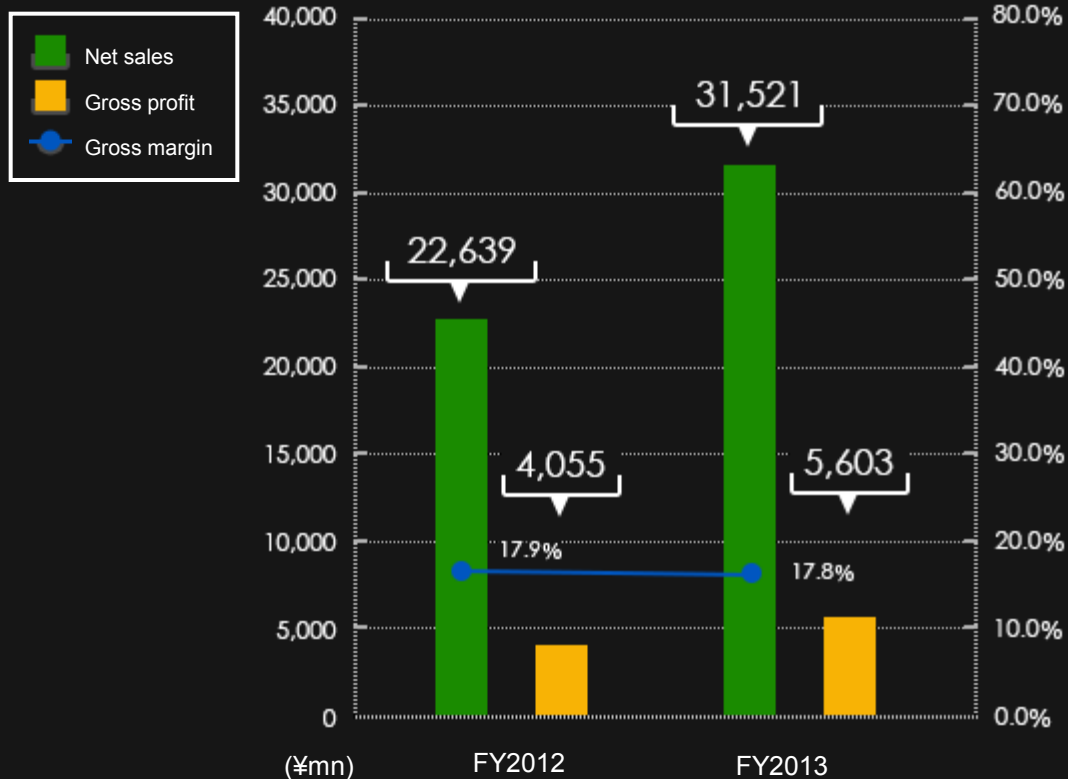
Smartphone & Internet net sales increased by focusing on smartphone taking measures.

**About 2x with YoY
in Smartphone Ad Sales !**

Advertising business with a focus on smart phones in East Asia (China, Korea, Taiwan) led a steady increase in net sales.

1. Full Year FY2013 Performance: Gross Profit

YoY Change



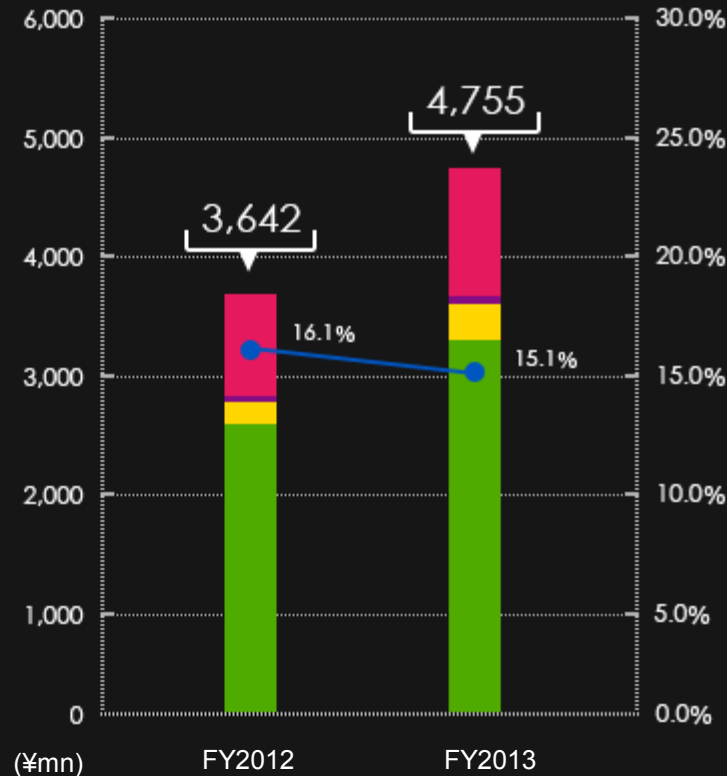
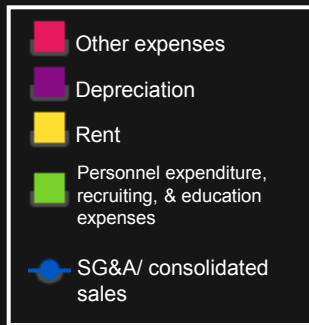
FY2013 Gross Profit: ¥5,603mn

YoY : +¥1,547mn (+38.1%)

Gross profit rose due to continued strength at the advertising business (especially Smartphone Advertising).

1. Full Year FY2013 Performance: SG&A Expenses

YoY Change



FY2013 SG&A Expenses : ¥4,755mn

YoY: +¥1,113mn (+30.6%)

SG&A to sales ratio: -1.0ppt

- Personnel expenditure, recruiting & education expenses

¥3,282mn

→ +¥765mn (+30.4%)

- Rent

¥310mn

→ +¥114mn (+58.6%)

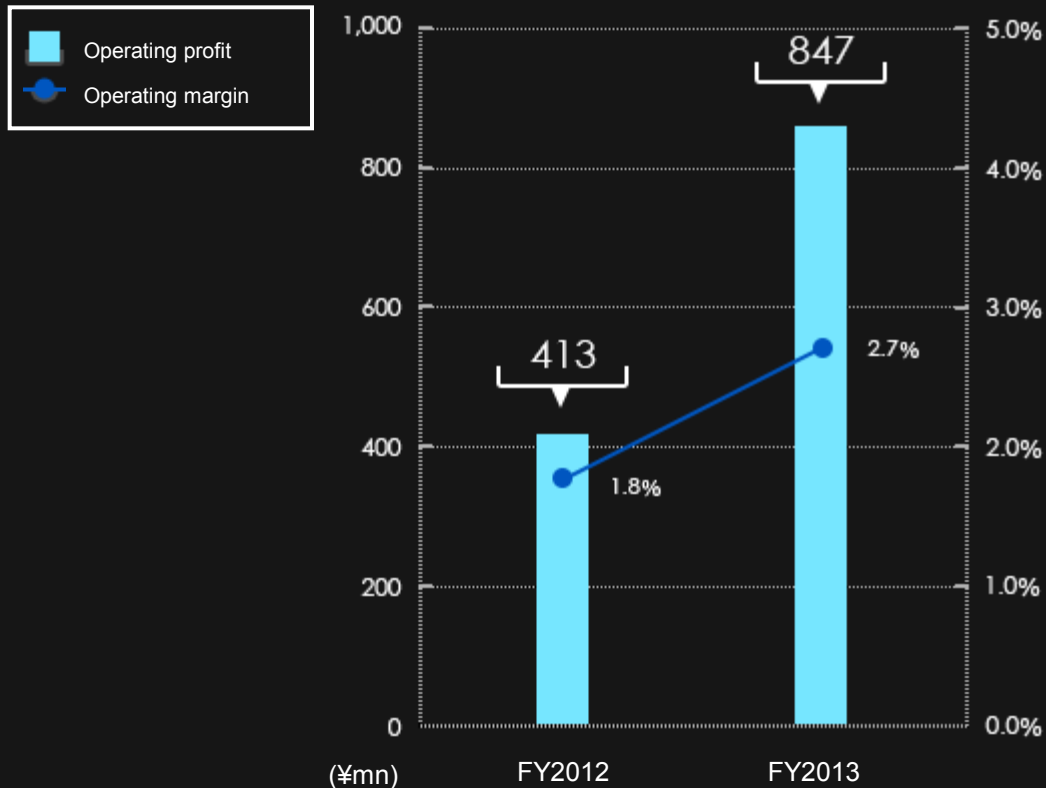
Other expenses

¥1,089mn

→ +¥219mn (+25.3%)

1. Full Year FY2013 Performance: Operating Profit

YoY Change



FY2013 Operating Profit: ¥847mn

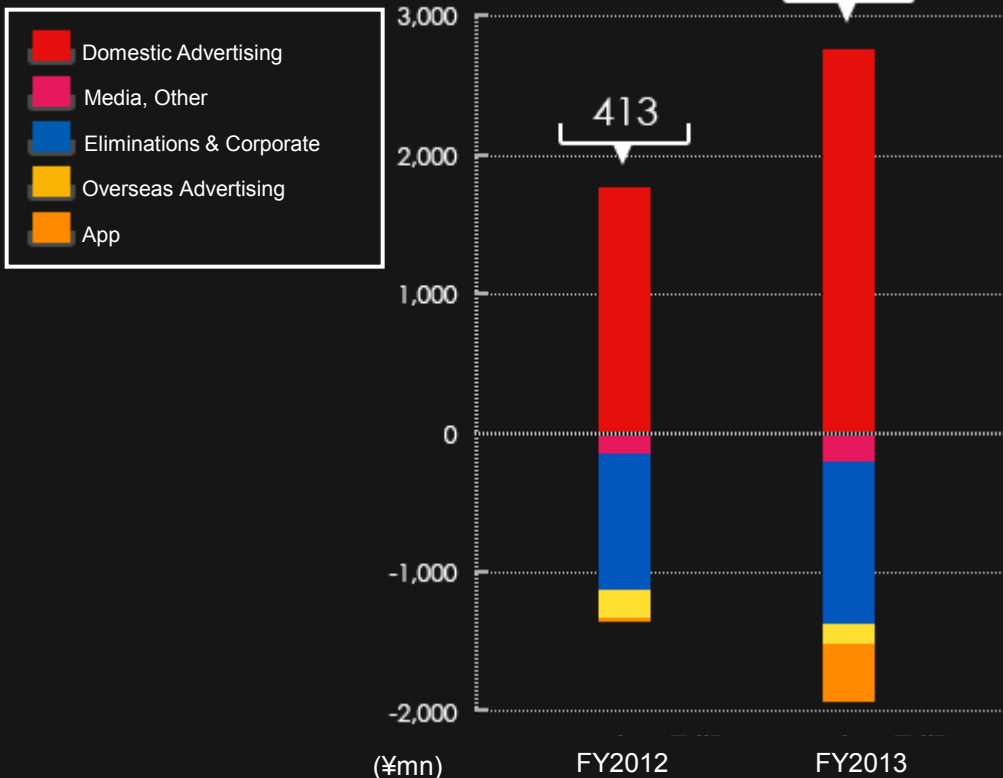
YoY : +¥434mn (+ 104.9%)

Operating margin: +0.9ppt

Although SG&A increased, rise in gross profit led to an increase in both operating profit and operating margin.

1. Full Year FY2013 Performance: Operating Profit by segments

YoY Change



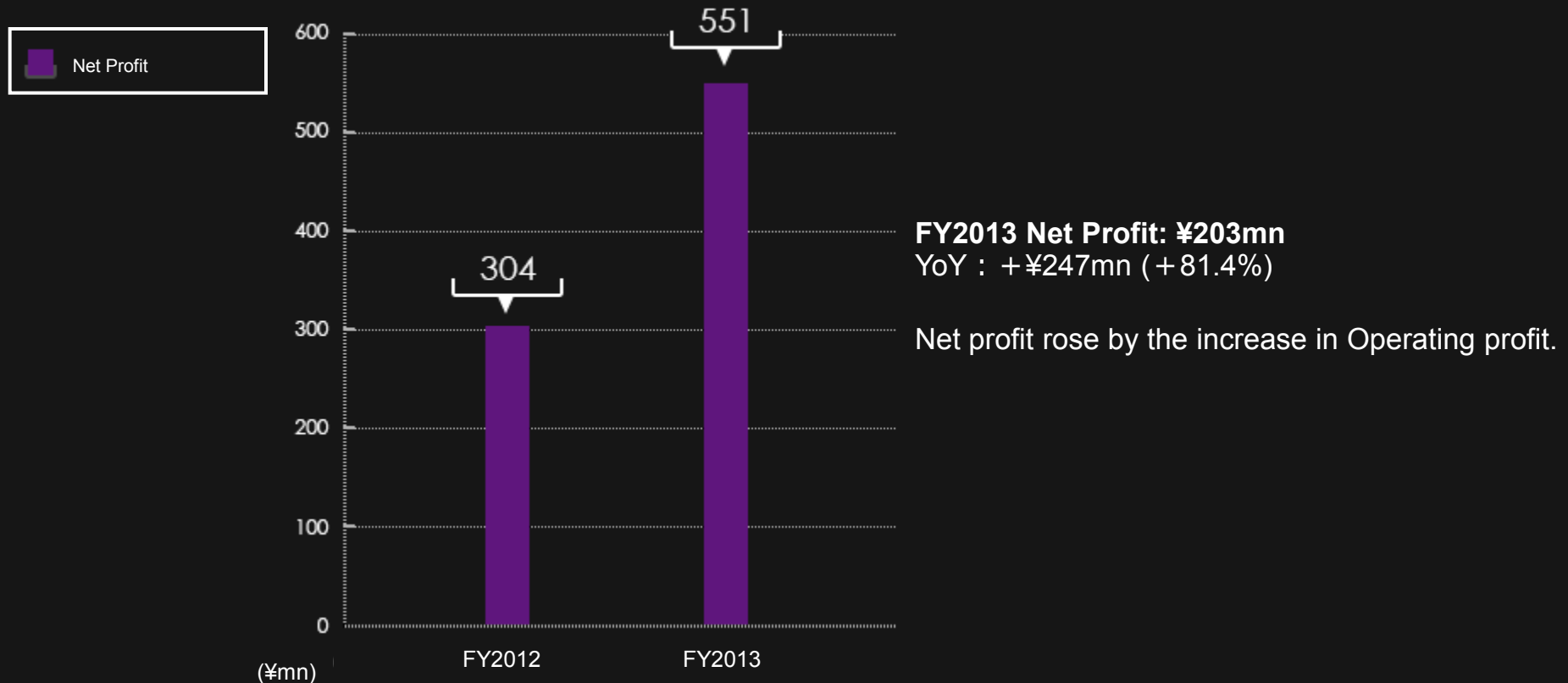
FY2013 Operating Profit: ¥847mn

YoY: +¥434mn (+104.9%)

- Domestic Advertising
→ +¥999mn (+56.5%)
⇒ It rose due to strength at the Smartphone Advertising business.
- Overseas Advertising
→ +¥80mn
⇒ Sales increased steadily, the deficit loss has been reduced.

1. Full Year FY2013 Performance: Net Profit

YoY Change



2 4Q FY2013 Performance

2. 4Q FY2013 Performance: Quarterly

Quarterly Results (YoY, QoQ)

(¥mn)

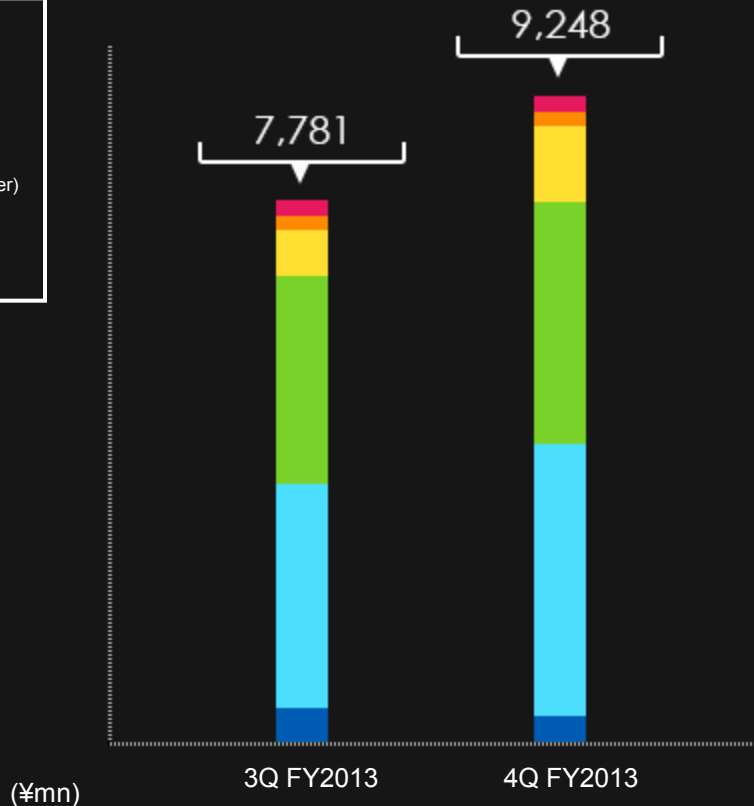
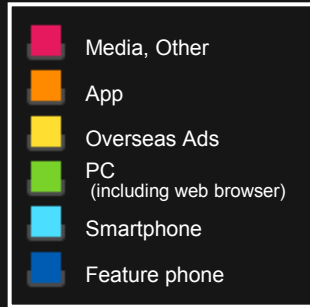
	4Q FY2013	YoY 4Q FY2012			QoQ 3Q FY2013		
		Results	Change (¥mn)	Change (%)	Results	Change (¥mn)	Change (%)
Net Sales	9,248	7,057	+2,191	+31.0%	7,781	+1,466	+18.9%
Gross Profit	1,643	1,289	+354	+27.5%	1,392	+251	+18.1%
SG&A Expenses	1,329	1,133	+196	+17.3%	1,161	+167	+14.4%
Operating Profit	314	156	+157	+100.8%	230	+83	+36.3%
Recurring Profit	351	116	+235	+202.1%	232	+118	+51.0%
Net Profit	203	29	+173	+590.9%	104	+98	+93.6%

Net Sales
Increased ¥1,466mn QoQ (+18.9%)

Operating Profit
Increased ¥83mn QoQ (+36.3%)

2. 4Q FY2013 Performance: Net Sales

QoQ Change



Domestic Advertising: ¥7,738mn

QoQ : +¥1,047mn (+15.7%)

-Smartphone : ¥3,882mn

→ +¥687mn (+21.5%)

- PC (including web browser) : ¥3,458mn

→ +¥470mn (+15.7%)

- Feature phone : ¥397mn

→ -¥110mn (-21.7%)

Overseas Advertising : ¥1,109mn

QoQ : +¥424mn (+61.9%)

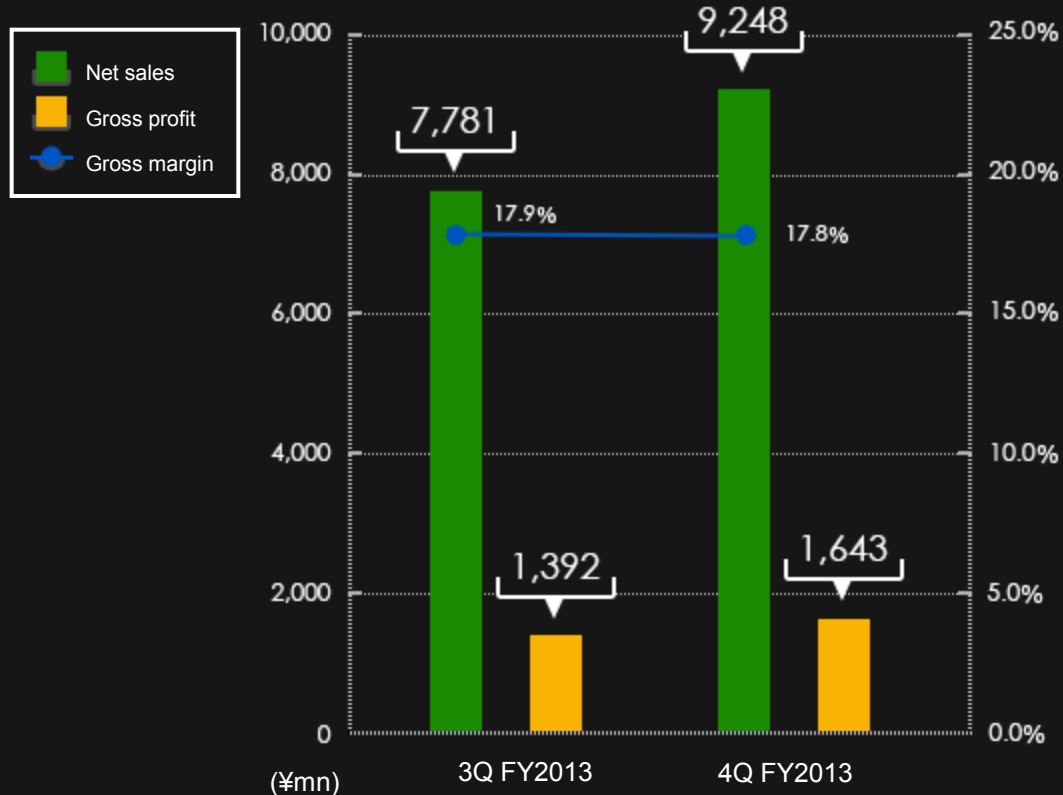
App: ¥225mn

QoQ: +¥44mn (+24.6%)

※The accounting periods of our overseas subsidiaries end in December, so their 4Q FY2013 (October-December) figures are consolidated with the Adways Group's 4Q FY2013 (January-March) figures.

2. 4Q FY2013 Performance: Gross Profit

QoQ Change



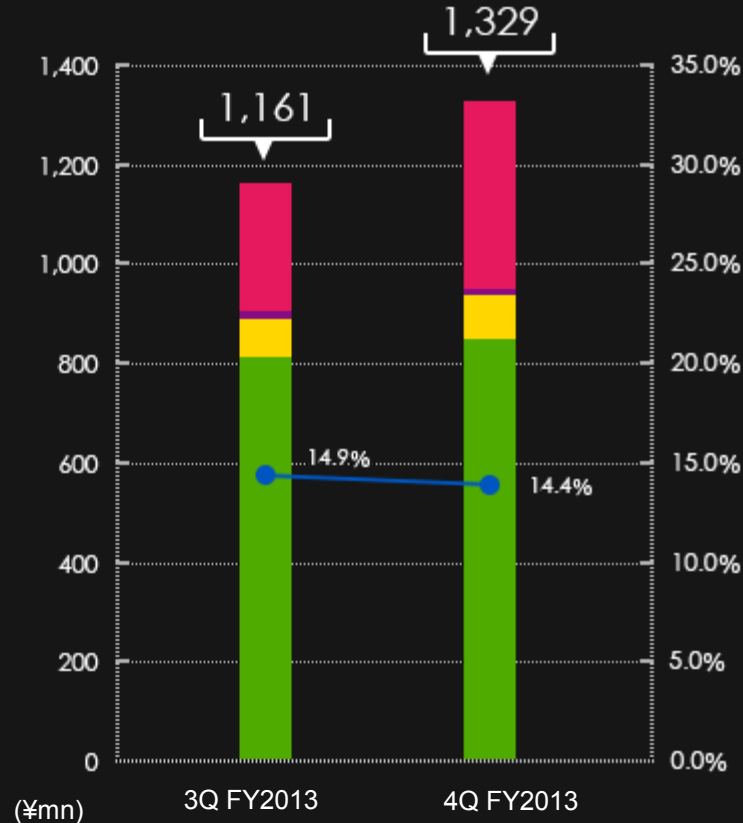
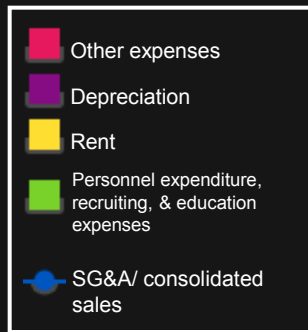
4Q Gross Profit: ¥1,643mn

QoQ : +¥251mn (+18.1%)

Gross profit rose due to continued strength at the advertising business (especially smartphone advertising).

2. 4Q FY2013 Performance: SG&A Expenses

QoQ Change



4Q SG&A Expenses : ¥1,329mn

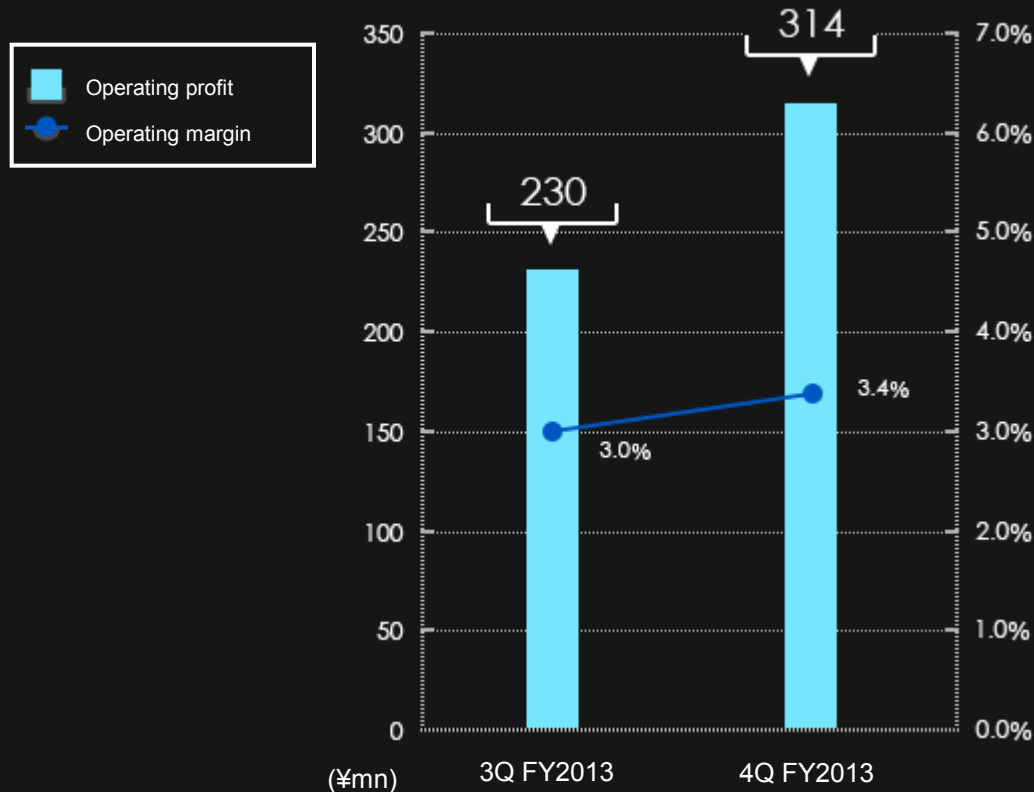
QoQ: +¥167mn (+14.4%)

SG&A to sales ratio: -0.5ppt

- Personnel expenditure, recruiting & education expenses
¥848mn
→ +¥33mn (+4.2%)
- Other expenses
¥372mn
→ +¥118mn (+46.5%)

2. 4Q FY2013 Performance: Operating Profit

QoQ Change



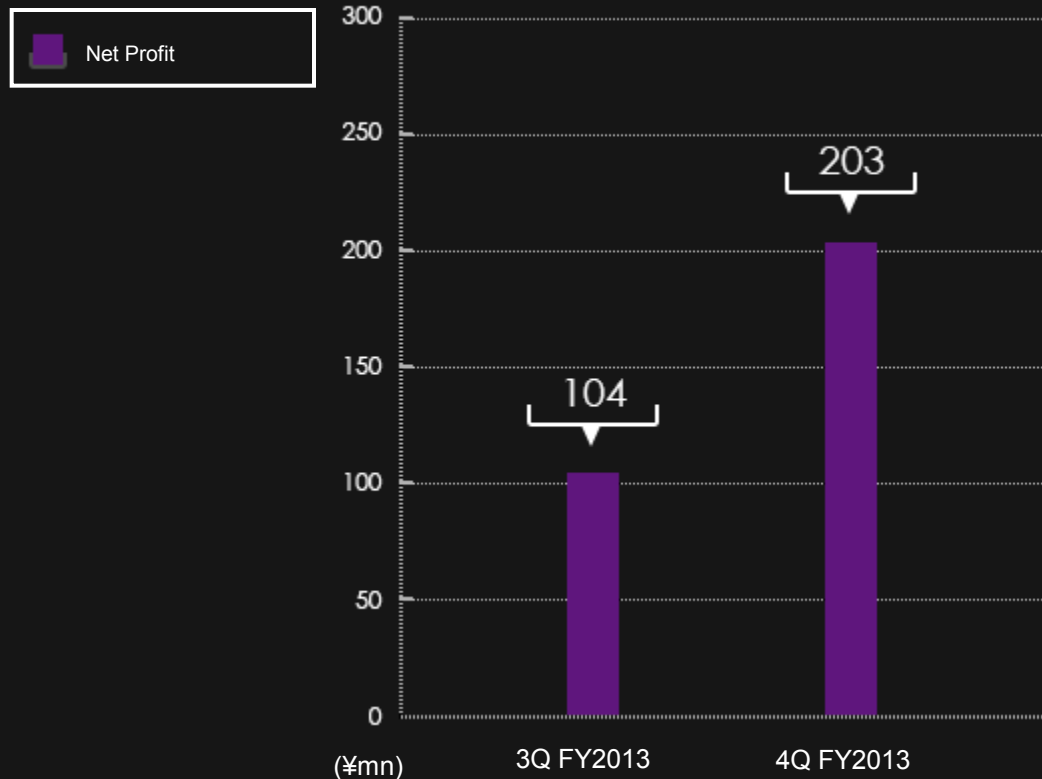
4Q Operating Profit: ¥314mn

QoQ : +¥83mn (+36.3%)
Operating margin: +0.4ppt

Since the increase in gross profit is greater than the increase in SG&A expenses, increased both operating income and operating margin.

2. 4Q FY2013 Performance: Net Profit

QoQ Change



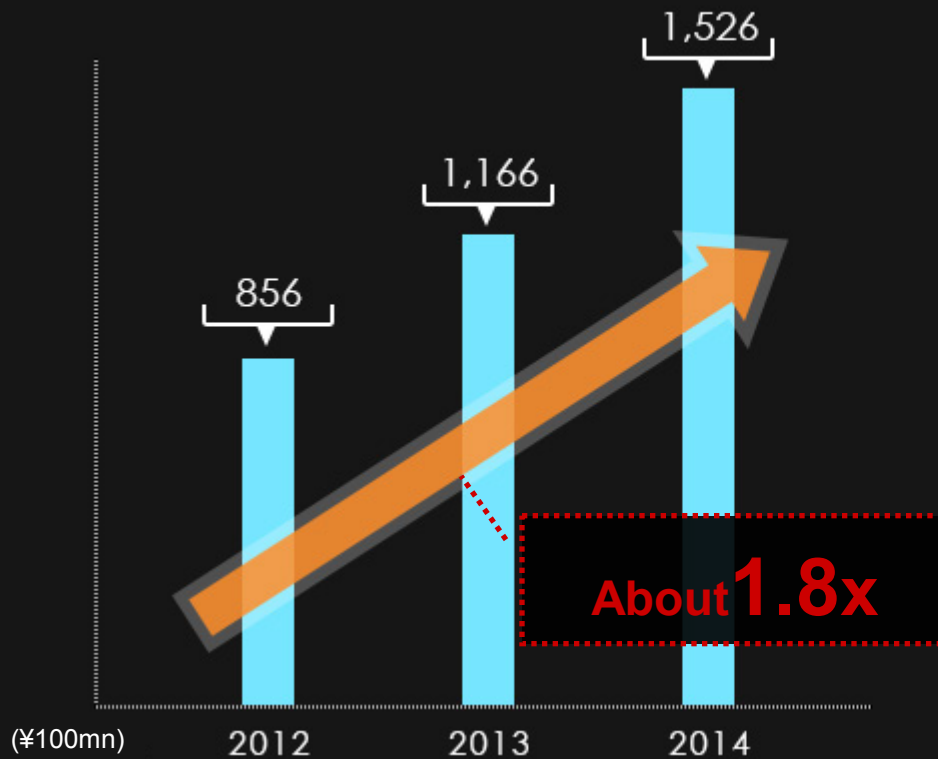
4Q Net Profit: ¥203mn
QoQ : +¥98mn (+93.6%)

Net profit increased by the increase in Operating profit.

3 Business Overview

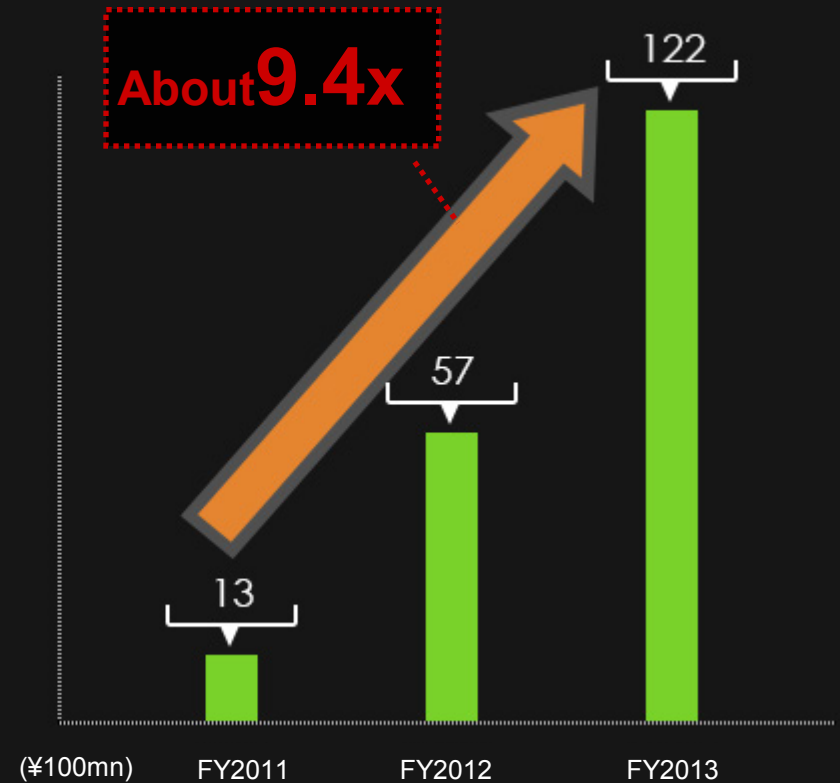
3. Business Overview: Domestic Smartphone Advertising Business

Estimated growth of Smartphone Advertising market



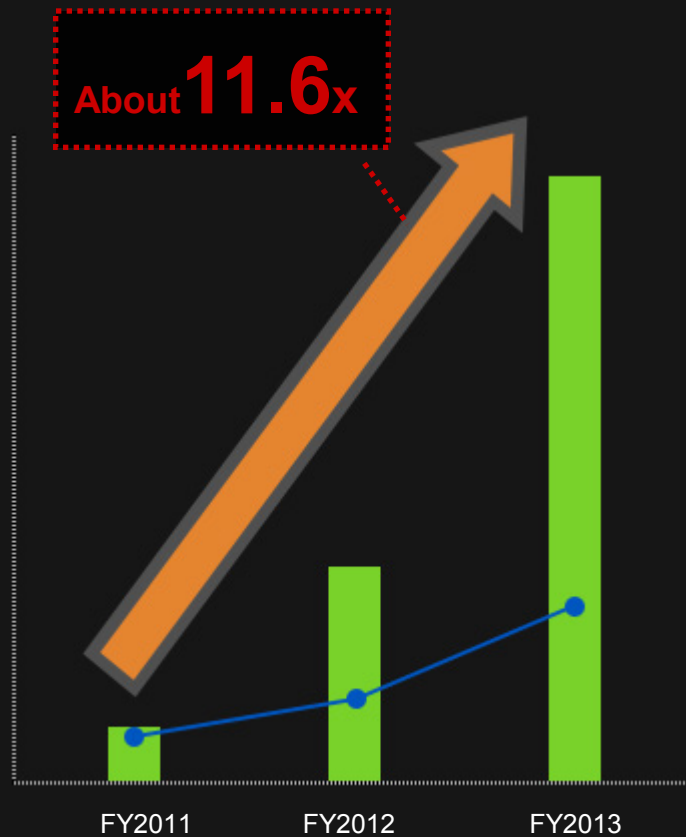
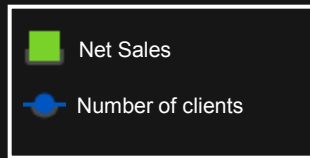
Source : Seed Planning

Estimated sales of Adways Smartphone Advertising business



3. Business Overview: Domestic Smartphone Advertising Business

Smartphone Game-related Ads



Number of clients of game-related Ads

Monthly number of clients
YoY about **2.1x**

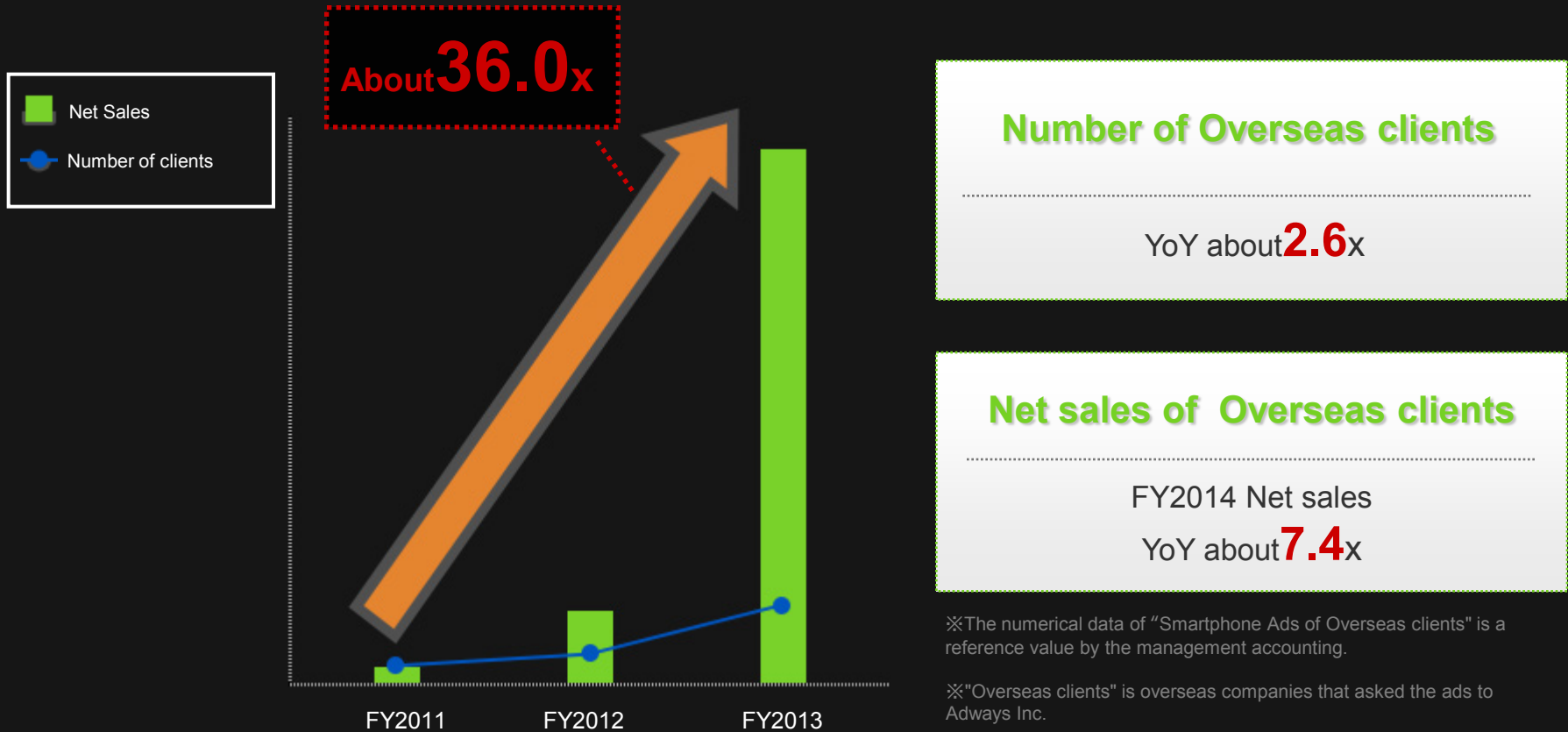
Net sales of game-related Ads

FY2014 Net sales
YoY about **2.8x**

※The numerical data of "smartphone game-related ads" is a reference value by the management accounting.

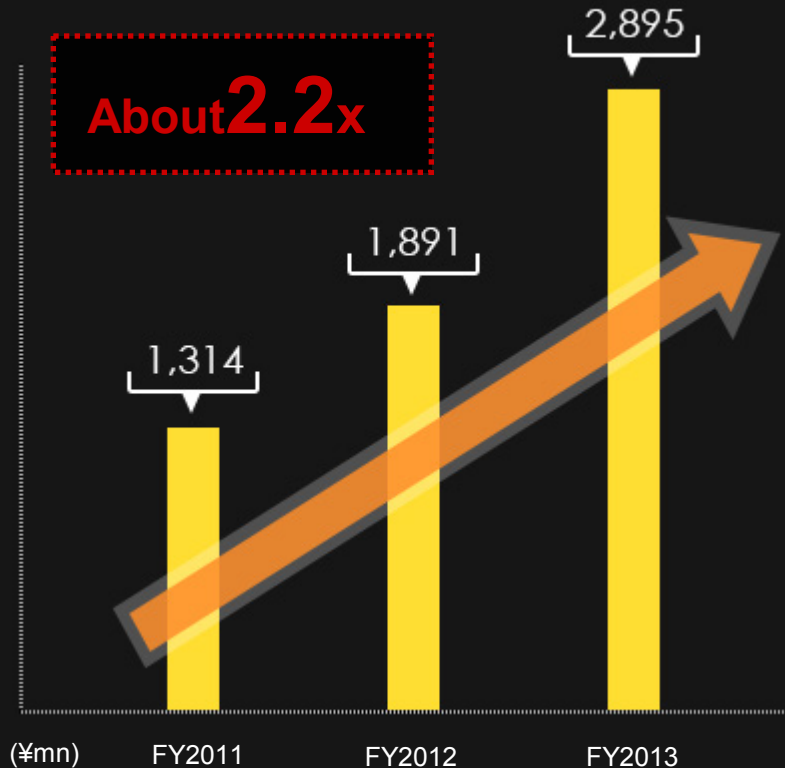
3. Business Overview: Domestic Smartphone Advertising Business

Smartphone Ads of Overseas clients



3. Business Overview: Overseas Advertising Business

Overseas Ads of Adways Group



爱德威广告
ADWAYS

Adways China has been recognized as "2013 Outstanding Agency" of Baidu, the largest search service in Asia.



爱德威广告
ADWAYS

Adways China started developing, operating, and selling advertising platform provided by "Wo Store".



ADWAYS
KOREA

Adways Korea officially released the free pre-registration service for smartphone, "Yoyaku Top10".

4 Future Strategy

4. Future Strategy

Invest



Commercialize



Monetize

Investment stage:
Sowing the seeds

Growth stage:
Investments
start to bud

Earning stage:
Investments
blossom

2012-2013

2014-2015

2016-2017

4. Future Strategy



4. Future Strategy

Domestic Advertising

- Continue to focus on Smartphone Ads.
We aim to grip the range of non-gaming in the future.

- Enhanced solutions tool.
Differentiate “high-performance measurement” and “precise analysis” by taking advantage of our knowledge and making alliances.

Overseas Advertising

- Expand Smartphone business into East asia (China, Korea, & Taiwan) .

- Strengthen the Smartphone business in Southeast Asia (Thailand, Indonesia, etc) , where the market is rapidly growing.

5 Others

5. Others

Company's stock holdings of ITOCHU Corporation

※voting rights and number of shares held



(at April 18,2014)

There is no change in cooperative relationship with the company.
We will continue to cooperate with ITOCHU and push our business forward.

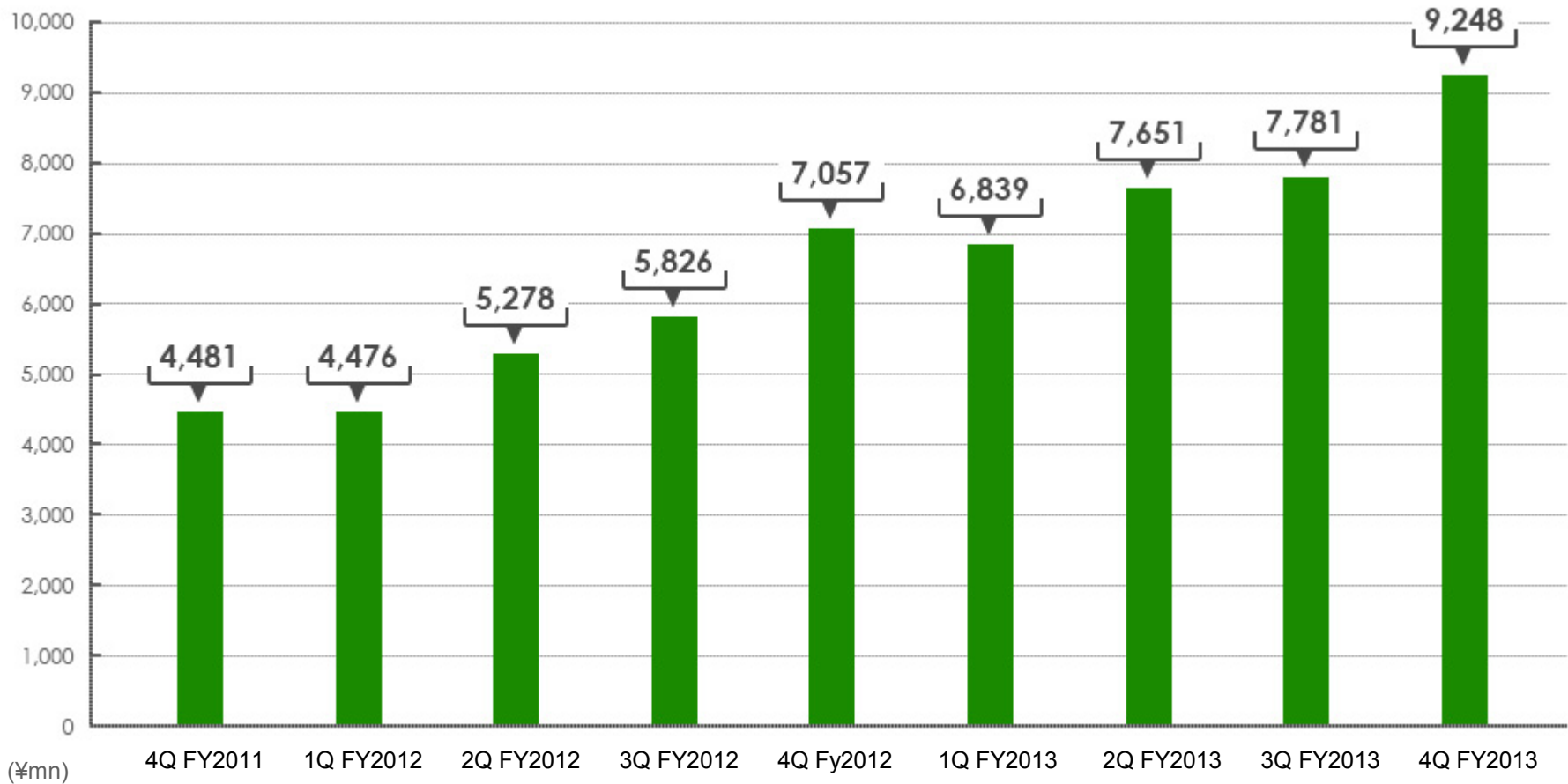
Thank you very much for attending our presentation today.

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 May 14, 2014 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.

6 Supplementary Materials

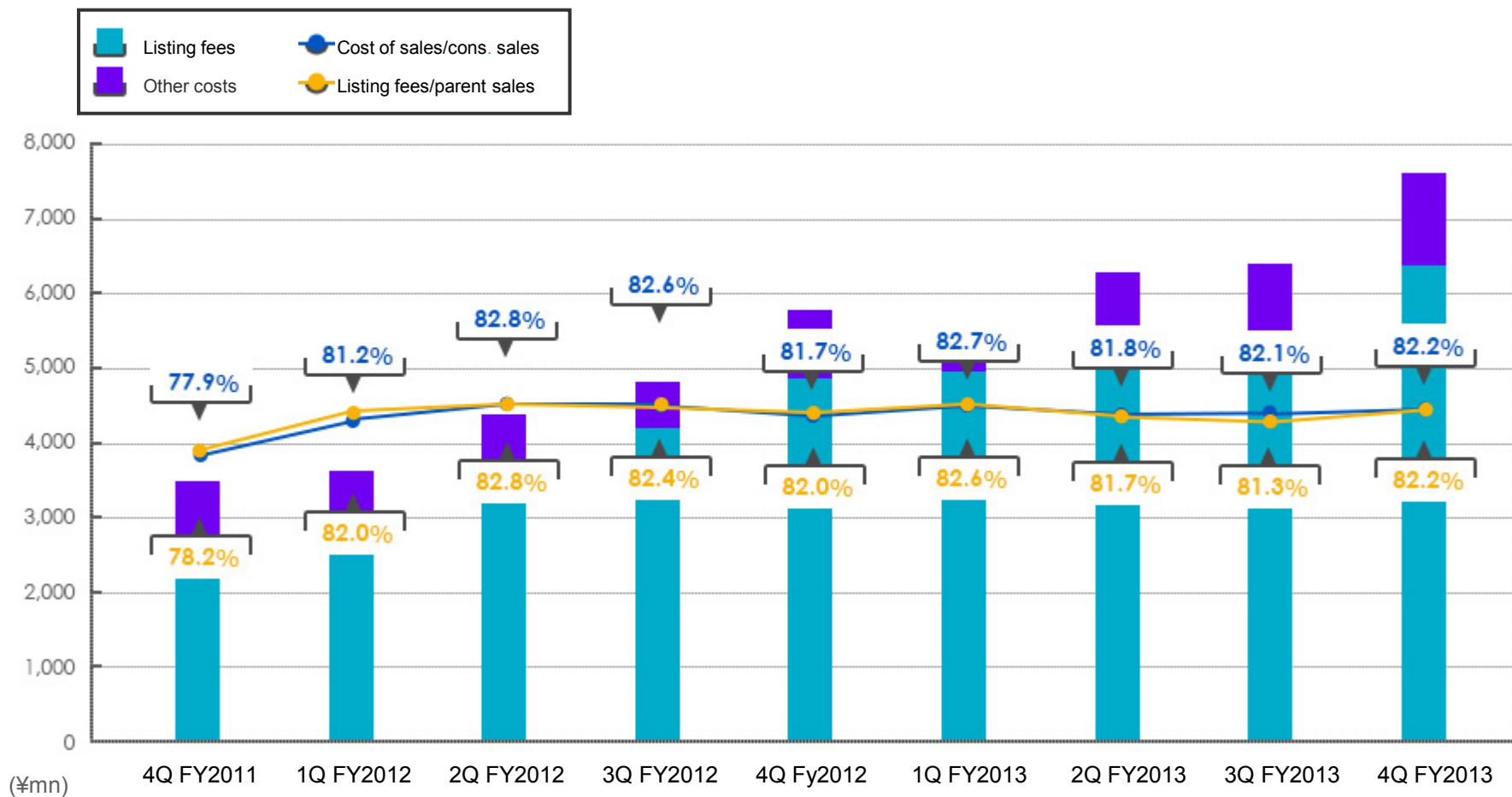
6. Supplementary Materials

Consolidated sales (Quarterly)



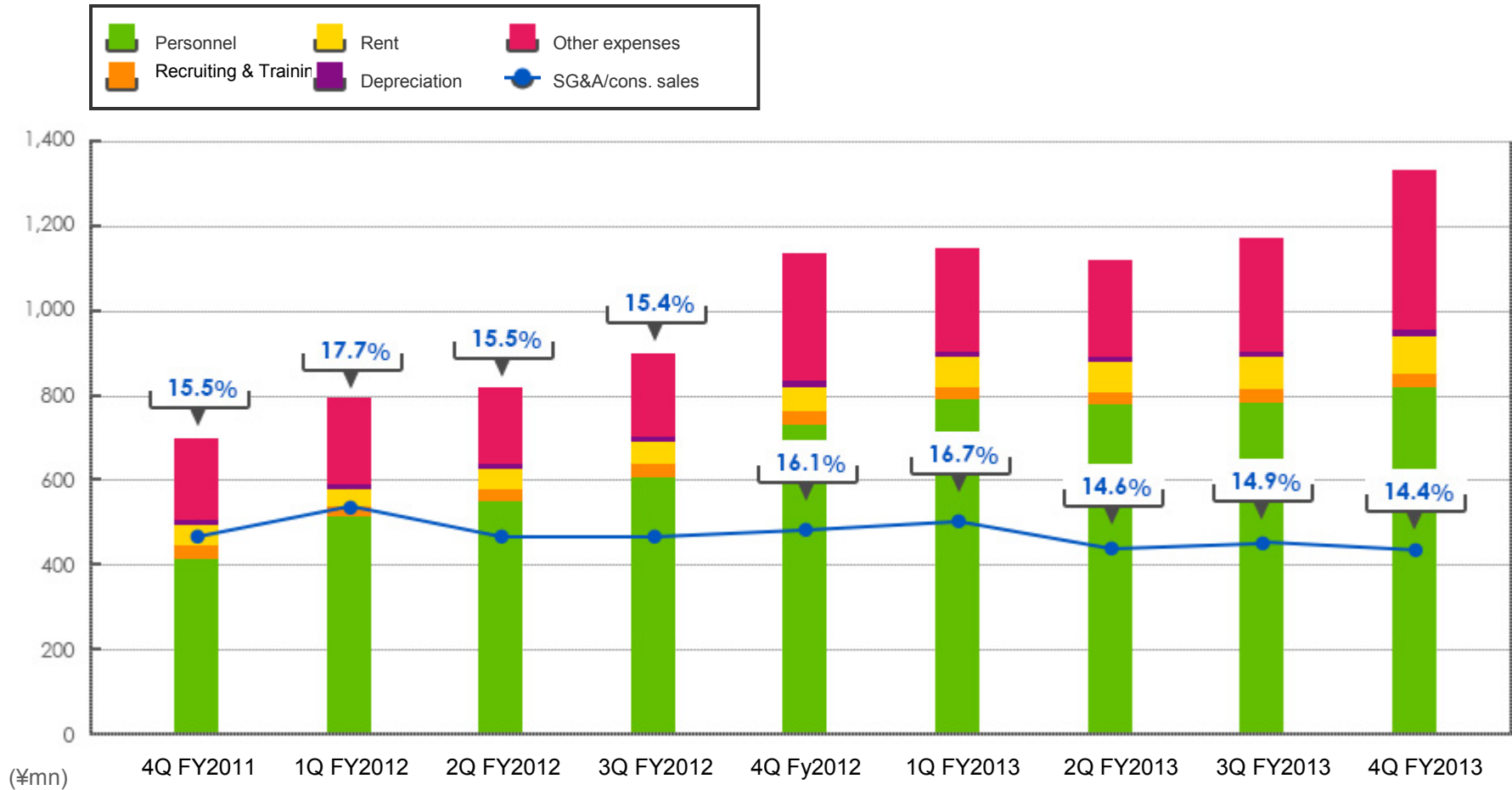
6. Supplementary Materials

Consolidated Cost of Sales (Quarterly)



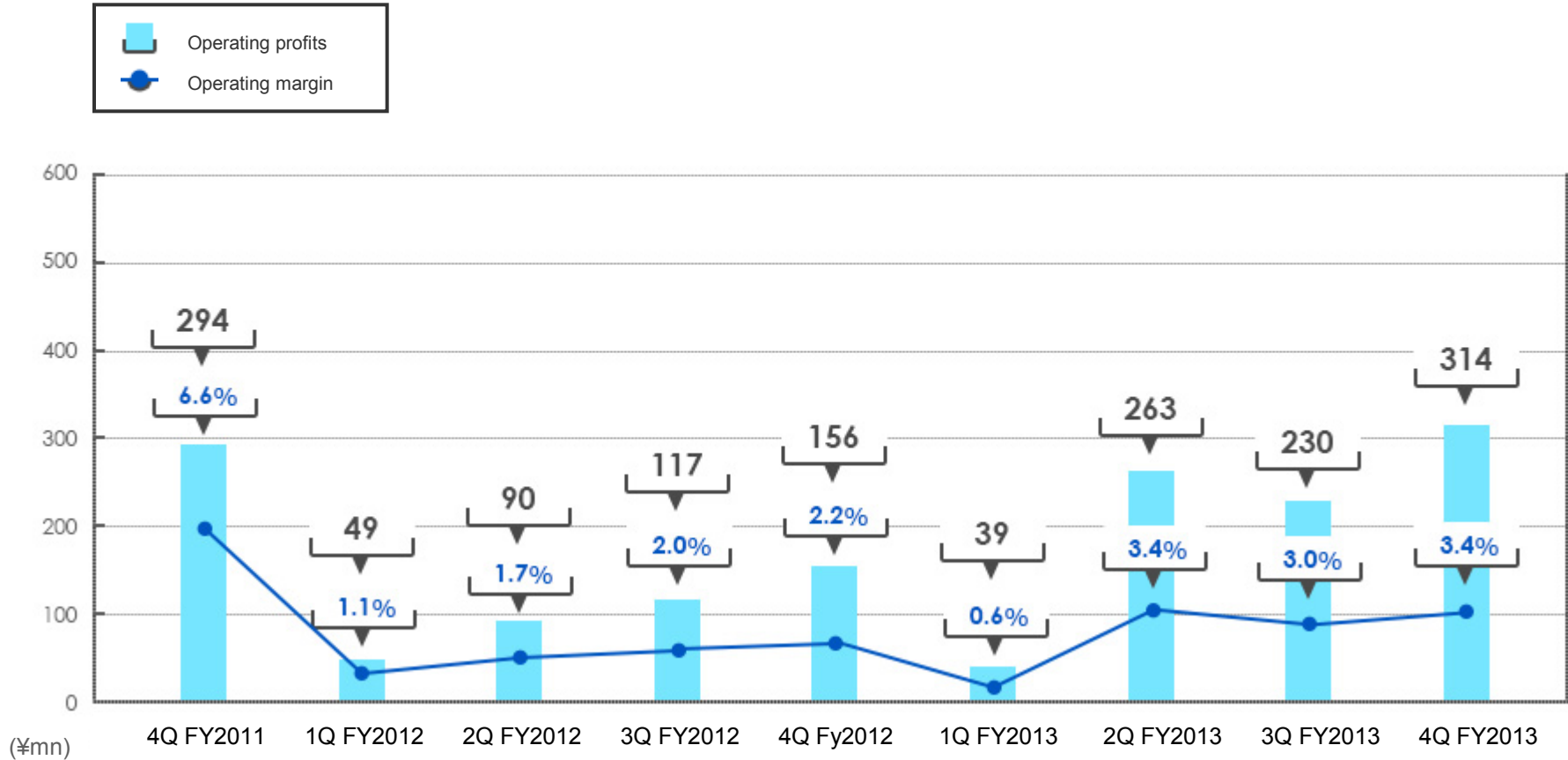
6. Supplementary Materials

Consolidated SG&A Expenses (Quarterly)



6. Supplementary Materials

Consolidated Operating Profit (Quarterly)



6. Supplementary Materials

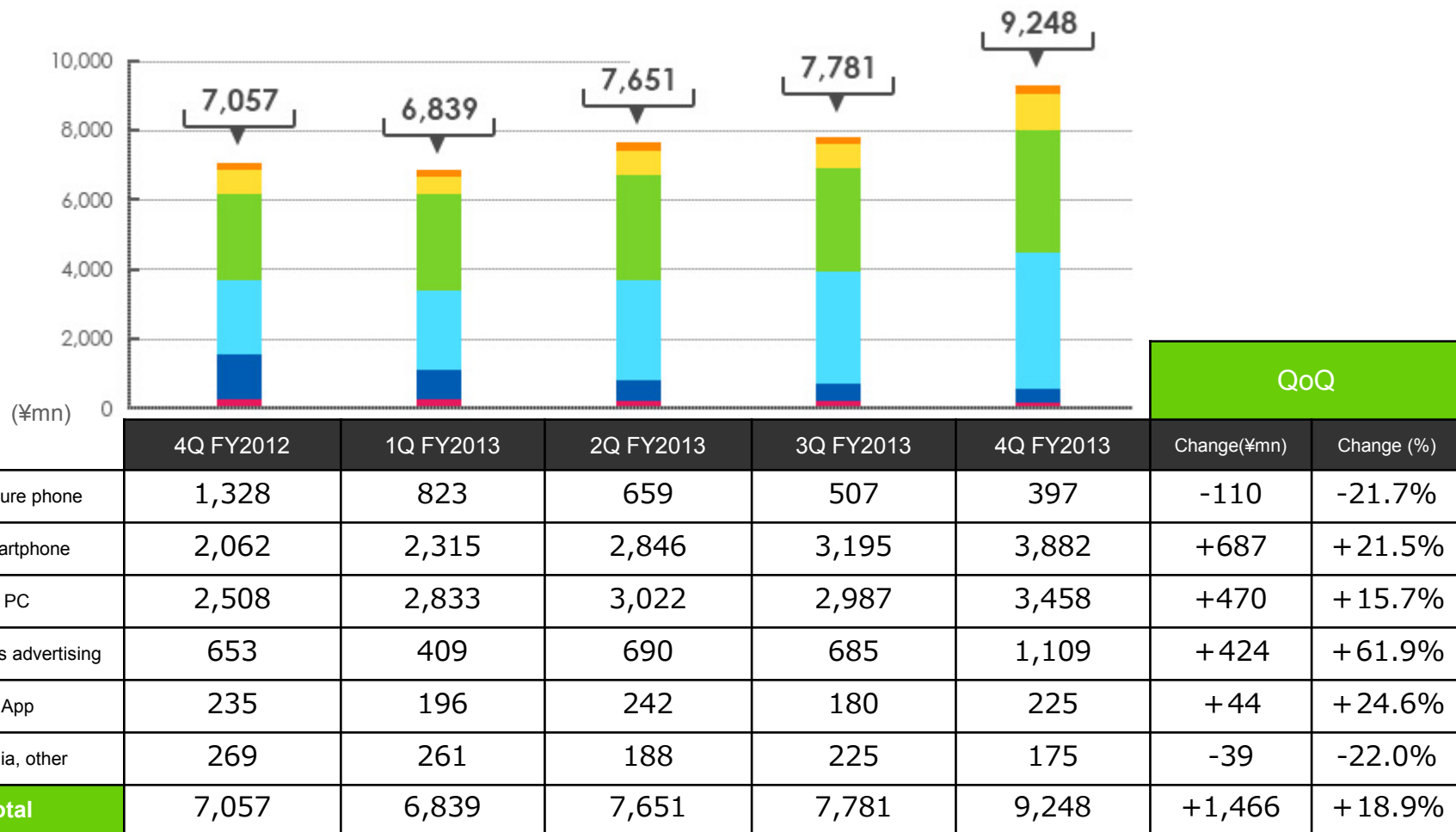
Consolidated Balance Sheet (QoQ)

(¥mn)

	4Q FY2013	3Q FY2013	Change (¥mn)	Change (%)
Current Assets	16,174	15,036	+1,138	+7.6%
(Cash and Deposits)	10,870	10,559	+310	+2.9%
Fixed Assets	1,573	1,336	+237	+17.8%
Total Assets	17,748	16,372	+1,376	+8.4%
Current Liabilities	5,925	4,857	+1,068	+22.0%
Fixed Liabilities	14	55	-40	-73.6%
Total Liabilities	5,940	4,912	+1,027	+20.9%
Net Assets	11,808	11,459	+348	+3.0%

6. Supplementary Materials

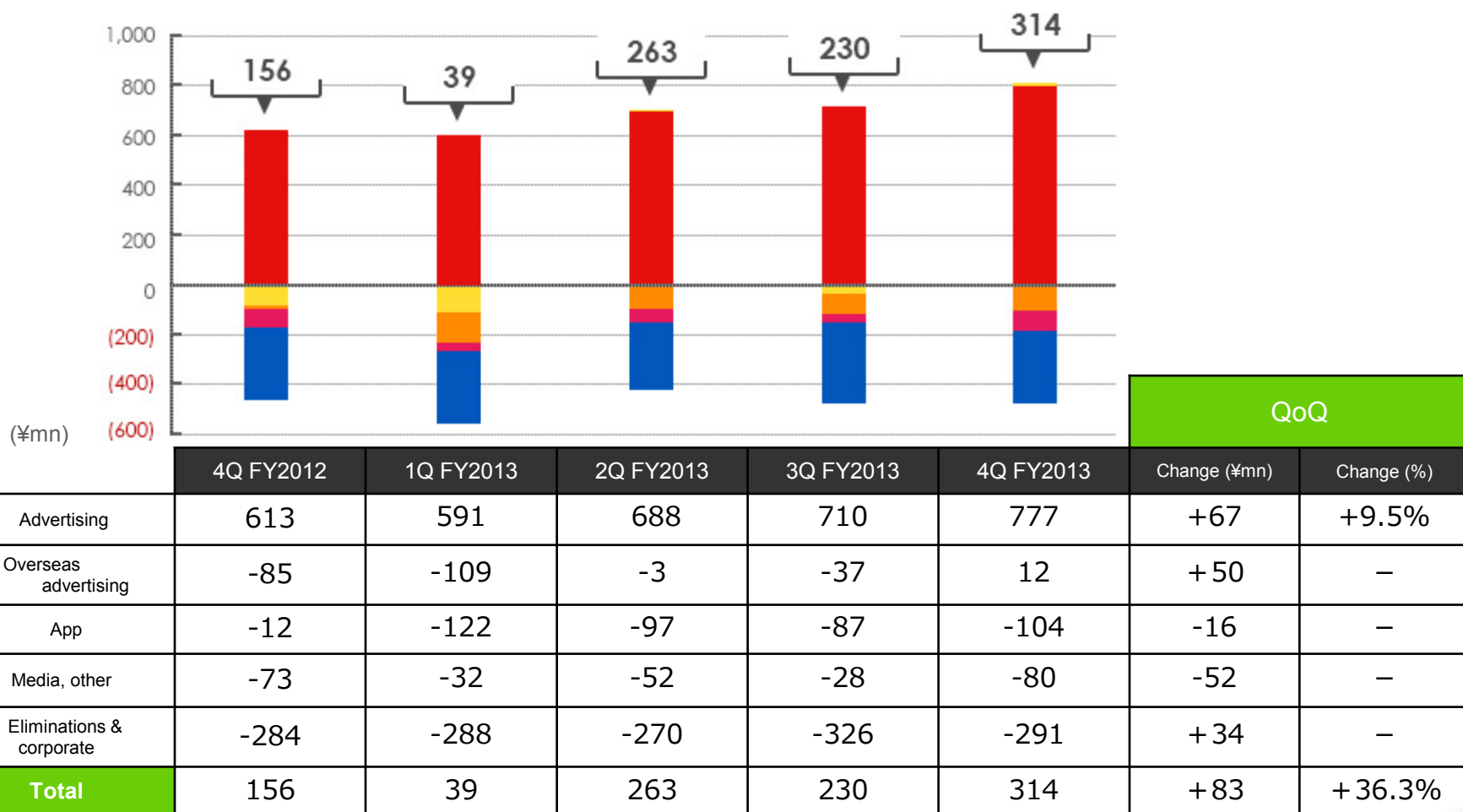
Breakdown of Consolidated Sales by Segment (Quarterly)



※"Smart-C" affiliate advertising sales which were previously included under the feature phone segment (previously the "mobile phone segment") have been reclassified under the smartphone segment as of 1Q FY2012.

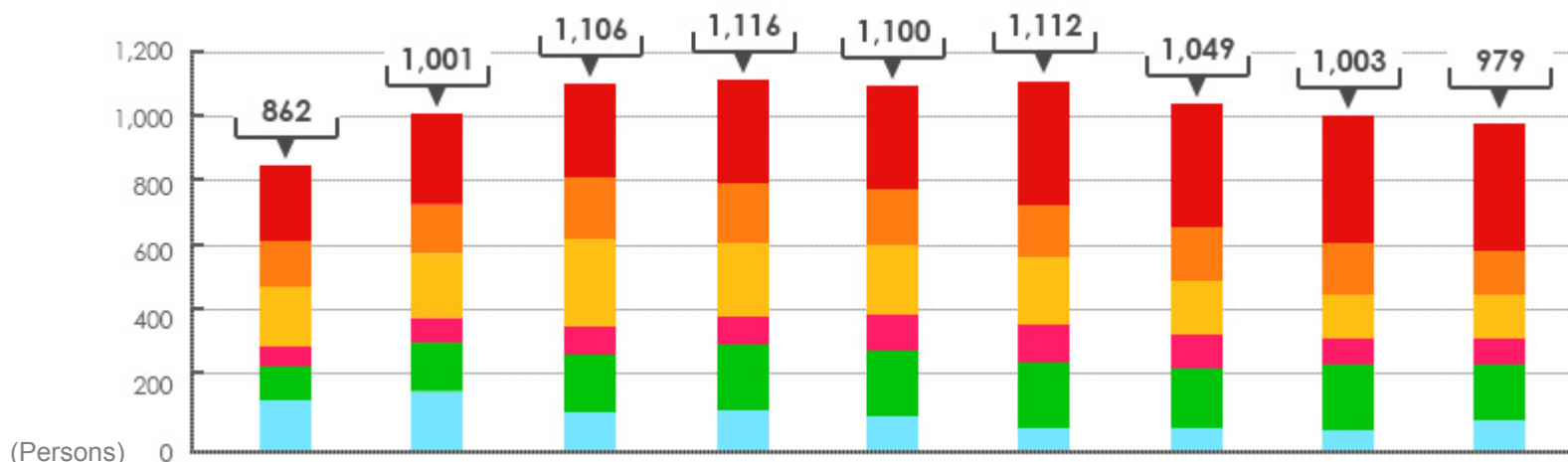
6. Supplementary Materials

Breakdown of Consolidated Operating Profit by Segment (Quarterly)



6. Supplementary Materials

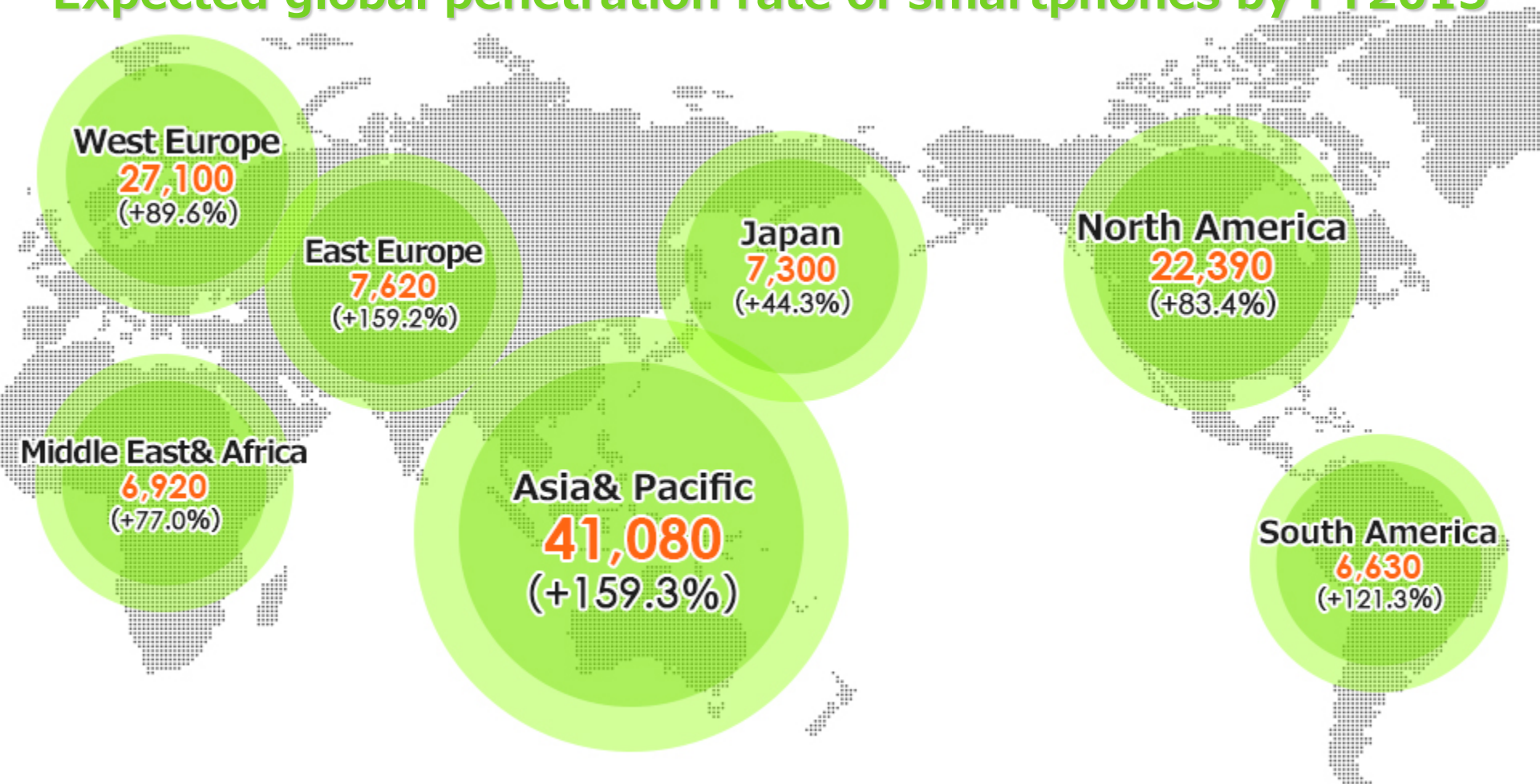
Group Employees (Quarterly)



	4Q FY2011	1Q FY2012	2Q FY2012	3Q FY2012	4Q FY2012	1Q FY2013	2Q FY2013	3Q FY2013	4Q FY2013
ADW Japan	231	272	282	305	309	368	374	377	380
ADW China	138	142	185	181	169	154	163	150	132
ADW Shanghai (R&D center)	174	189	256	219	210	206	159	132	131
Domestic subs	56	70	88	89	102	111	103	78	73
Overseas subs (ex. China)	100	149	171	190	195	192	184	201	169
Temps, part-timers	163	179	124	132	115	81	66	65	94
Total	862	1,001	1,106	1,116	1,100	1,112	1,049	1,003	979

6. Supplementary Materials

Expected global penetration rate of smartphones by FY2015



Reference: eMarketer
Compared to FY2011

(Ten thousand smartphones)

6. Supplementary Materials

Company Overview

Company name Adways Inc.

Founded February 28, 2001

Business overview Internet business

Representative Director & CEO Haruhisa Okamura

Capital ¥1,489mn (end-March 2014)

Net Sales ¥ 31,521mn (FY3/2014, Consolidated)

Employees 979 including temp workers (end-March, 2014)