



TOKYO STOCK EXCHANGE MOTHERS

STOCK CODE: 2489

ADWAYS

PRESENTATION MATERIAL

JULY 2014

Financial Results Presentation for 1Q FY2014

July 31, 2014

President and CEO, Haruhisa Okamura

Topics

- | | | |
|--|---------|------|
| 1. 1Q FY2014 Performance | ●.....● | P.2 |
| 2. Business Overview | ●.....● | P.9 |
| 3. FY2014 Guidance and Dividend Forecast | ●.....● | P.15 |
| 4. Supplementary Materials | ●.....● | P.18 |

1. 1Q FY2014 Performance

1. 1Q FY2014 Performance

Quarterly Results (YoY, QoQ)

(¥mn)

	1Q FY2014	YoY 1Q FY2013			QoQ 4Q FY2013		
		Result	Change (¥mn)	Change (%)	Result	Change (¥mn)	Change (%)
Net Sales	8,831	6,839	+1,991	+29.1%	9,248	-417	-4.5%
Gross Profit	1,579	1,182	+396	+33.5%	1,643	-64	-3.9%
SG&A Expenses	1,345	1,143	+202	+17.7%	1,329	+15	+1.2%
Operating Profit	233	39	+194	+494.9%	314	-80	-25.6%
Recurring Profit	241	- 8	+249	-	351	-110	-31.4%
Net Profit	94	- 18	+112	-	203	-108	-53.6%

Net Sales

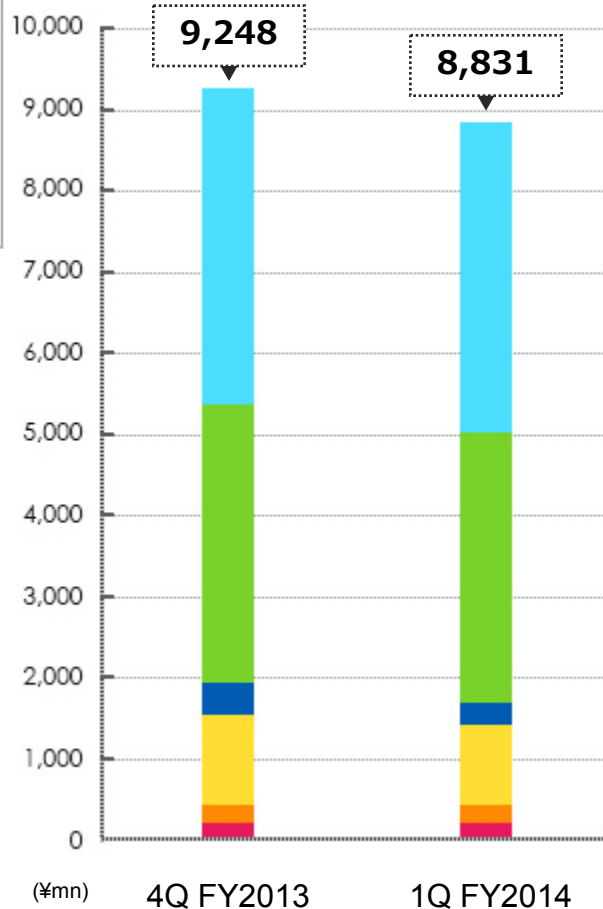
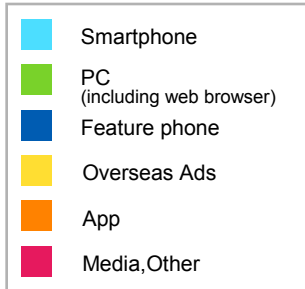
Increased ¥1,991mn YoY (+29.1%)
 Decreased ¥417mn QoQ (-4.5%)

Operating Profit

Increased ¥194mn YoY (+494.9%)
 Decreased ¥0.8mn QoQ (-24.6%)

1. 1Q FY2014 Performance: Net Sales

QoQ Change



Domestic Advertising **¥7,449mn**

QoQ : -¥289mn (-3.7%)

Smartphone : ¥3,775mn

QoQ : -¥107mn (-2.8%)

-decrease due to companies engaging in pre-budget expiry spending spree before the fiscal-year-end in March.

PC(including web browser) : ¥3,392mn

QoQ : -¥66mn (-1.9%)

-decreased due to off-demand period from major client orders in financial industry.

Feature phone : ¥281mn

QoQ : -¥115mn (-29.1%)

-decrease due to ongoing downsizing of the market since last quarter

Overseas Advertising **¥979mn**

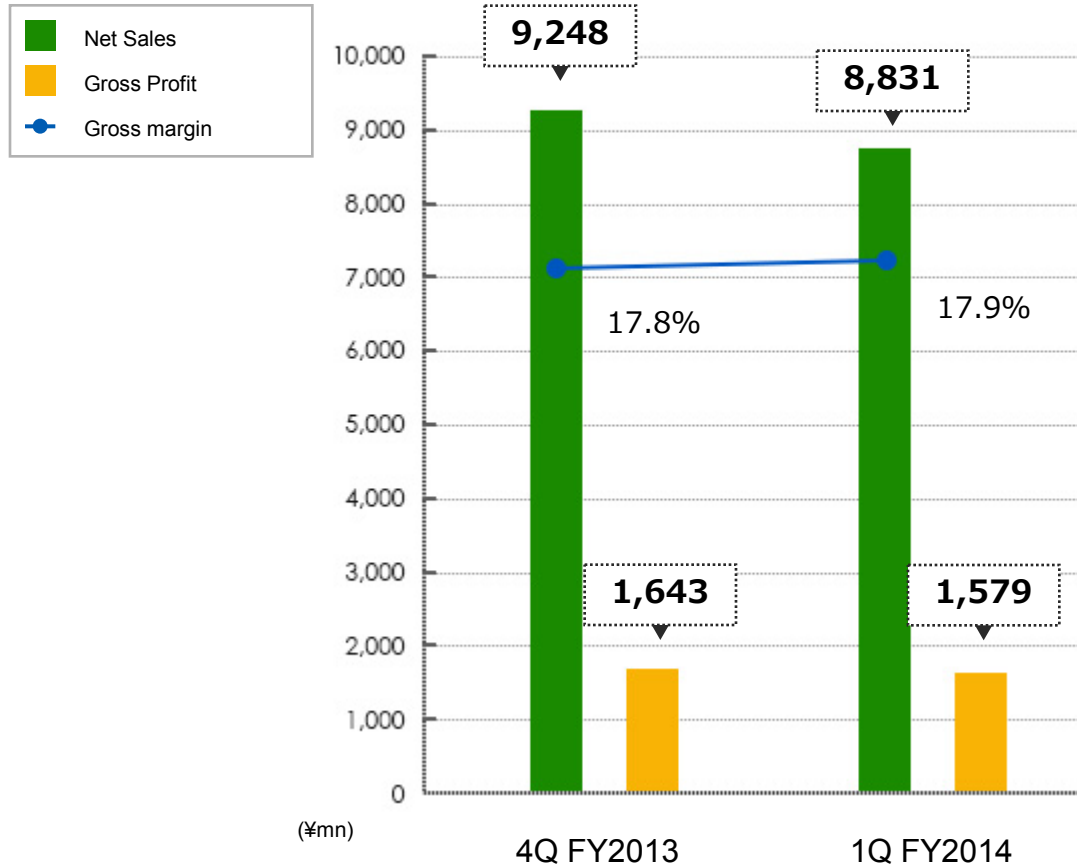
QoQ : -¥130mn (-11.7%)

-decrease 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.

1. 1Q FY2014 Performance: Gross Profit

QoQ Change



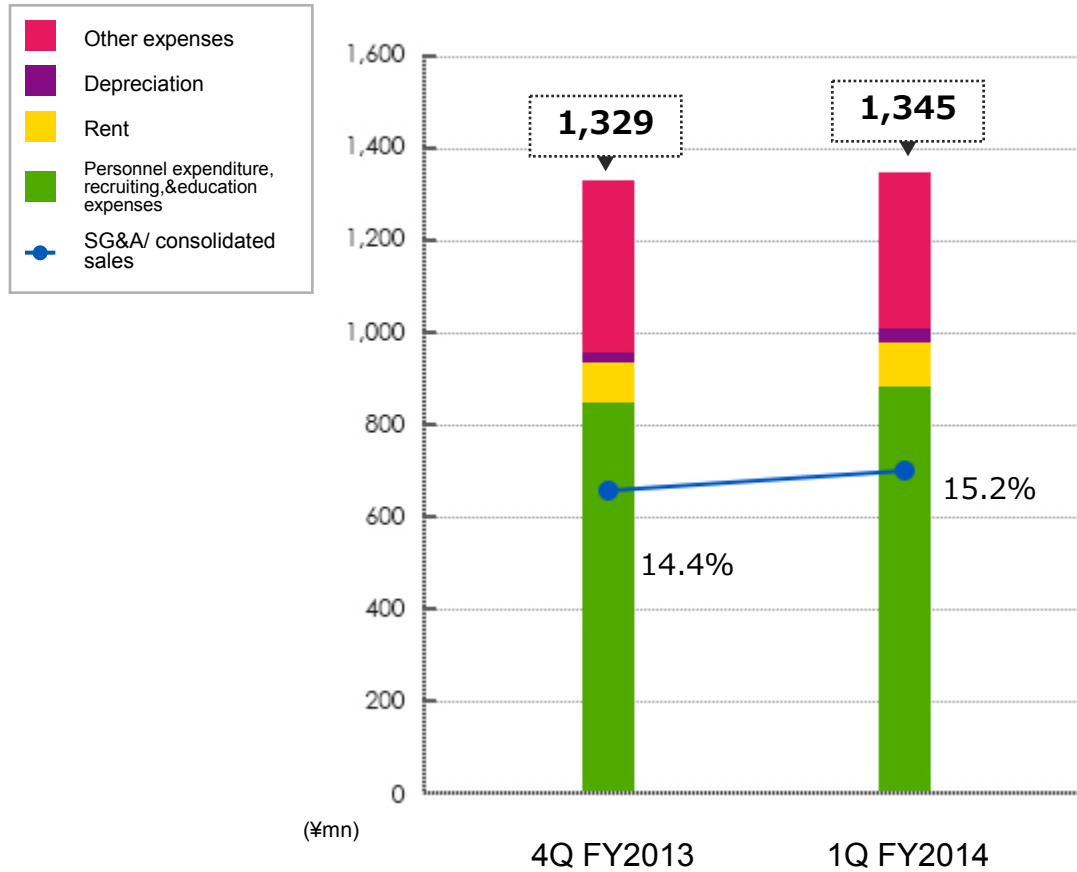
1Q Gross Profit : ¥1,579mn

QoQ : -¥64mn (-3.9%)

Gross margin : 17.9% (+0.1ppt)

1. 1Q FY2014 Performance: SG&A Expenses

QoQ Change



1Q SG&A Expenses : ¥1,345mn

QoQ : +¥15mn (+1.2%)

SG&A to Sales ratio : +0.8ppt

Personnel Expenditure : +¥47mn

-increase due to employment of new graduates.

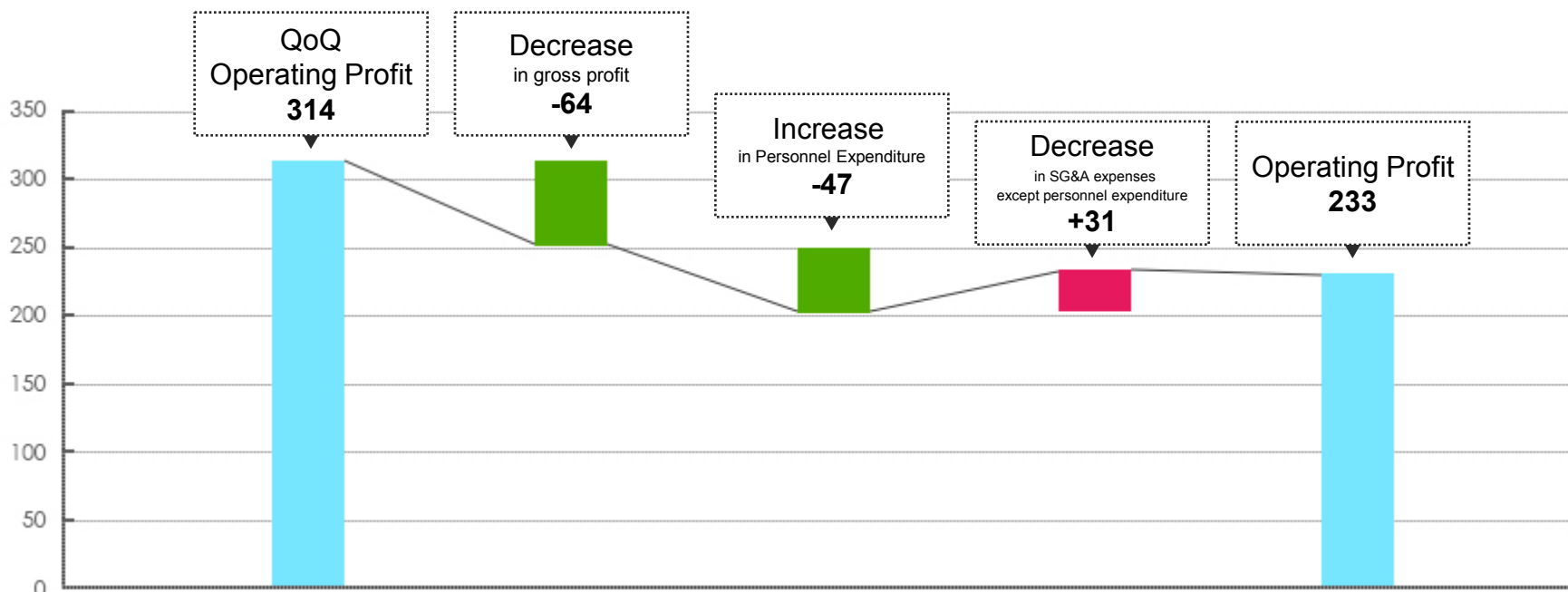
Recruiting Expenditure : -¥11mn

Other expenses : -¥35mn

-decrease due to allocation of allowance for doubtful accounts from previous quarter.

1. 1Q FY2014 Performance: Operating Profit

QoQ Change



(¥mn)

Factors motivating QoQ decrease in operating profit

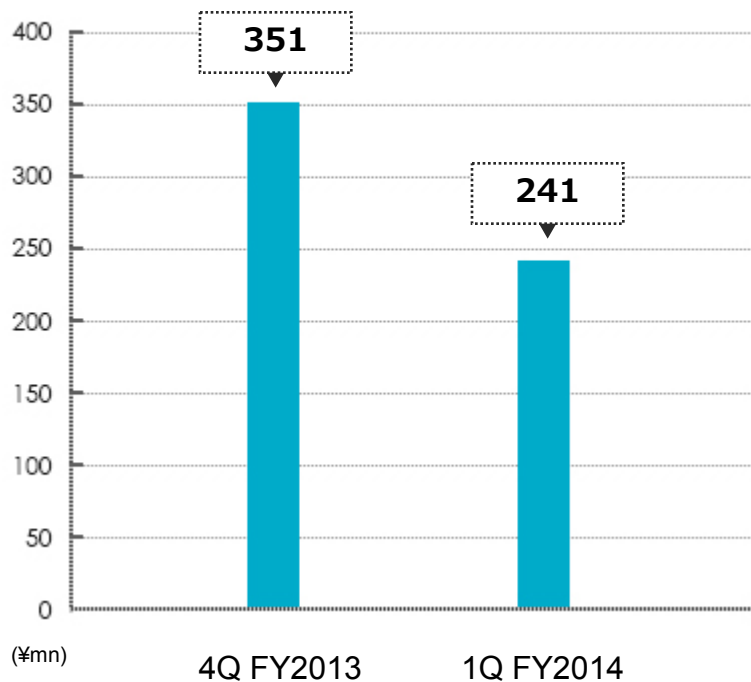
Decrease in Gross profit (¥64mn)
Increase in personnel expenditure (¥47mn)

1Q Operating Profit: ¥233mn

QoQ : -80mn (-25.6%)

1. 1Q FY2014 Performance: Recurring Profit and Net Profit

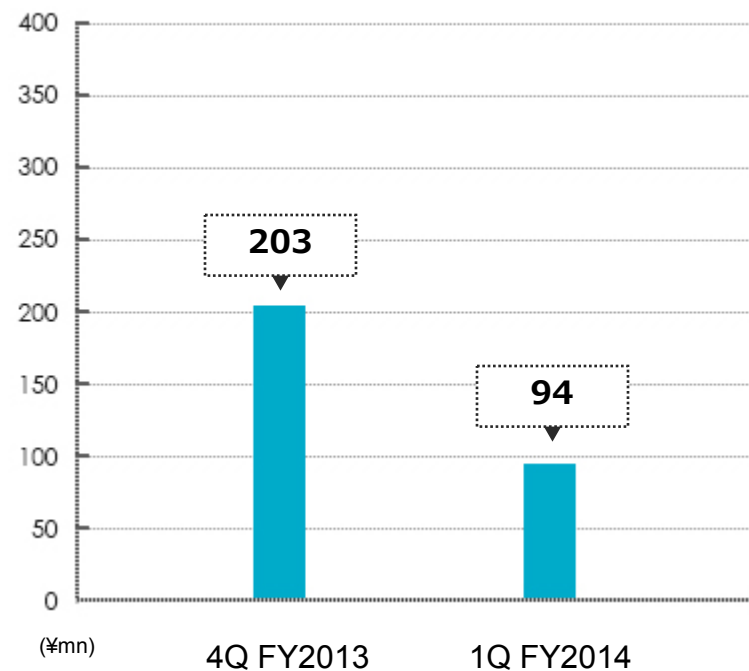
QoQ Change



1Q Recurring Profit : ¥241mn

QoQ : -¥110mn (-31.4%)

QoQ Change



1Q Net Profit : ¥94mn

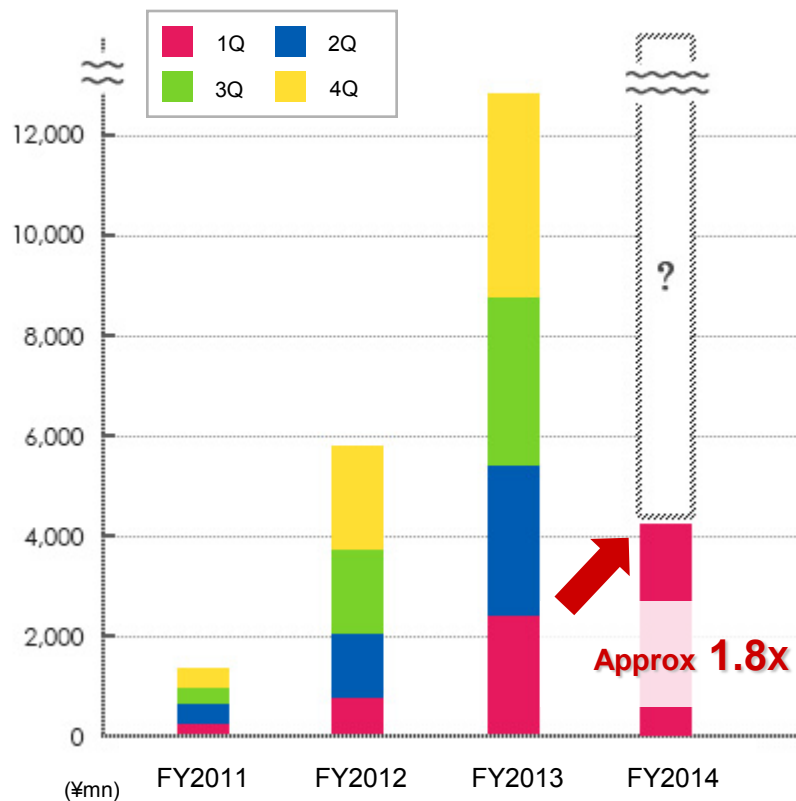
QoQ : -¥108mn (-53.5%)

2. Business Overview

2. Business Overview: FY2014 Strategy

Become a Global Smartphone Ads Company

Adways group's Smartphone Ads sales



* Reference value by Adway's management accounting

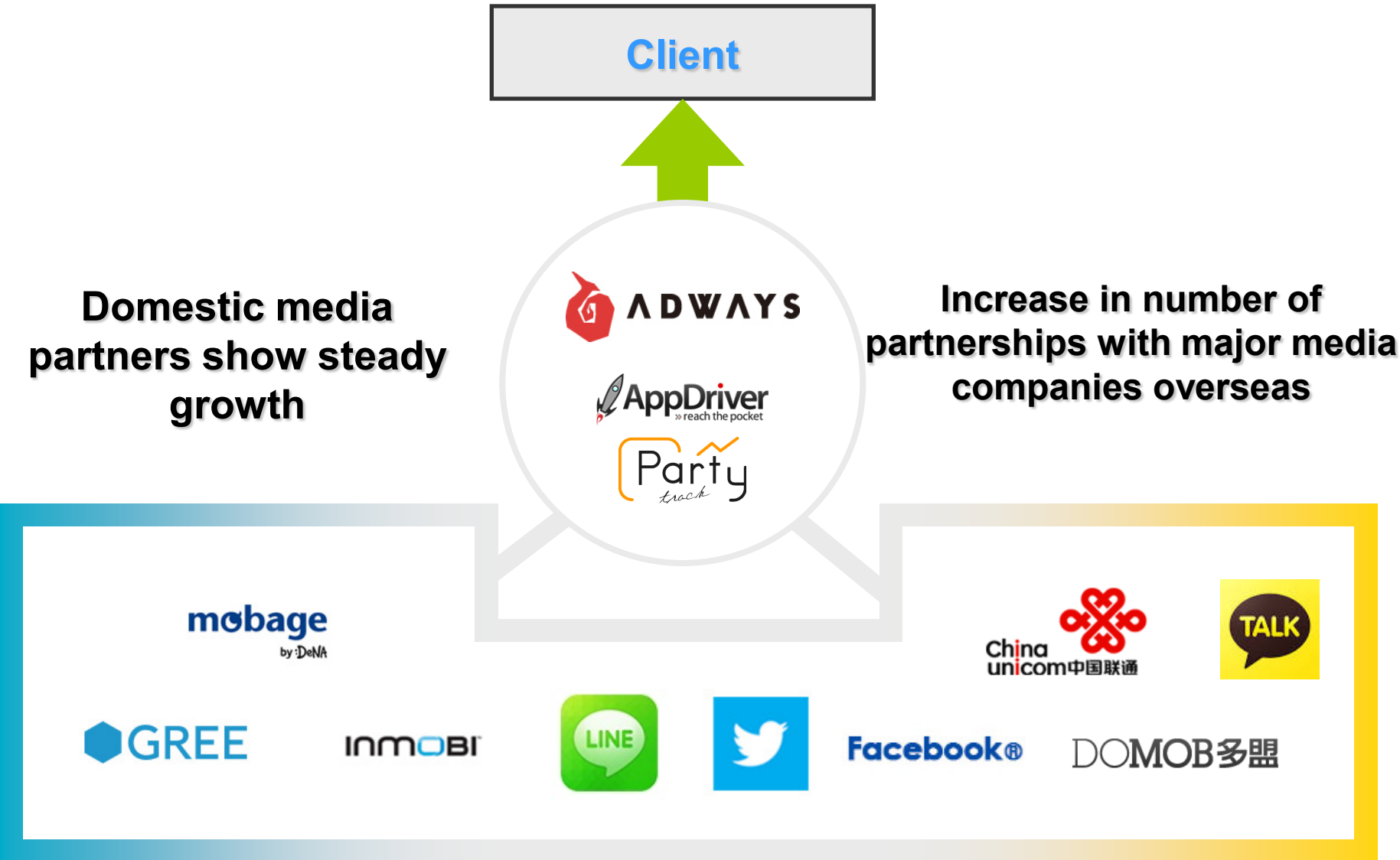
Partnership Strategy

Partnering with major media companies domestically and abroad to realize global promotions

Overseas Strategy

Aim to expand business at each office by developing markets and establishing promotion systems

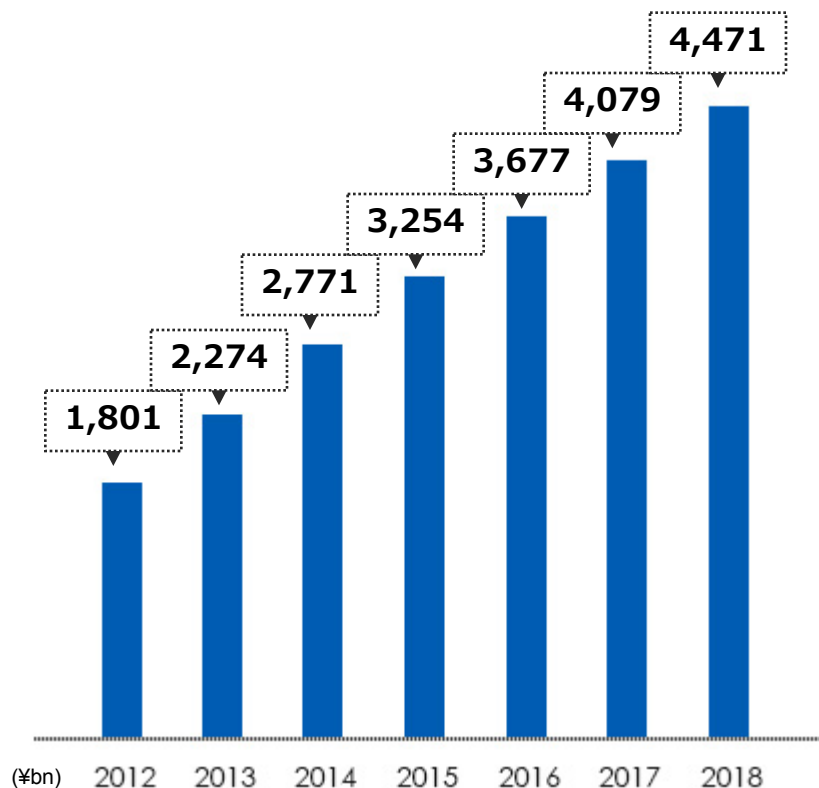
2. Business Overview: Partnership Strategy



2. Business Overview: Overseas strategy

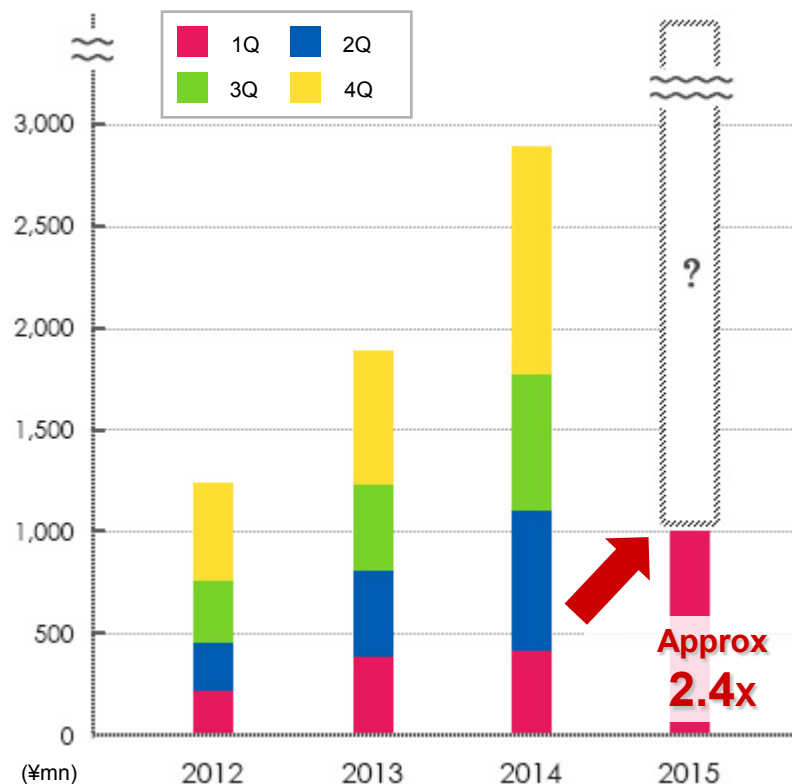
Aim for business expansion overseas with rapid growth in Asian markets.

Change in expenditure on internet advertising in asia



*Reference : Estimated by eMarketer, Jun.2014
(Asia Pacific region excluding Japan and Australia)
**Figures are converted by applying the rates released at the time of eMarketer's announcement.

Change in sales overseas



*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. Business Overview: Overseas Strategy

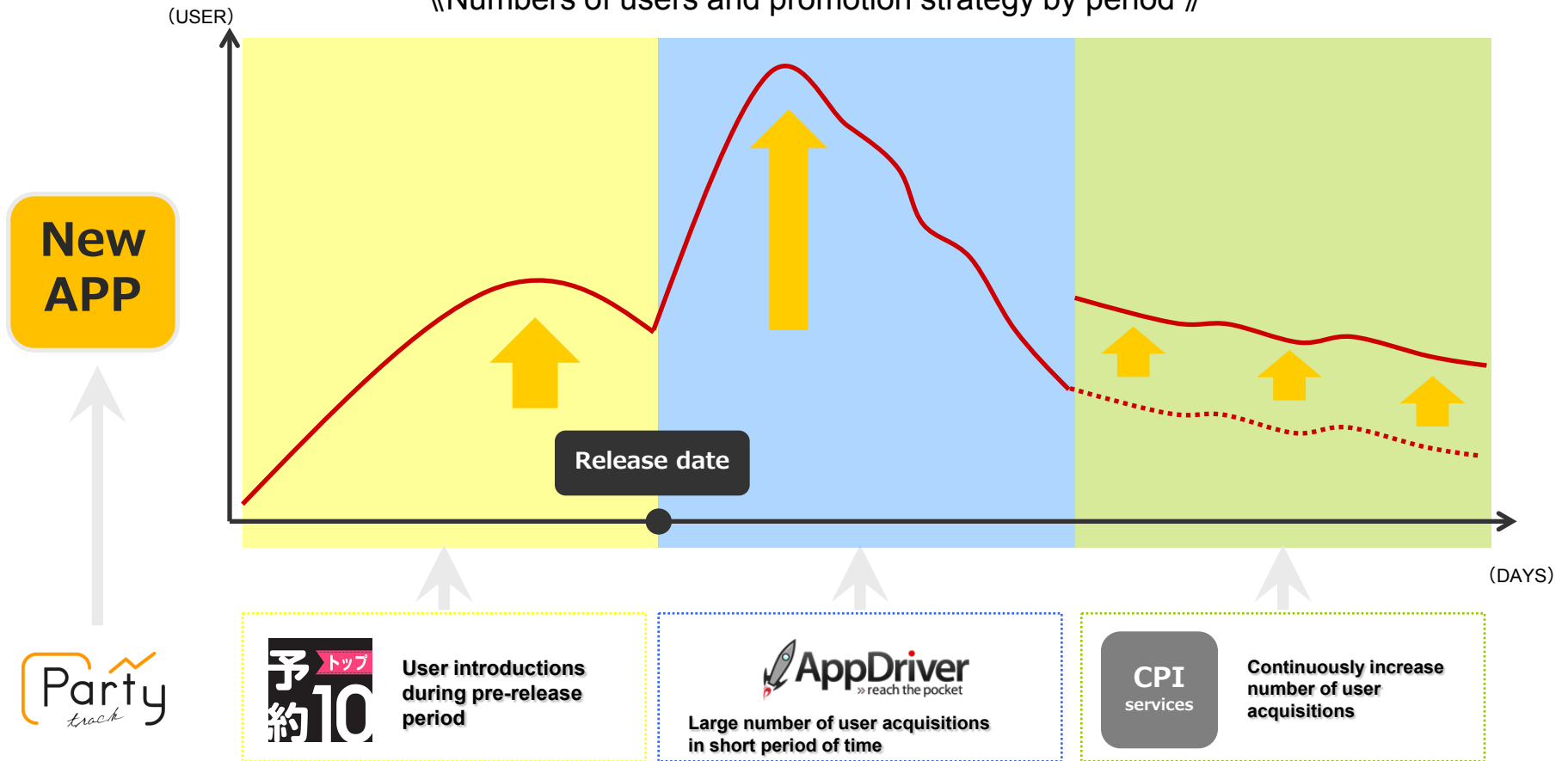
【Japan】 Succeeded in establishing a campaign method prior to release covering the entire advertising period



Method being introduced to Asian markets



《Numbers of users and promotion strategy by period》



2. Business Overview: FY2014 Strategy

Partnership Strategy

**Expand networks
for global promotion**



Overseas Strategy

**Improve profitability
and achieve diversity
at our overseas subsidiaries**



Become a Global Smartphone Ads Company

3. FY2014 Guidance and Dividend Forecast

3. FY2014 Guidance and Dividend Forecast

FY2014 Consolidated Guidance (April 1,2014-March 31,2015)

(¥mn)

	Net Sales	Operating Profit	Recurring Profit	Net profit	Net Profit per Share
FY2014 Forecast	37,000	1,000	1,000	480	¥11.79
1Q results	8,831	233	241	94	¥2.32
Progress *	23.8%	23.3%	24.1%	19.6%	-
(Reference) FY2013 Cumulative results	31,521	847	840	551	¥14.45

*figures below second decimal place rounded off.

Final dividend planned to be ¥1.65 per share by maintaining the dividend payout ratio as 14% of the consolidated net profit.

(Adways adopts a unit share system which sets a share-trading unit as 100 shares per unit.)

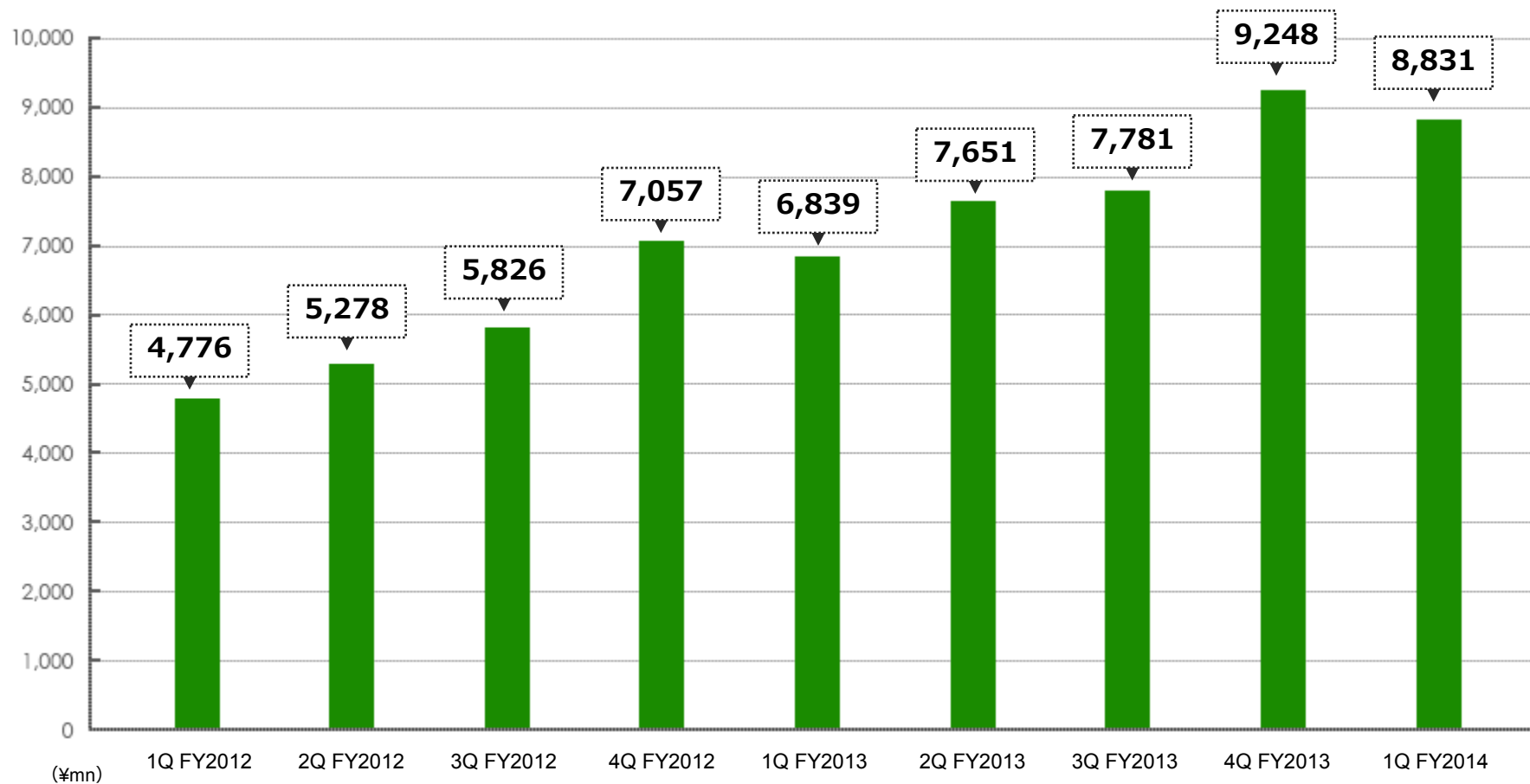
Thank you very much for attending our presentation today.

Information provided in this presentation contains forward-looking statements including Adways Inc.'s current plans, outlook, estimates and forecast related to its business and industry trends. Such statements are inevitably subject to certain risks and uncertainties. Actual results may differ from the outlook 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 forecasts 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, 2014 and a variety of factors may cause the statements to differ from actual results.

4. Supplementary Materials

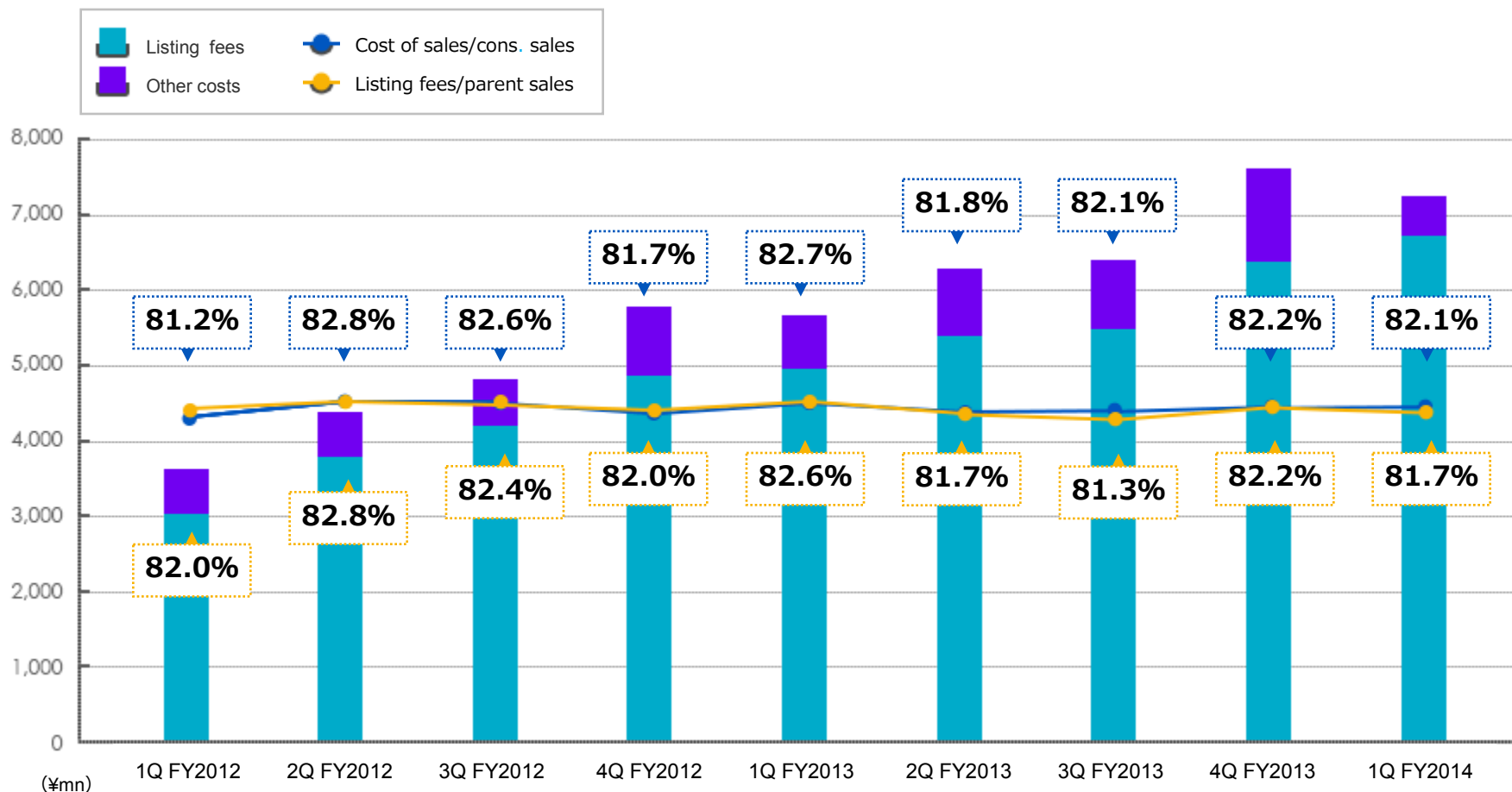
4. Supplementary Materials

Consolidated sales (Quarterly)



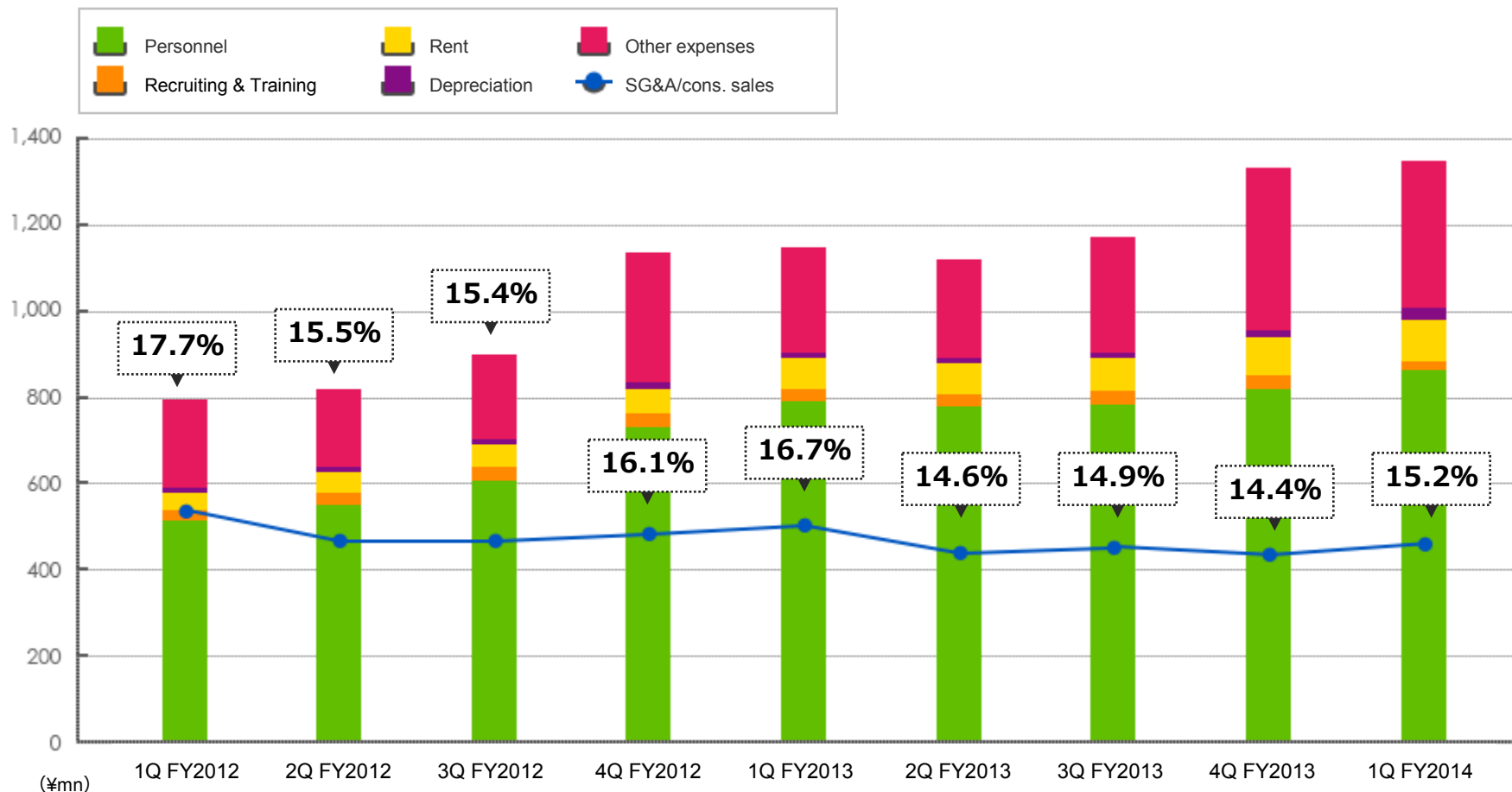
4. Supplementary Materials

Consolidated Cost of Sales (Quarterly)



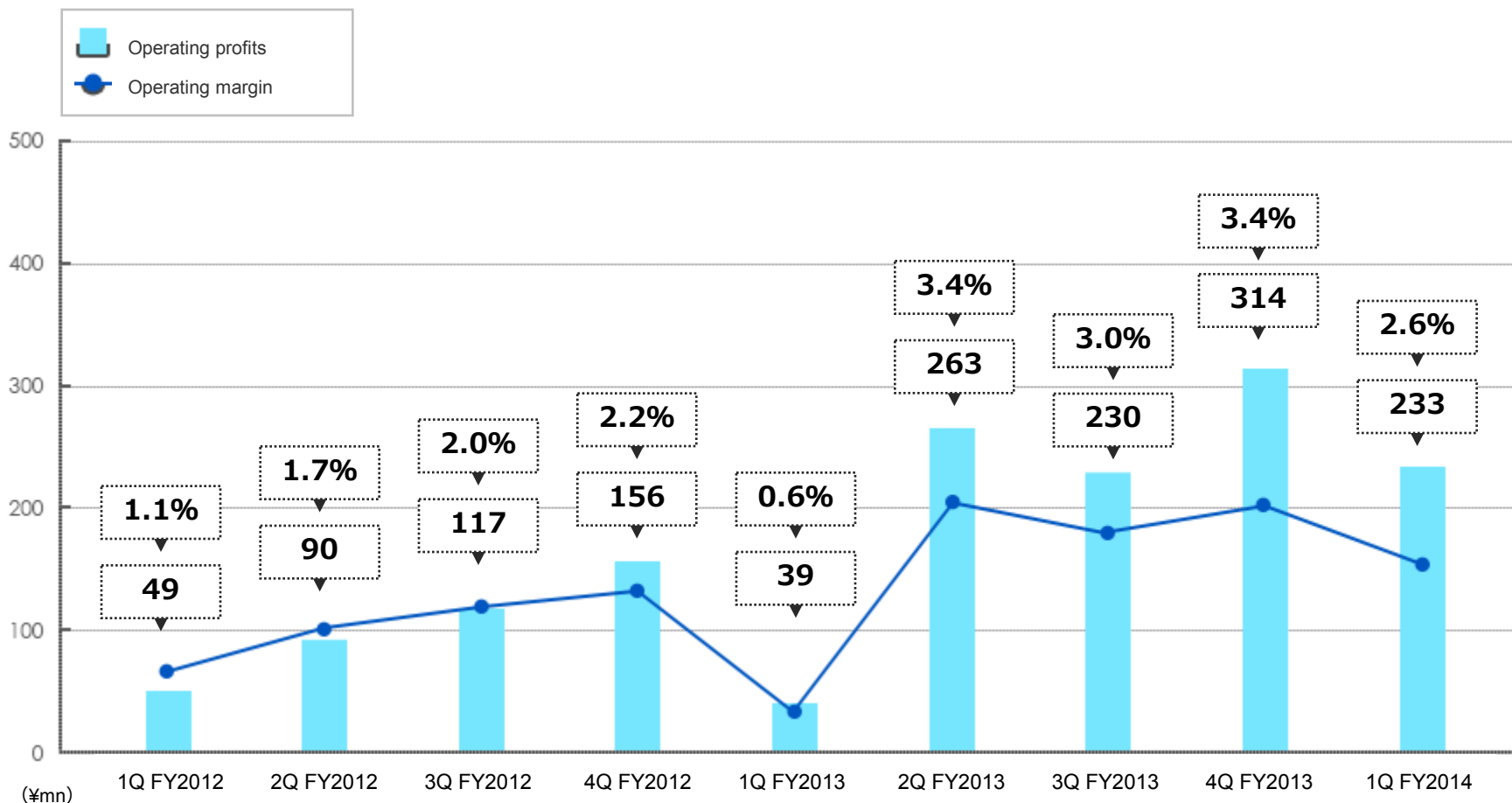
4. Supplementary Materials

Consolidated SG&A Expenses (Quarterly)



4. Supplementary Materials

Consolidated Operating Profit (Quarterly)



4. Supplementary Materials

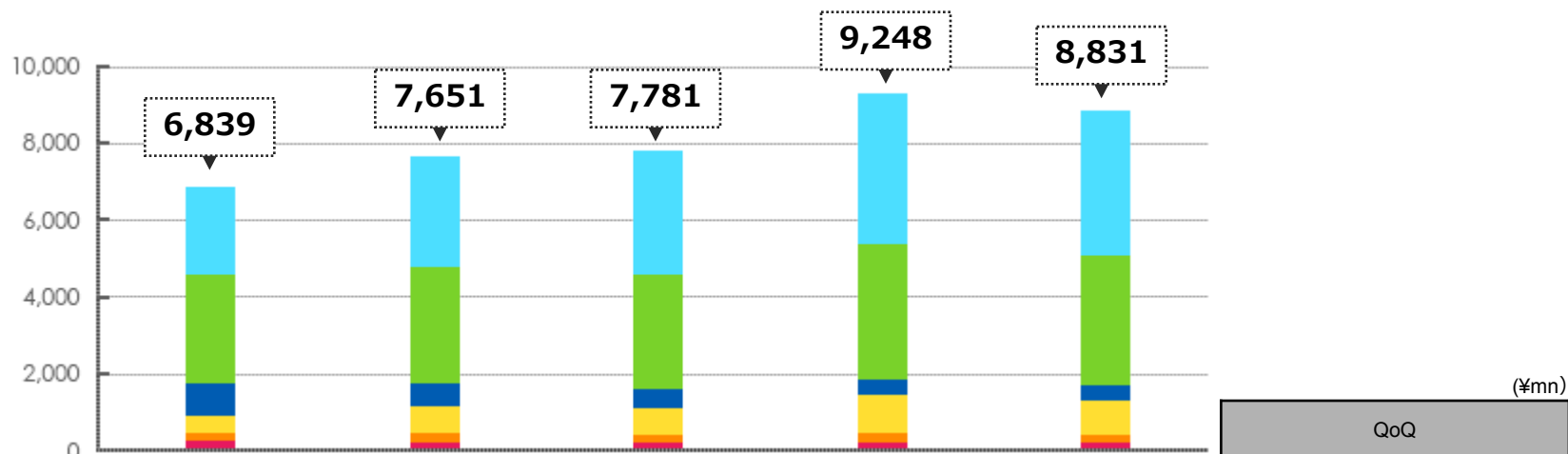
Consolidated Balance Sheet (QoQ)

(¥mn)

	1Q FY2014	4Q FY2013	Change (¥mn)	Change (%)
Current Assets	15,665	16,174	-509	-3.1%
(Cash and Deposits)	10,467	10,870	-403	-3.7%
Fixed Assets	1,868	1,573	+294	+18.7%
Total Assets	17,534	17,748	-214	-1.2%
Current Liabilities	5,587	5,925	-338	-5.7%
Fixed Liabilities	108	14	+93	+642.6%
Total Liabilities	5,695	5,940	-244	-4.1%
Net Assets	11,838	11,808	+30	+0.3%

4. Supplementary Materials

Breakdown of Consolidated Sales by Segment (Quarterly)

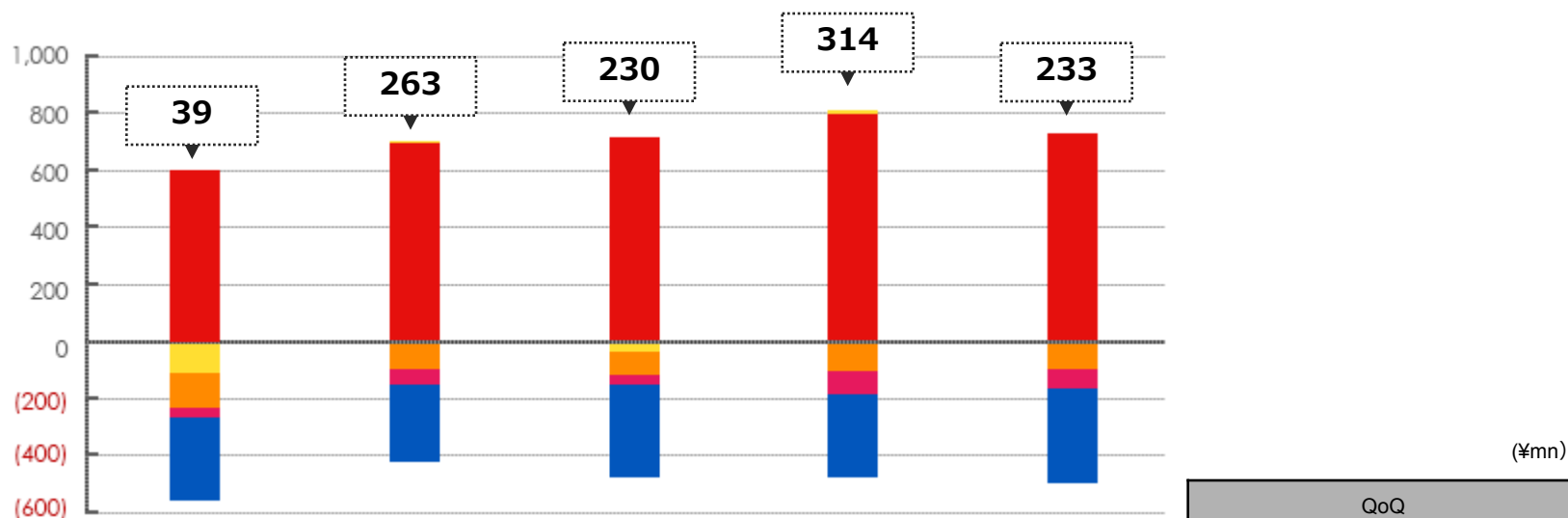


						QoQ	
	1Q FY2013	2Q FY2013	3Q FY2013	4Q FY2013	1Q FY2014	Change(¥mn)	Change (%)
Smartphone	2,315	2,846	3,195	3,882	3,775	-107	-2.8%
PC	2,833	3,022	2,987	3,458	3,392	-66	-1.9%
Feature phone	823	659	507	397	281	-115	-29.1%
Overseas advertising	409	690	685	1,109	979	-130	-11.7%
App	196	242	180	225	233	+7	+3.5%
Media, Other	261	188	225	175	169	-6	-3.5%
Total	6,839	7,651	7,781	9,248	8,831	-417	4.5%

**"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.

4. Supplementary Materials

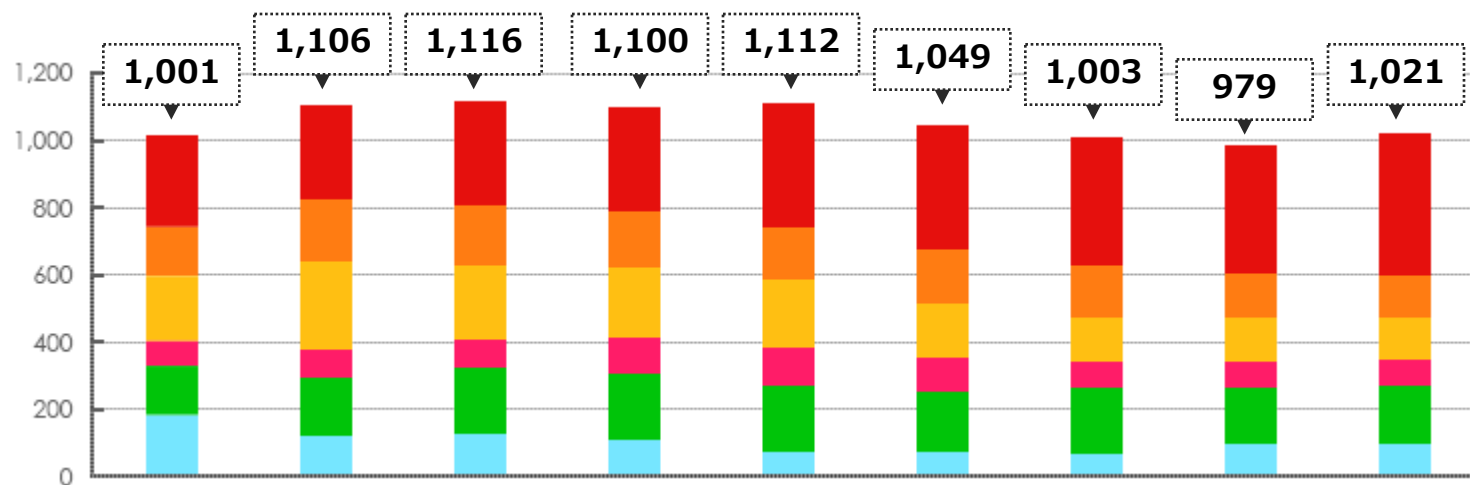
Breakdown of Consolidated Operating Profit by Segment (Quarterly)



	1Q FY2013	2Q FY2013	3Q FY2013	4Q FY2013	1Q FY2014	QoQ	
						Change(¥mn)	Change (%)
■ Advertising	591	688	710	777	725	-51	-6.7%
■ Overseas Advertising	-109	-3	-37	12	-1	-13	-109.3%
■ App	-122	-97	-87	-104	-91	+12	-
■ Media, Other	-32	-52	-28	-80	-72	+8	-
■ Eliminations & corporate	-288	-270	-326	-291	-326	-35	-
Total	39	263	230	314	233	-80	-25.6%

4. Supplementary Materials

Group Employees (Quarterly)



(Persons)

	1Q FY2012	2Q FY2012	3Q FY2012	4Q FY2012	1Q FY2013	2Q FY2013	3Q FY2013	4Q FY2013	1Q FY2014
ADW Japan	272	282	305	309	368	374	377	380	425
ADW China	142	185	181	169	154	163	150	132	127
ADW Shanghai (R&D center)	189	256	219	210	206	159	132	131	122
Domestic subs	70	88	89	102	111	103	78	73	77
Overseas subs(ex. China)	149	171	190	195	192	184	201	169	176
Temps, part-timers	179	124	132	115	81	66	65	94	94
Total	1,001	1,106	1,116	1,100	1,112	1,049	1,003	979	1,021

4. Supplementary Materials

Company Overview

Company name Adways Inc.

Founded February 28, 2001

Business overview Internet business

President & CEO Haruhisa Okamura

Capital ¥1,489mn (As of end of June 2014)

Net Sales ¥ 31,521mn (FY2013, Consolidated)

Employees 1,021 including temp workers (As of end of June 2014)