

Adways Inc. (Tokyo Stock Exchange Mothers: 2489)

Financial Results Presentation for 2Q FY2013

(from July 2013 to September 2013)

October 31, 2013

President and CEO, Haruhisa Okamura

Topics

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2Q FY2013 Performance

1. 2Q FY2013 Performance: Cumulative

Cumulative Quarterly Results (YoY)

(¥mn)

	2Q FY2013 (Cumulative)	2Q FY203 (Cumulative)		
		Results	Change (¥mn)	Change (%)
Net Sales	14,490	9,755	+4,735	+48.5%
Gross Profits	2,566	1,751	+814	+46.5%
SG&A Expenses	2,263	1,612	+651	+40.4%
Operating Profits	303	139	+163	+116.8%
Recurring Profits	256	188	+67	+35.7%
Net Profits	243	61	+182	+296.2%

Net Sales
Increased ¥4,735mn YoY (+48.5%)

Net Profits
Increased ¥182mn YoY (+296.2%)

1. 2Q FY2013 Performance: Quarterly

Quarterly Results (QoQ, YoY)

(¥mn)

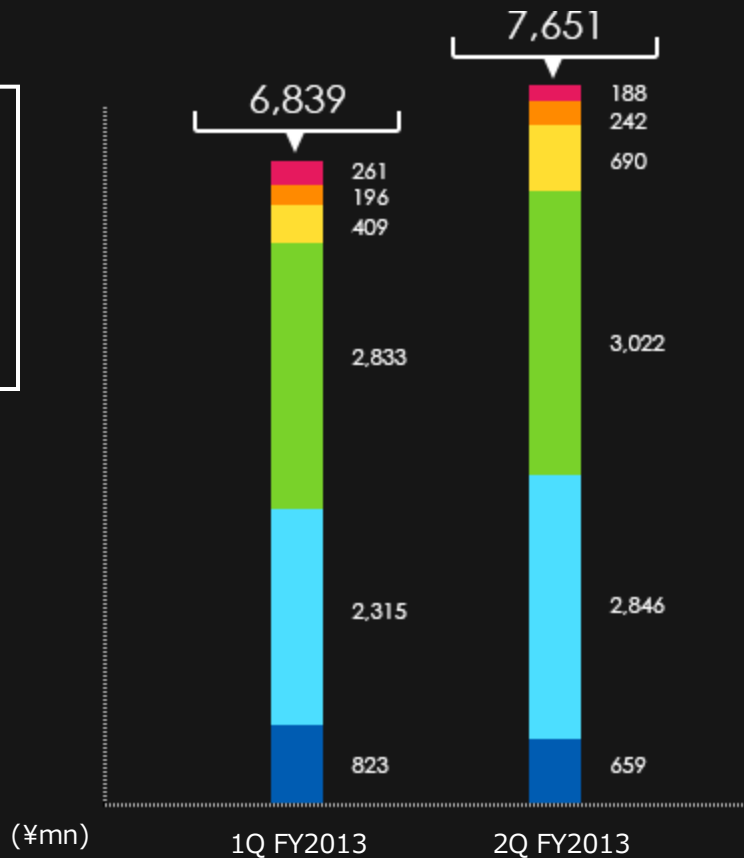
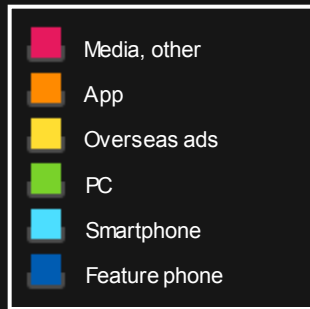
	2Q FY2013	QoQ 1Q FY2013			YoY 2Q FY2013		
		Results	Change (¥mn)	Change (%)	Results	Change (¥mn)	Change (%)
Net Sales	7,651	6,839	+812	11.9%	5,278	+2,372	+45.0%
Gross Profits	1,384	1,182	+202	17.1%	909	+474	+52.2%
SG&A Expenses	1,120	1,143	▲22	▲2.0%	818	+301	+36.9%
Operating Profits	263	39	+224	571.9%	90	+173	+190.6%
Recurring Profits	265	▲8	+273	-	103	+161	+154.9%
Net Profits	261	▲18	+280	-	41	+220	+533.5%

Net Sales
Increased ¥812mn QoQ (+11.9%)

Operating Profits
Increased ¥224mn QoQ (about 6x)

1. 2Q FY2013 Performance: Net Sales

QoQ change



Domestic advertising : ¥6,528mn

QoQ: +¥557mn (+9.3%)

- Smartphone: ¥2,846mn
→ +¥531mn (+23.0%)

- PC: ¥3,022mn
→ +¥189mn (+6.7%)

- Feature phone: ¥659mn
→ -¥163mn (-19.9%)

App: ¥242mn

QoQ : +¥46mn (+23.4%)

Overseas advertising: ¥690mn

QoQ: +¥281mn (+68.7%)

*The accounting periods of our overseas subsidiaries end in December, so their 2Q FY2013 (April-June) figures are consolidated with the Adways Group's 2Q FY2013 (July-September) figures.

1. 2Q FY2013 Performance: Net Sales

Domestic advertising business = ¥6,528mn

QoQ: **+¥557mn (+9.3%)**

- Smartphone: ¥2,846mn (+23.0% QoQ)
- PC: ¥3,022mn (+6.7% QoQ)
- Feature phone: ¥659mn (-19.9% QoQ)

Smartphone and PC advertising remained extremely strong.

App business = ¥242mn

QoQ: **+¥46mn (+23.4%)**

Focused on publishing business as well as on developing our own apps.

Overseas business = ¥690mn

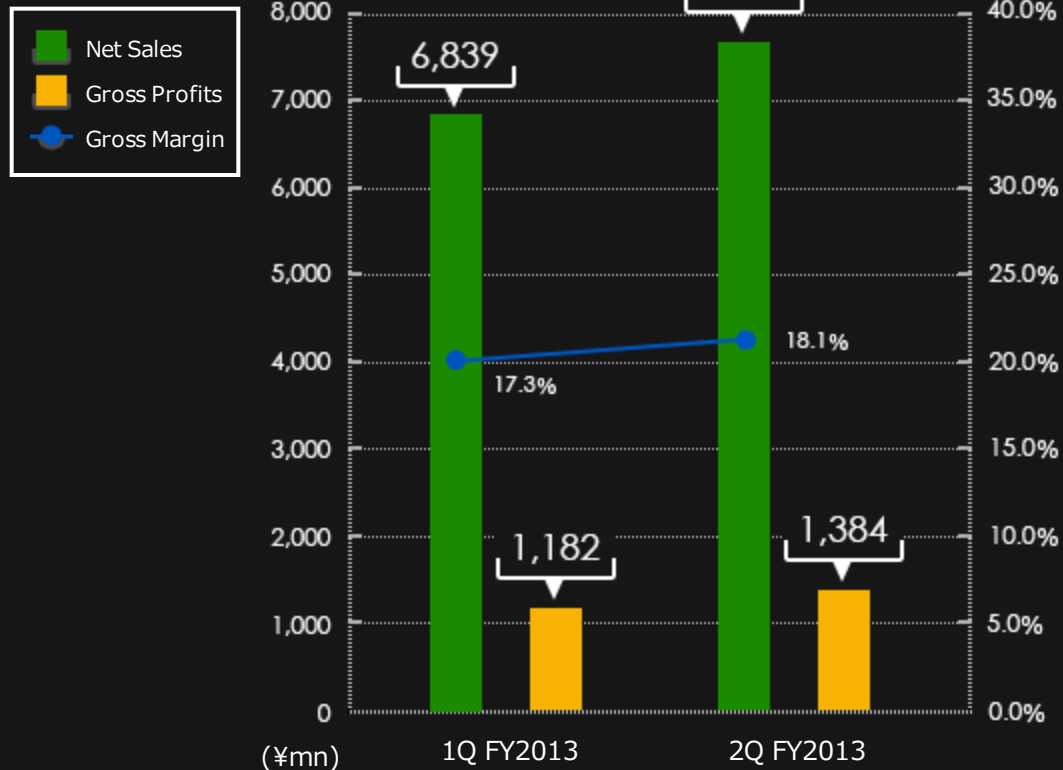
QoQ: **+¥281mn (+68.7%)**

1Q FY2013 sales decline caused by seasonal factors (e.g., Chinese New Year) were offset by 2Q's sales growth.

Smartphone advertising sales grew in East Asia.

1. 2Q FY2013 Performance: Gross Profits

Gross profits (QoQ)



Gross Profits in 2Q: ¥1,384mn

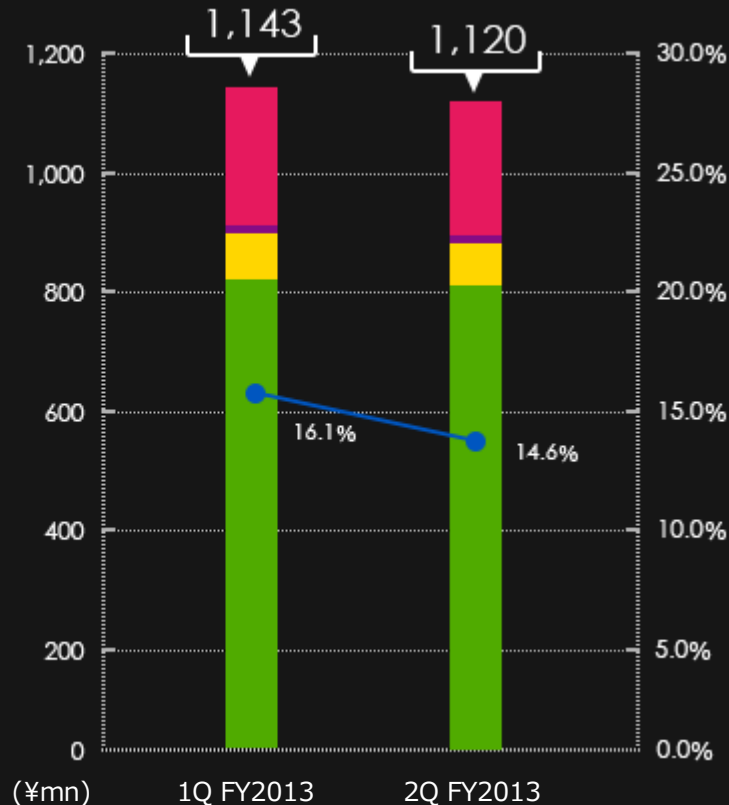
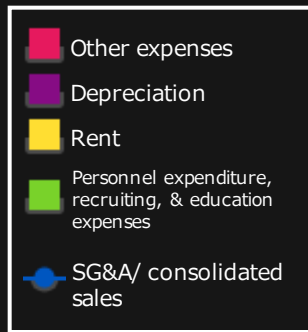
QoQ : +¥202mn (+17.1%)

Gross Margin : +0.8ppt

Gross margin rose in line with net sales growth as domestic and overseas advertising increased.

1. 2Q FY2013 Performance: SG&A Expenses

SG&A expenses (QoQ)



2Q SG&A expenses : ¥1,120mn

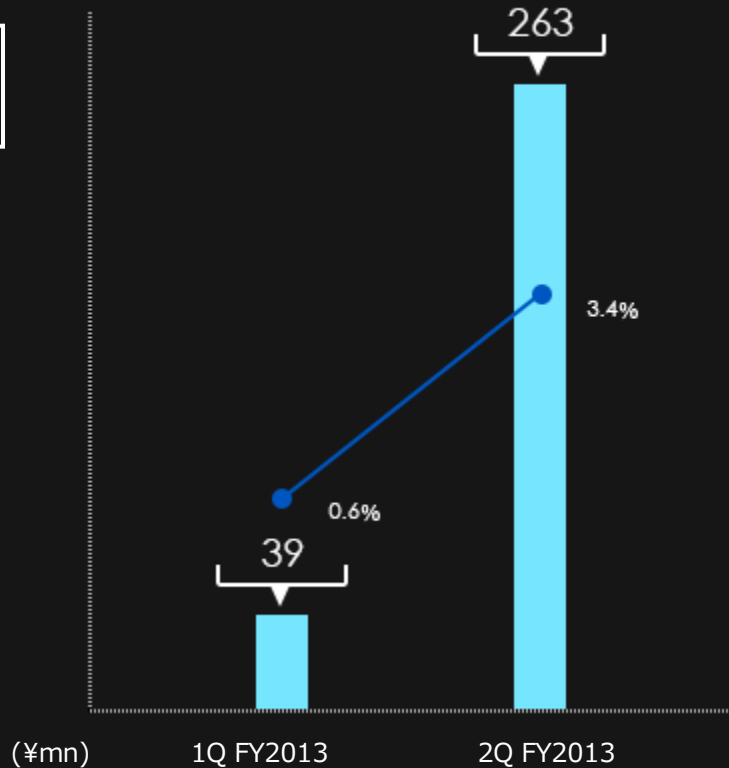
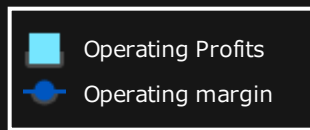
QoQ: -¥22mn (-2.0%)

SG&A to sales ratio: -1.5ppt

SG&A expenses fell due to lower personnel and other expenses.

1. 2Q FY2013 Performance: Operating Profits

Operating Profits (QoQ)



Operating Profits: ¥263mn

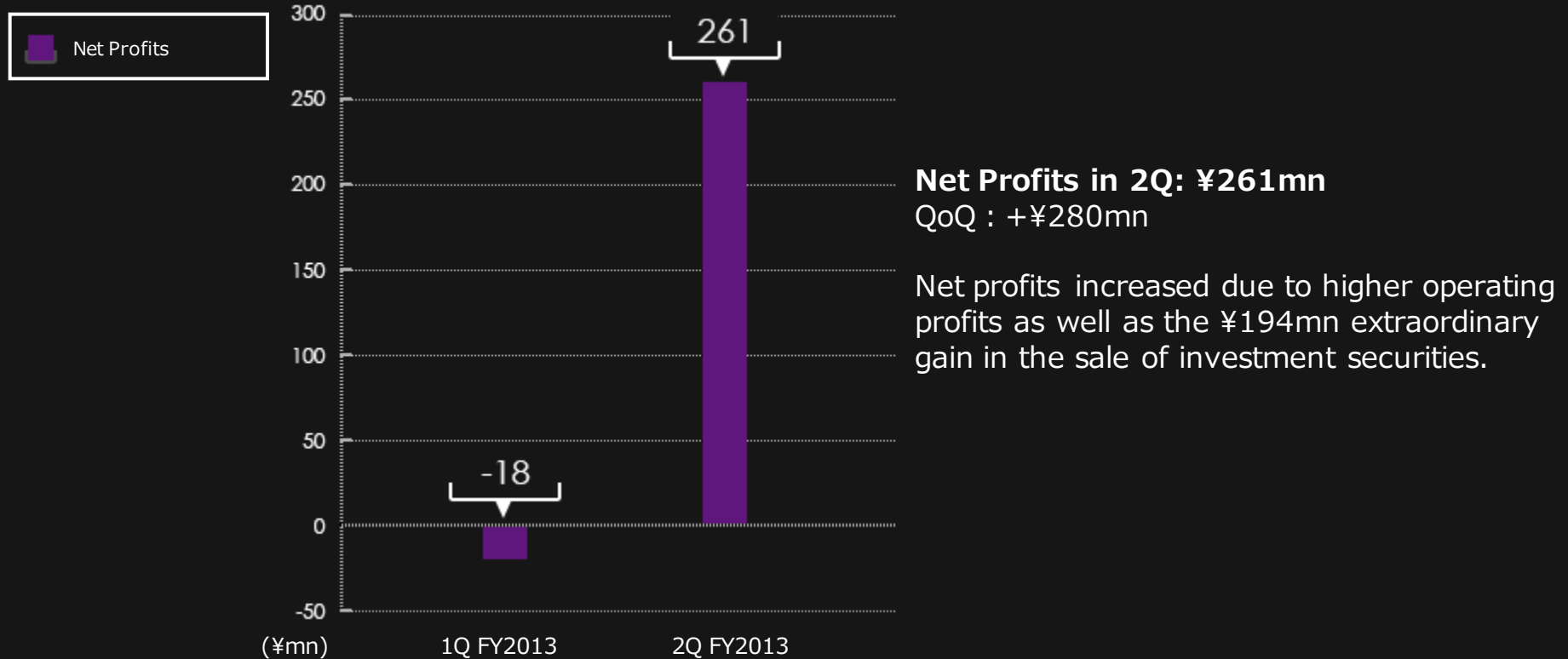
QoQ: +¥224mn (+571.9%)

Operating margin : +2.8ppt

The ¥202mn increase in gross profits and the ¥22mn decrease in SG&A expenses boosted operating profits.

1. 2Q FY2013 Performance: Net Profits

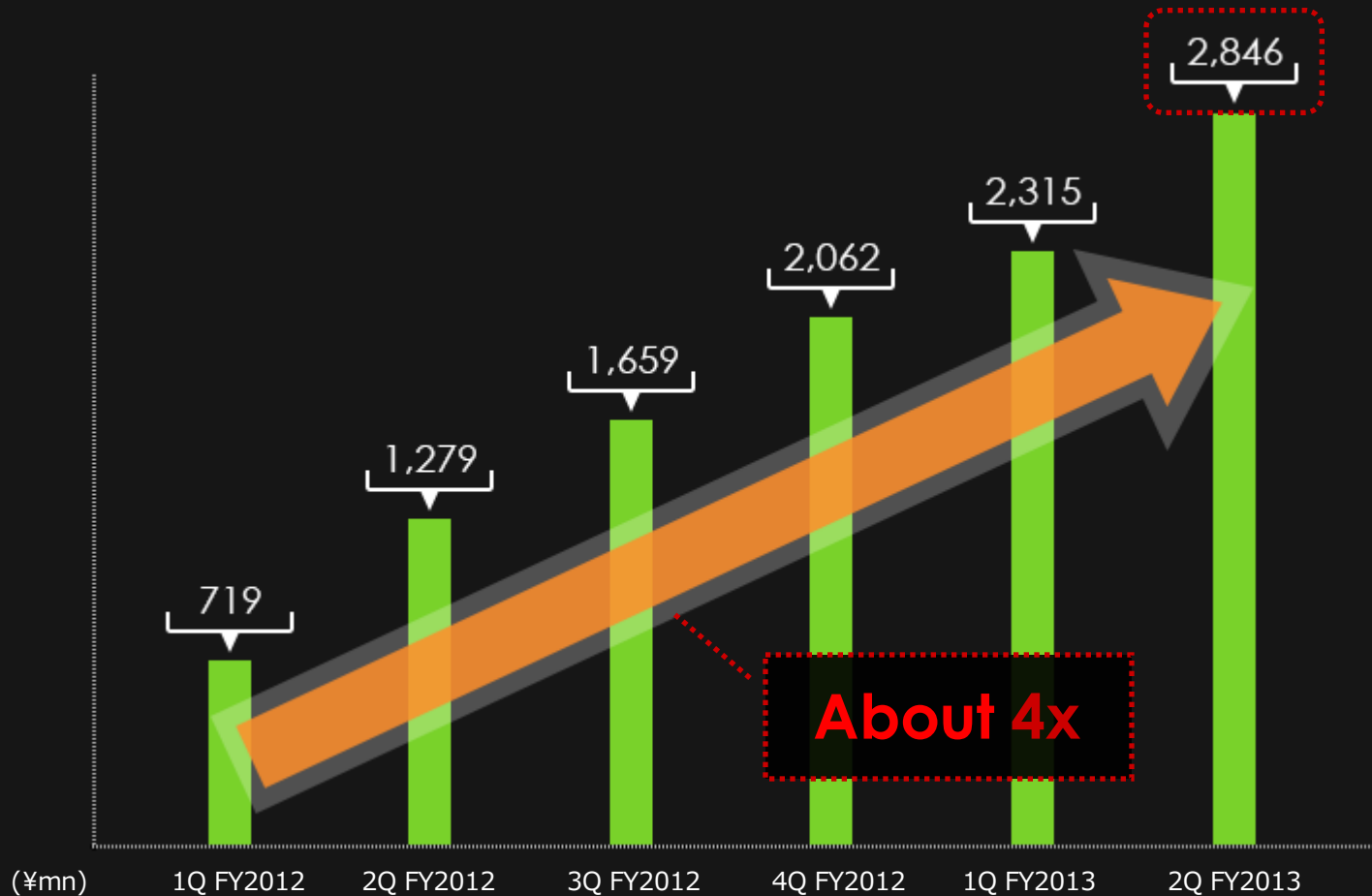
Net Profits (QoQ)



2 Business Overview

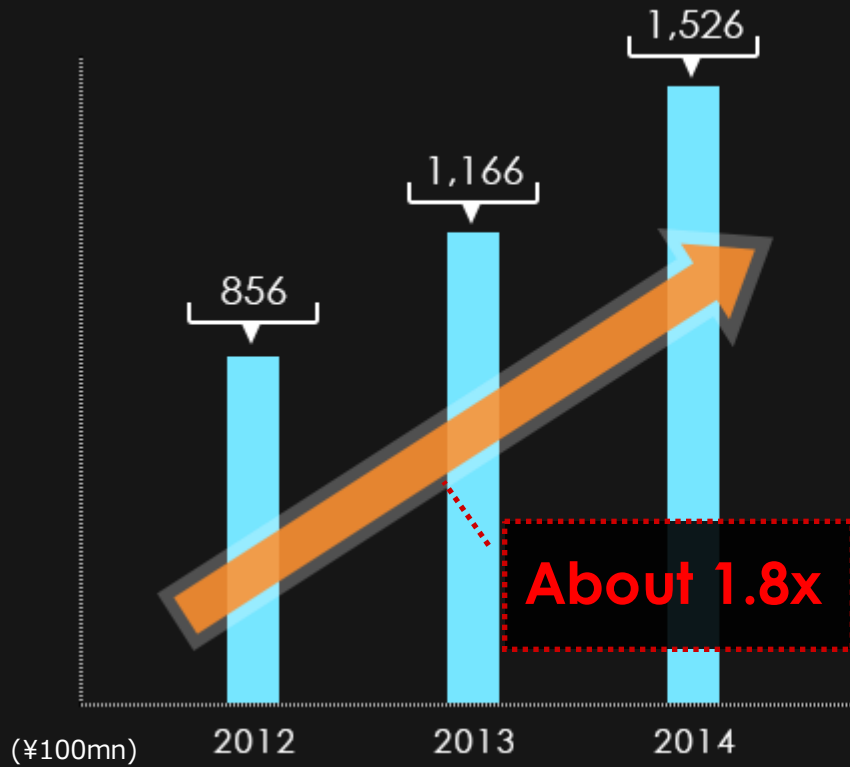
2. Business Overview: Domestic Advertising Business

Sales Up 4x YoY in Adways' Smartphone Advertising Business

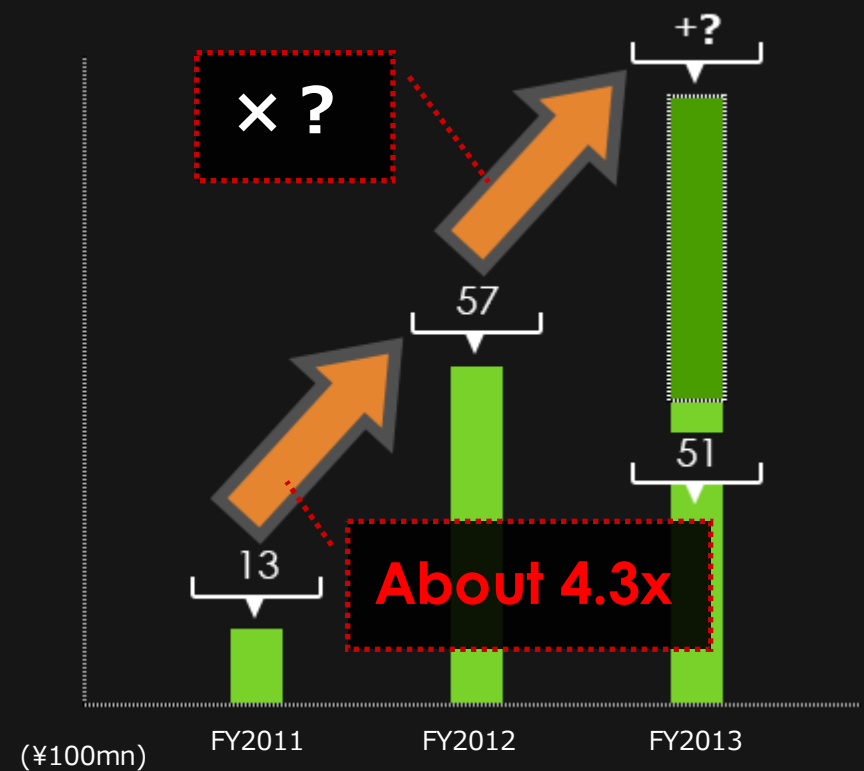


2. Business Overview: Domestic Advertising Business

Estimated growth of smartphone advertising market



Estimated sales of Adways smartphone advertising business



2. Business Overview: Sales Performance

AppStore Top100 Sales Ranking

※ Reference: AppAnnie (August)

App Annie

Rank	iOS:August
1	GungHo Online Entertainment, Inc.
2	NAVER Japan Corporation
3	SEGA CORPORATION
4	COLOPL, Inc.
5	NamcoBandai Games Inc.
6	Asobism
7	Supercell
8	D2C Inc.
<hr/>	
95	Gamepot Inc.
96	Com2uS Corp.
97	Fun+
98	NEC BIGLOBE Ltd.
99	CyberAgent, Inc.
100	Kodansha Ltd.



ADWAYS

63

100

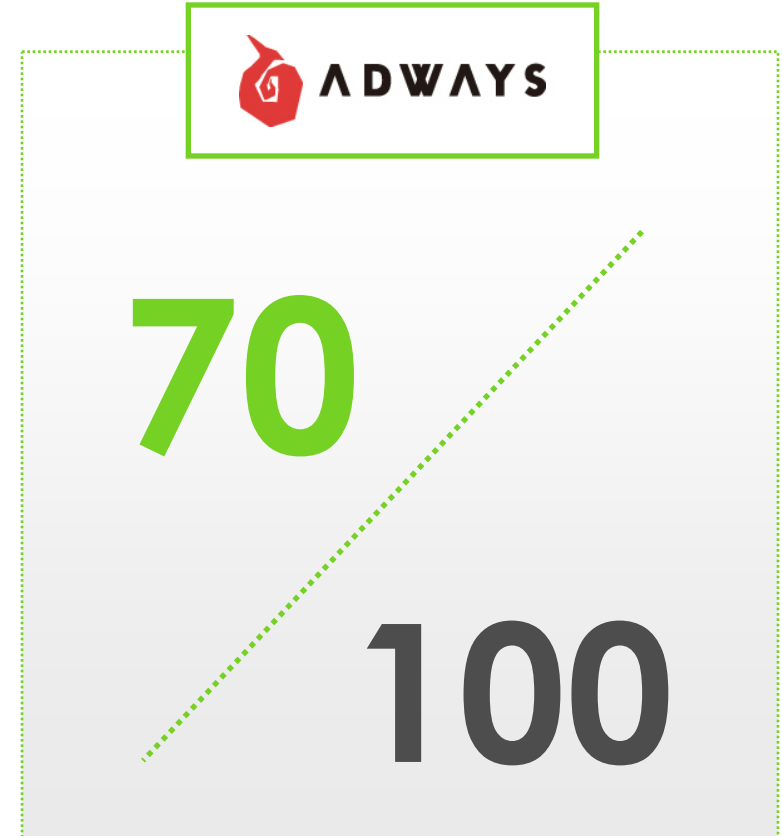
2. Business Overview: Sales Performance

GooglePlay Top100 Sales Ranking

※ Reference: AppAnnie (August)

App Annie

Rank	Android:August
1	GungHoOnlineEntertainment
2	LINE Corporation
3	COLOPL, Inc.
4	NAMCO BANDAI Games Inc.
5	SEGA CORPORATION
6	GREE, Inc.
7	KLab
8	GMO internet,inc
<hr/>	
95	D3PUBLISHER INC.
96	sanyohanbai co.,ltd
97	Something Big
98	Net Dreamers Co.,LTD.
99	Amatz Inc.
100	3rdKind Inc.



2. Business Overview: Enhancing our ad networks via partnerships



2. Business Overview: Size of each social media



mobage
by DeNA

Over **50mn**
active members

(end-June 2013)



GREE

Over **37mn**
users

(end-June 2013)



Facebook®

1.15bn
monthly active users

(end-June 2013)



Over **218mn**
monthly active users

(As of June 2013)



270mn
registered users

(as of October 25, 2013)



Ameba

Over **30mn**
members

(As of June 2013)

Total: About 1.75 bn

2. Business Overview: Overseas Business



India
China
Korea
Japan
Vietnam
Taiwan
Thailand
Philippines
Singapore
Indonesia

A world map with a yellow circle highlighting Southeast Asia and East Asia. Red location pins are placed over each of the listed countries.

September 4, 2013
Started SmartDriver,
an affiliate service for PCs and
smartphones in Indonesia.
-- Aiming to expand an affiliate service
across Southeast Asia --

First
Company
in Japan

October 1, 2013
Started AppDriver, CPI based
smartphones advertising platform.

2. Business Overview: Overseas Business

Adways China started providing promotion services of the “WeChat” official account, a major free messaging app in China

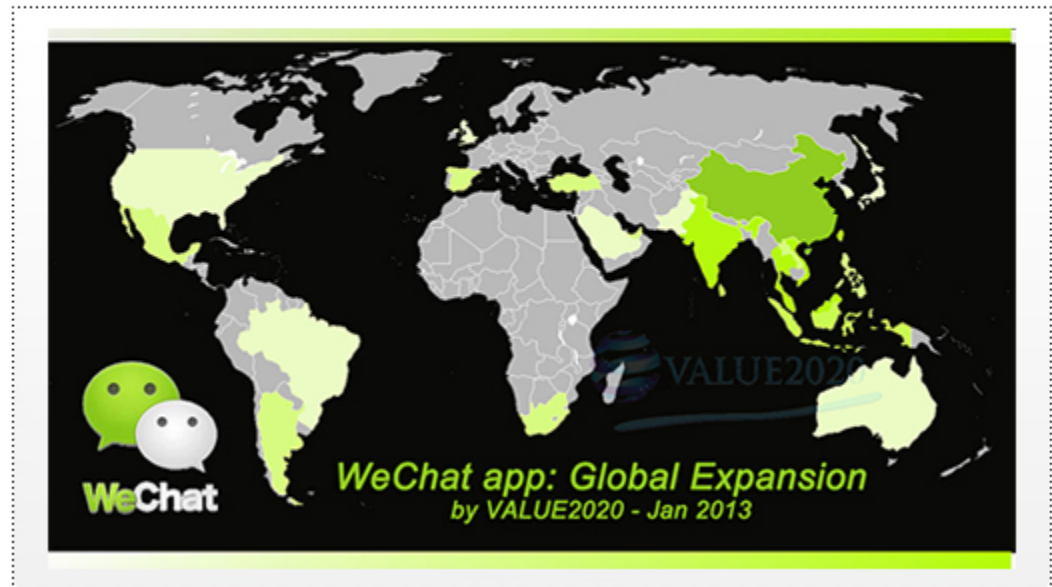


Provider : Tencent

Active users : about **400mn**
(users outside China: about 100mn)

“WeChat” users around the world (18 languages supported)

※deep green : more users, light green : less users



(Source: Value2020)

2. Business Overview: Overseas Business



July 23, 2013

Strategic partnership with YD online, a major video game customer support provider in South Korea.



September 25, 2013

Strategic partnership with 5Rocks, a South Korean company which provides growth hacking tools.



August 15, 2013

Collaborated with US-based 41st Parameter which adopted "Adtruth" as its high-precision device locating technology for "Party Track."



October 8, 2013

Strategic partnership with Fortumo, a mobile payment service used in 80 countries in the world.



October 7, 2013

Started "Social Gate," the first SNS app for TV audiences to target Southeast Asia.



October 31, 2013

Partnership with "CLOAP," one of Indonesia's biggest affiliate networks.

USA

2. Business Overview: Future Initiatives

Invest



Commercialize



Monetize



Investment phase:
Sow seeds

Growth phase:
Investments
start to bud

Earning phase:
Investments bear
fruit

3 FY2013 Guidance

3. FY2013 Guidance (Revised)

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

(¥mn)

	Net Sales	Operating Profits	Recurring Profits	Net Profits
Previous Guidance (A)	28,500	450	400	240
Revised Guidance (B)	29,500	600	550	400
Change (B – A)	+1,000	+150	+150	+160
Change※ (%)	3.5%	33.3%	37.5%	66.7%
2Q Cumulative Performance (C)	14,490	303	256	243
Progress※ (C/B)	49.1%	50.5%	46.6%	60.9%
(Reference) FY2012 Cumulative Results	22,639	413	429	304

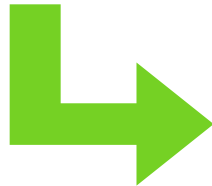
※Round off the figures below the second decimal place.

- ◆ Factor 1 : Domestic advertising business performed strongly
- ◆ Factor 2 : Sold investment securities

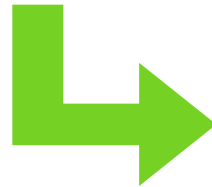
3. Issuing warrants

Ninth warrant (private placement)

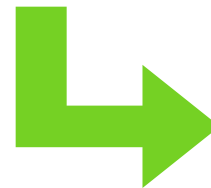
Cash & Deposits at End-Sep 2013
¥4.5bn



Fund-raise by the 9th share
acquisition rights
+ over ¥6bn



Cash & Deposits at End-Dec 2013 (E)
¥10bn+



※No stock dilution due to shares being
allocated from treasury stock

**Invest in smartphone
markets in Japan and Asia**

3. Stock Split and Unit Share System

Stock split and unit share system

Shares Outstanding
Before Split
81,100



Shares Outstanding After Split
40,550,000

Trading Volume
8,932
(Average from Sept. 1-30, 2013)

Trading Volume
~~8,932~~ **35,465**
(17,732,871)
(Average from Oct. 1-30, 2013)

Trading value
¥3.3bn
(Average from Sept. 1-30, 2013)
Source: Bloomberg

Trading value
¥30bn
(Average from Oct. 1-30, 2013)
Source: Bloomberg

Market cap
¥32.8bn
(9/25/2013)

Market cap
¥72.6bn
(10/30/2013)

※ Volume calculated with shares outstanding before split.

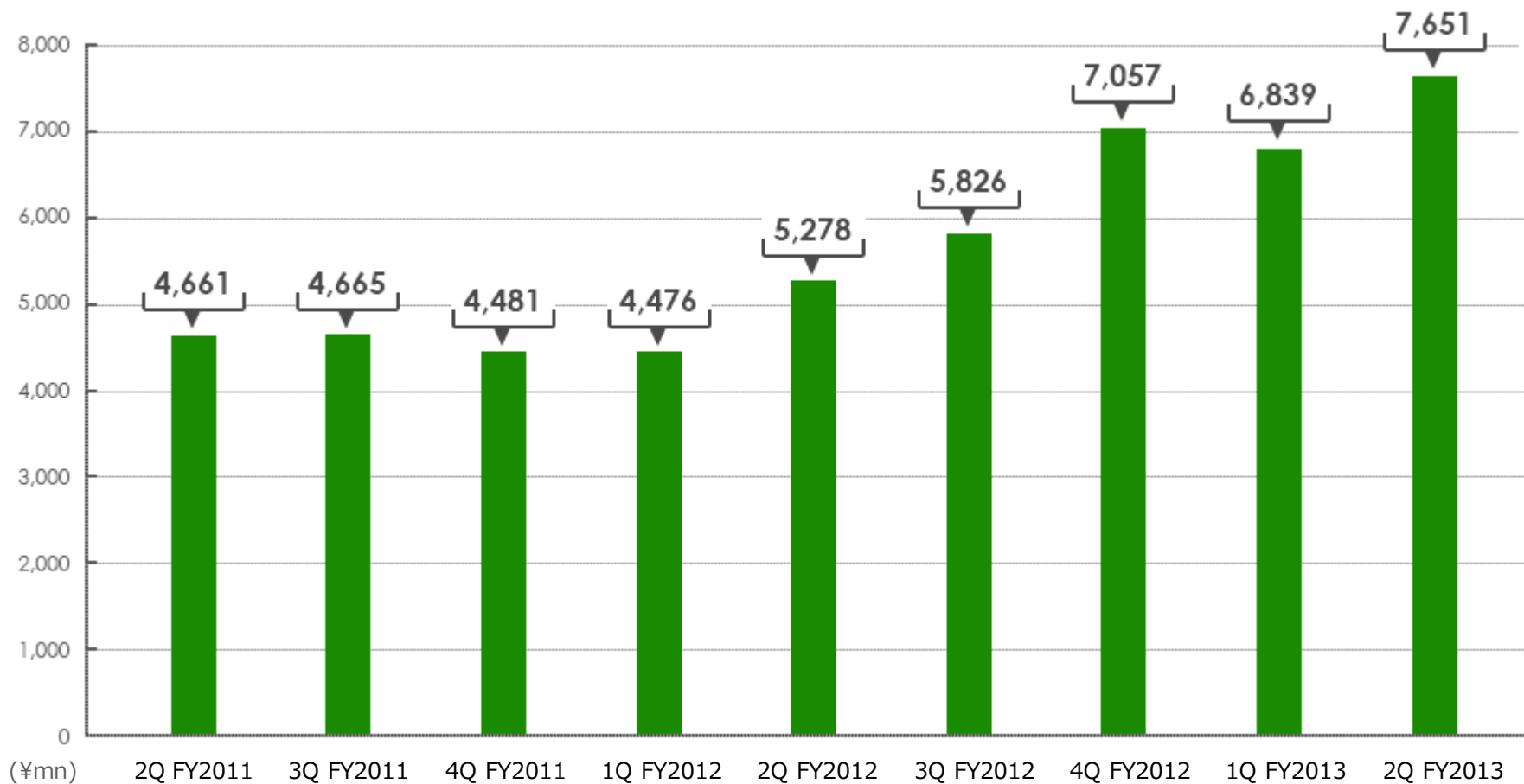
Thank you very much for attending our presentation today.

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 October 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.

4 Supplementary Materials

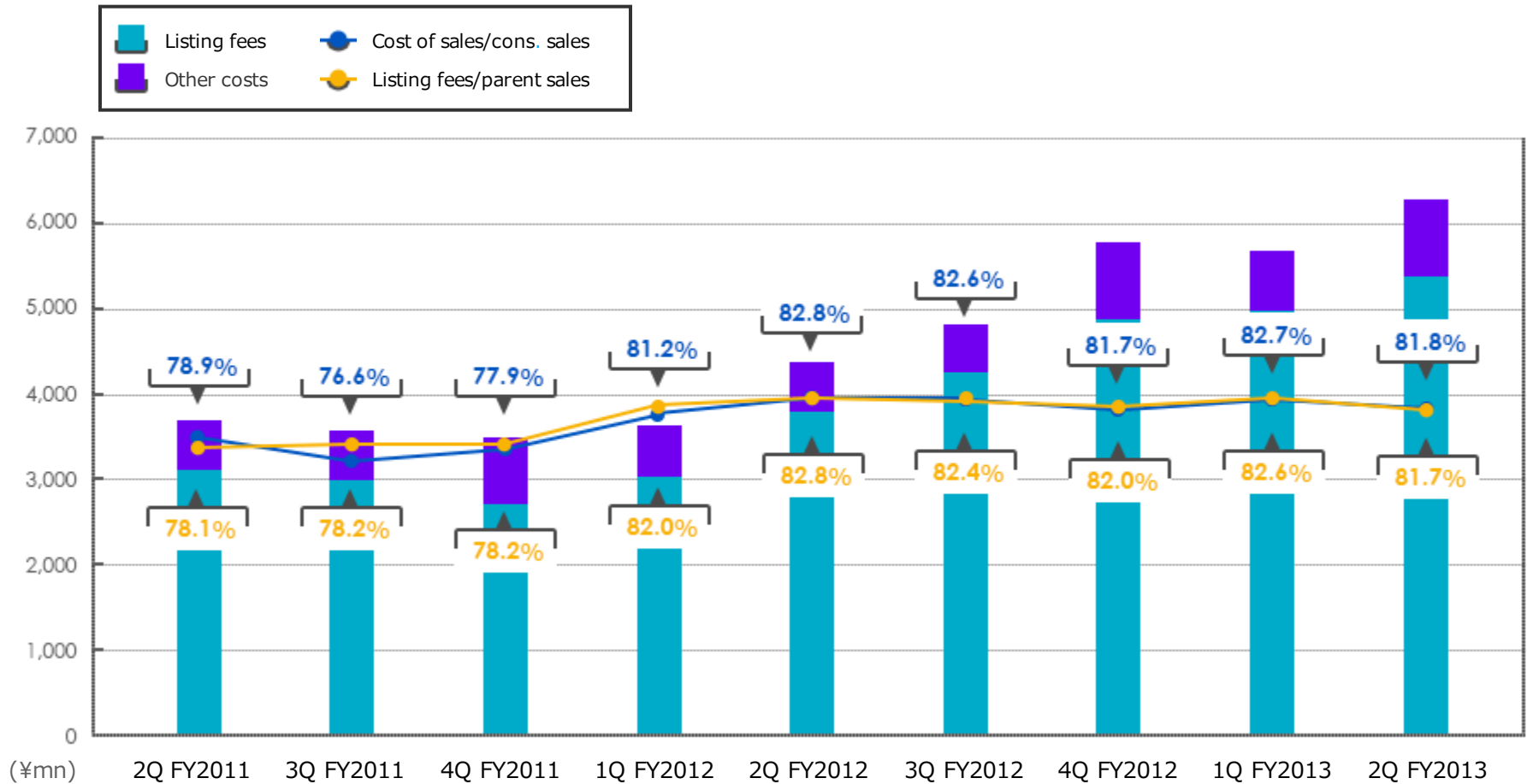
5. Supplementary Materials

Consolidated sales (Quarterly)



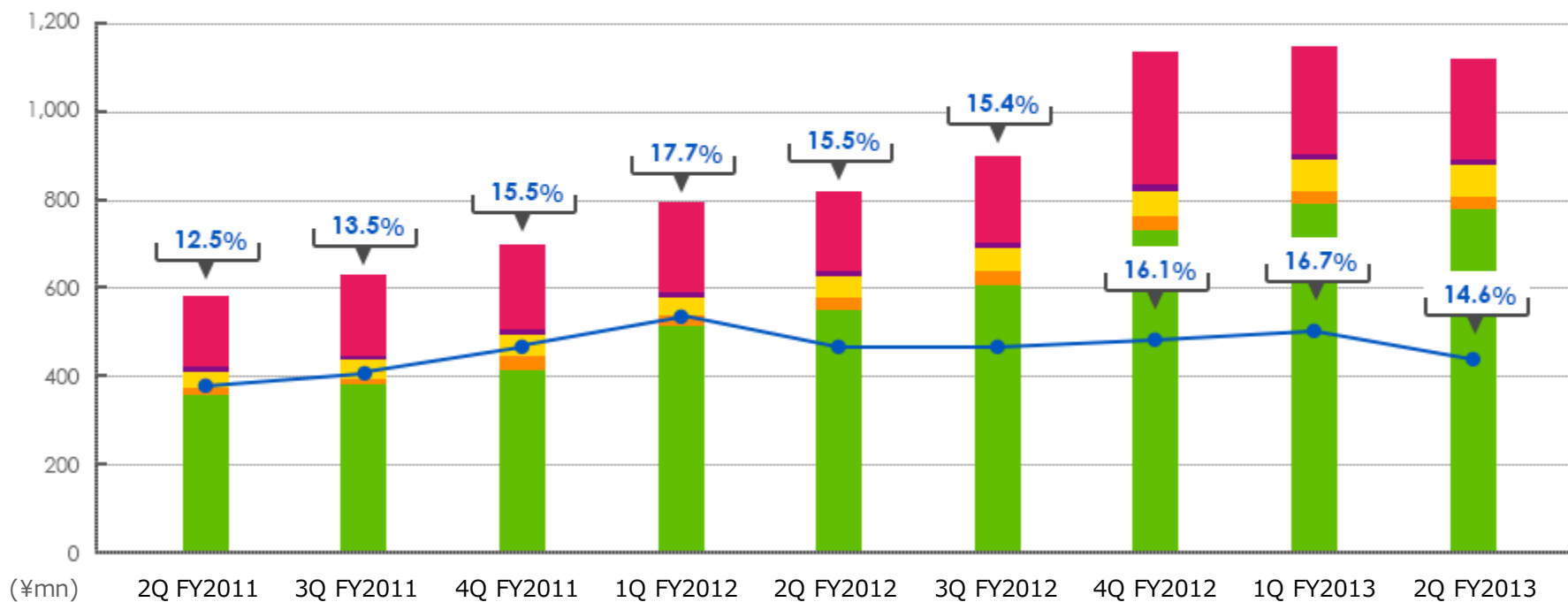
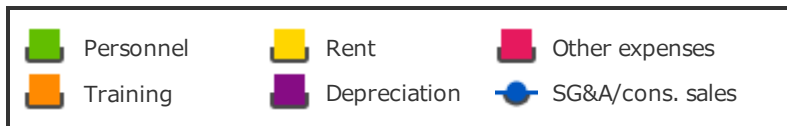
5. Supplementary Materials

Consolidated Cost of Sales (Quarterly)



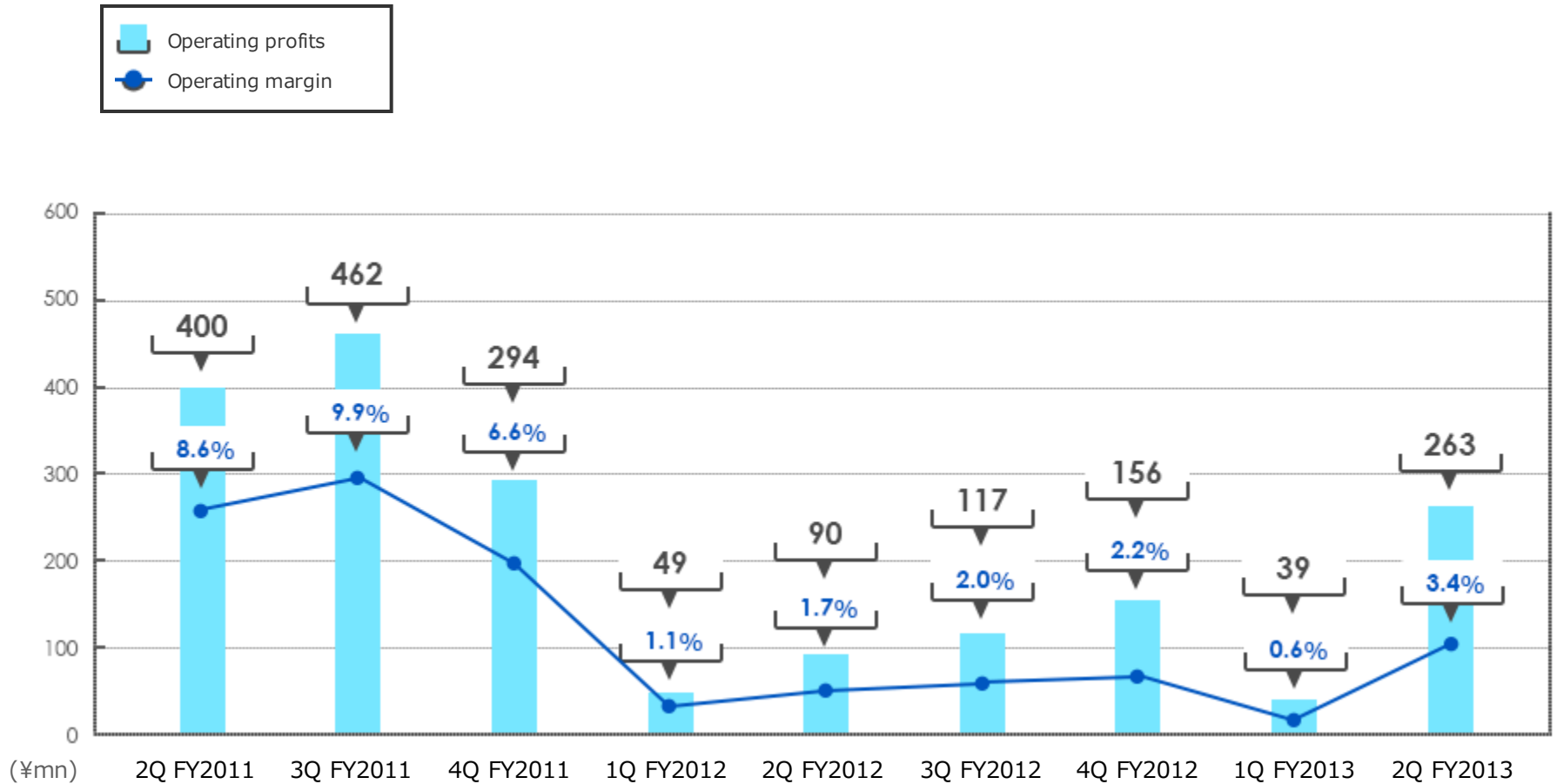
5. Supplementary Materials

Consolidated SG&A Expenses (Quarterly)



5. Supplementary Materials

Consolidated Operating Profits (Quarterly)



5. Supplementary Materials

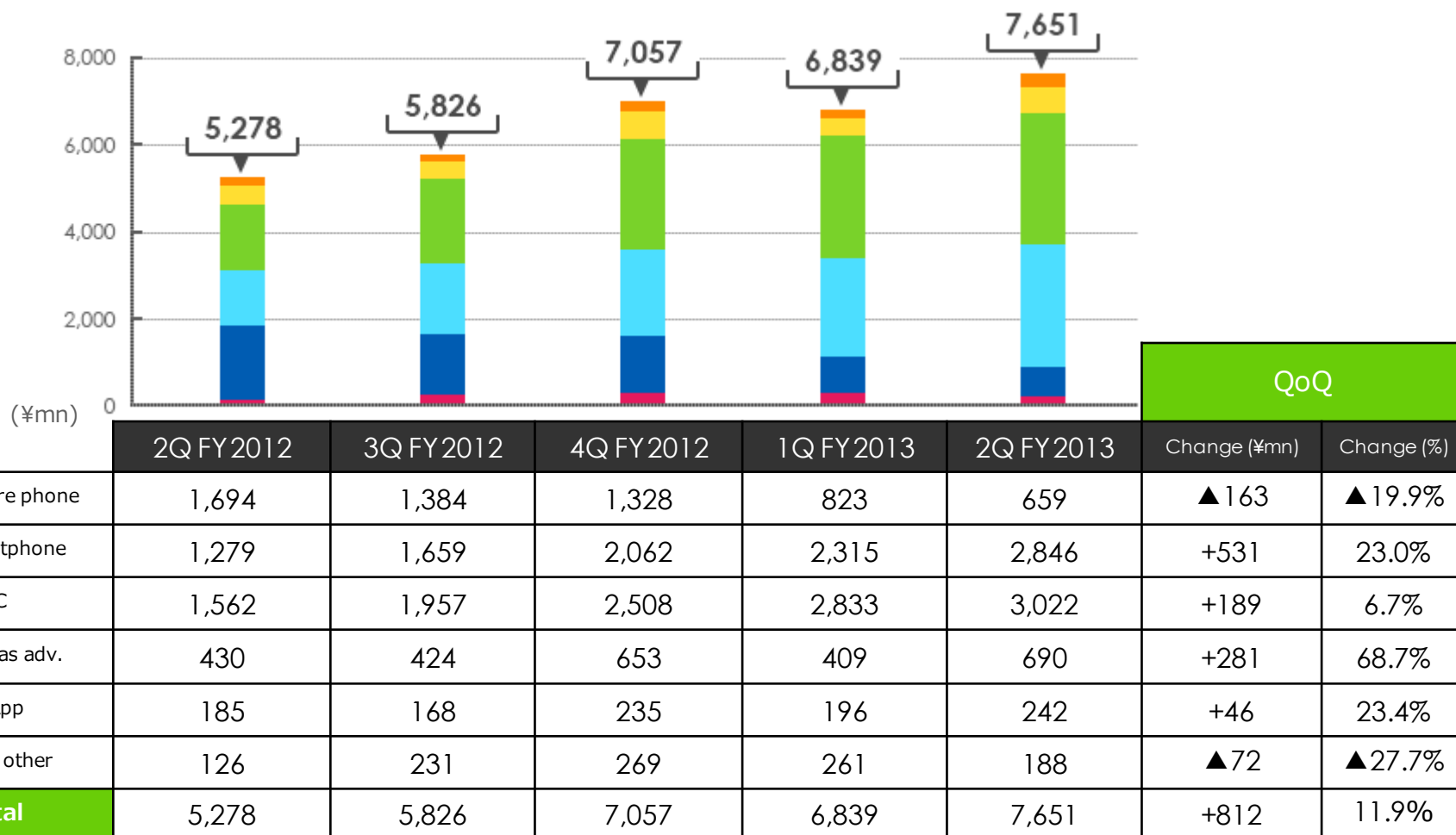
Consolidated Balance Sheet (QoQ)

(¥mn)

	2Q FY2013	1Q FY2013	Change (¥mn)	Change (%)
Current Assets	8,888	7,680	+1,208	+15.7%
(Cash and Deposits)	4,531	3,912	+619	+15.8%
Fixed Assets	1,249	1,282	▲32	▲2.6%
Total Assets	10,137	8,962	+1,175	+13.1%
Current Liabilities	4,856	3,974	+882	+22.2%
Fixed Liabilities	52	50	+1	+3.2%
Total Liabilities	4,909	4,025	+883	+22.0%
Net Assets	5,227	4,936	+294	+5.9%

5. Supplementary Materials

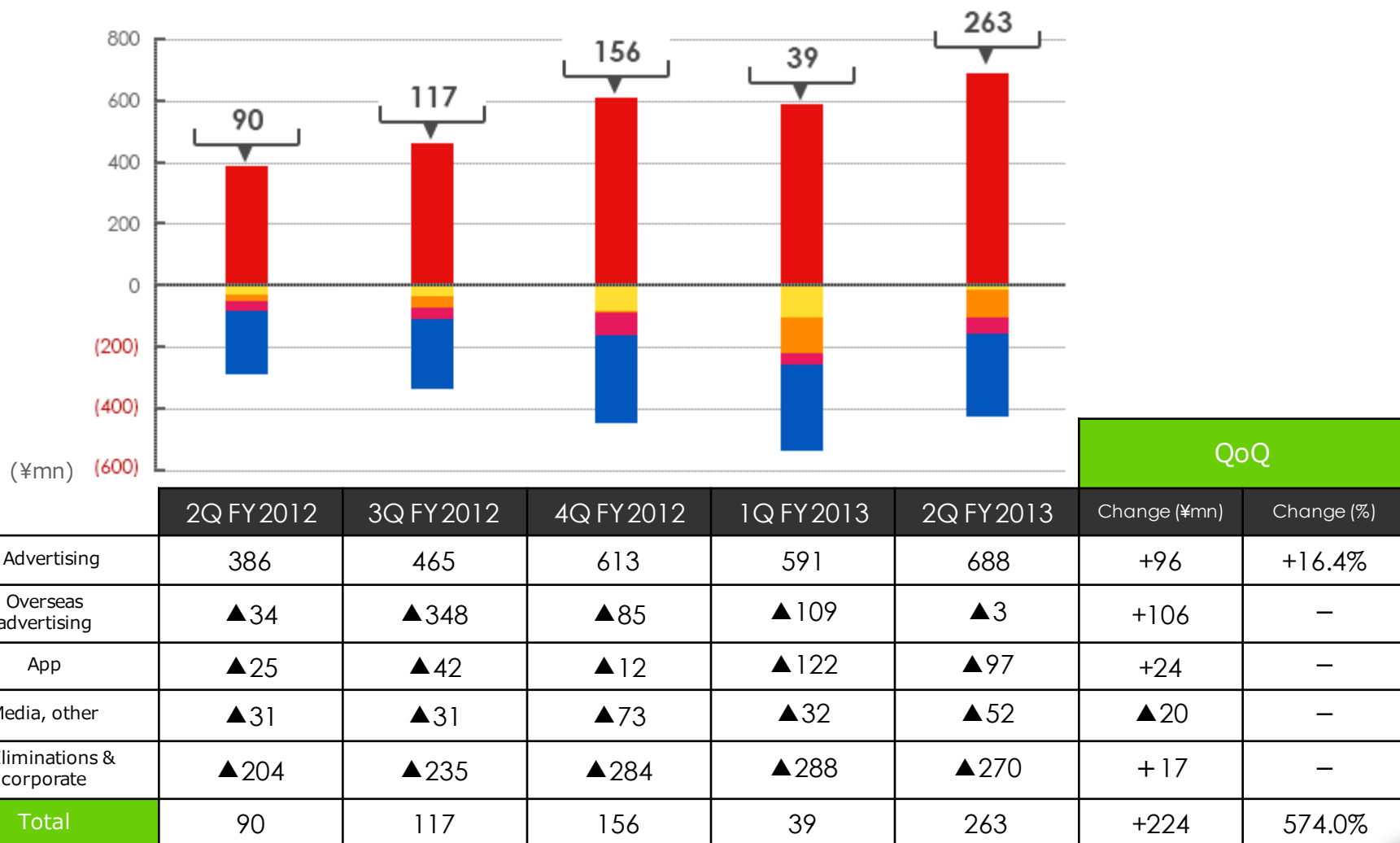
Breakdown of Consolidated Sales by Segment (Quarterly)



※“Smart C” affiliate advertising sales in smartphones which was previously included under the feature phone segment has been classified under the smartphone segment since 1Q FY3/13.

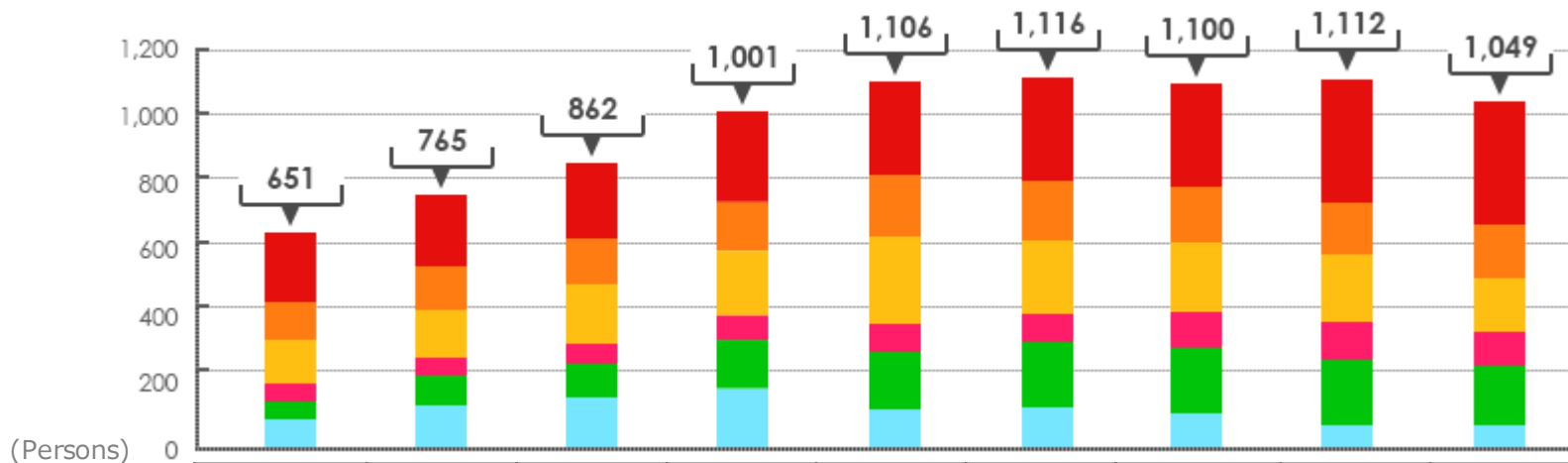
5. Supplementary Materials

Breakdown of Consolidated Operating Profits by Segment (Quarterly)



5. Supplementary Materials

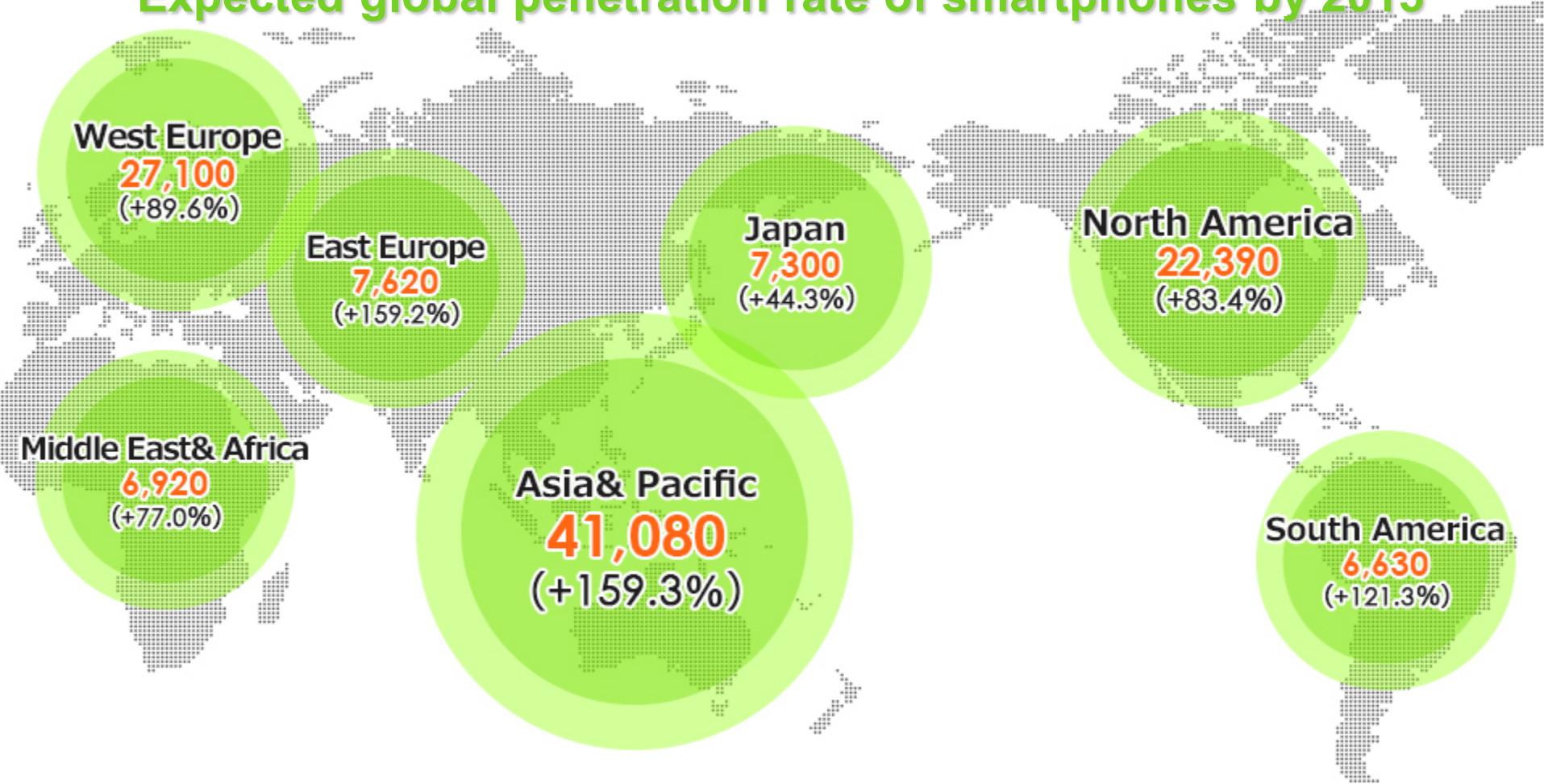
Group Employees (Quarterly)



	2Q FY2011	3Q FY2011	4Q FY2011	1Q FY2012	2Q FY2012	3Q FY2012	4Q FY2012	1Q FY2013	2Q FY2013
ADW Japan	208	213	231	272	282	305	309	368	374
ADW China	115	133	138	142	185	181	169	154	163
ADW Shanghai (R&D center)	131	139	174	189	256	219	210	206	159
Domestic subs	51	56	56	70	88	89	102	111	103
Overseas subs (ex. China)	52	84	100	149	171	190	195	192	184
Temps, part-timers	94	140	163	179	124	132	115	81	66
Total	651	765	862	1,001	1,106	1,116	1,100	1,112	1,049

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.
Founded	February 28, 2001
Business overview	Internet advertising business (domestic and overseas) App and media business
President & CEO	Haruhisa Okamura
Capital	¥1,487mn (as of end-September 2013)
Net Sales	¥22,639mn (FY2012, Consolidated)
Employee	1,049 including temporary workers (as of end-September, 2013)